SERVE UP SOME HUON SALMON

HUON AQUACULTURE

HUON AQUACULTURE GROUP LIMITED

ANNUAL REPORT 2021

BALANCING THE HUON CHANNEL MIX

Contents

Annual General Meeting 2021

The Annual General Meeting of Huon Aquaculture Group Limited will be held online as a Virtual AGM on 29 October 2021. Details on how to participate will be included in the Notice of Meeting.


NEIL KEARNEY


PETER BENDER

Chairman's and Managing Director's Review

Dear shareholder,

This has been a turbulent year for Huon. On the one hand operational performance has continued to meet or exceed expectations with overall volumes boosted by strong fish performance including a record average weight of 5.77/HOG kg for the harvest in the first half. Offsetting this there were significant challenges in relation to the functioning of the global salmon market due to COVID-19 induced disruptions to traditional market segments. This was reflected in an 10% decline in the average salmon price received by Huon in FY2021 compared to the previous year.

The arrival of COVID-19 in early 2020 coincided with a significant increase in Huon's production, the groundwork for which had been laid two years earlier. 2020 was also the culmination of a five year capital investment programme designed to modernise Huon's infrastructure and increase its production capacity to meet the expected growth in demand for at least the next five years. The impact on demand in the last quarter of FY2020 and throughout most of FY2021, particularly on the food service sector globally, has meant that alternative markets have had to be found with the excess supply creating significant downward pressure on the salmon price. Around half of Huon's increased production in FY2021 was destined for the international market.

Huon's ability to access new markets offshore was also constrained by the closing of many international borders including the imposition of tight restrictions on air travel by the Australian government. With limited access to commercial flights the government provided industry support via the International Freight Assistance Mechanism. Despite this, Huon's cost of freight for export markets more than doubled over the past year with serious implications for profitability. These restrictions remain in place and are unlikely to be lifted or return to more 'normal' pre-COVID levels until FY2023.

The domestic market recovered during FY2021 from the initial shock of the lockdown in March 2020. Huon's strong focus on increased sales and volumes into the domestic market succeeded in capturing the majority of volume growth in the market including increasing its share of the retail segment. As hospitality and food service businesses progressively re-opened, particularly in the second half of the year, the Company experienced a steady increase in demand from the domestic wholesale market. By the end of the financial year wholesale volumes were close to matching the previous record achieved in FY2017.

Huon's record production volumes for FY2021 shifted the Company's strategic focus to growing the market and locking in contracted sales to the domestic retail channel and internationally. Early expectations of an annual harvest of at least 36,000 tonnes were revised down to 35,000 tonnes following a decision to manage the number of fish in the water to a more consistent harvest profile across the year. Nevertheless this harvest represents a 39% increase on FY2020 and is a record for the Company.

Business performance

The strong performance of Huon's farming operations in FY2020 was replicated in FY2021 as good growing conditions, combined with further productivity gains from the infrastructure delivered through the investment program, produced excellent fish performance. However the COVID related disruption to the global salmon market, in the form of reduced demand from the food service sector, higher freight costs and a lower salmon price, persisted throughout the year.

Huon delivered revenues of $426.4 million, an increase of 25% on the previous year largely due to the 39% increase in harvest volumes from 25,566 tonnes to 35,611 tonnes. Revenues were impacted by an average 10% fall in salmon prices to $11.97/HOG kg due to the increased volumes sold through the lower priced export market and lower domestic wholesale pricing.

Huon's statutory net result after tax (NPAT) recorded a loss of $128.1 million, including a $79.9 million after-tax non-cash impairment charge, a decline on the $4.9 million profit in FY2020. This was influenced by a $16.0 million decrease in the Fair Value Adjustment (FVA) due to the reduction in the value of biological assets over the year. The lower pricing environment resulted in a 65% fall in Operating EBITDA from $47.3 million to $16.7 million.

The decrease in the FVA reflects the 17% decline in the overall fair value of biological assets during FY2021 from $264.0 million to $218.3 million. Huon continues to manage its harvest in response to the disruption being caused by the pandemic and as a result it expects the harvest for FY2022 to stabilise around 34,000 tonnes.

During the year net debt fell from $167.3 million to $133.3 million as a result of the capital raising. Gearing levels were maintained at 54.3% as a consequence of the reduction in total equity arising from the $79.9 million after-tax impairment charge.

Strategy

Huon's long term strategy remains unchanged with its growth path guided by its commitment to grow the market; increase production and improve operational efficiency; and to operate safely and sustainably. Nevertheless the spread of the coronavirus across the globe since February 2020 and the containment measures put in place by the Australian government to restrict international air travel put a halt to the momentum that had been building in the business.

Huon's production volumes in FY2021 reflected decisions made in FY2019 to increase harvest capacity from around 20,000 tonnes that year to 40,000 tonnes. At that time market dynamics locally and internationally pointed to the increasing demand for salmon outstripping the rate of growth in supply. While this position remains fundamentally unchanged over the medium to long term, it is clear that the short term disruption to the market due to COVID-19 has required a reset to the pace at which we pursue this growth.

The record volumes produced over the past year also saw the successful implementation of a marketing strategy focused on increasing Huon's market share domestically and accelerating its push to develop new markets offshore. Certainty of supply has also provided the first opportunity in many years for Huon to address its long term goal of delivering a better balance to the mix of channels through which it sells salmon. As a result Huon will, over the next two years, deliver a significant reduction in risk to the business from price fluctuations, particularly from the export channel.

The outlook for FY2022 currently remains one of continued restrictions globally in the face of emerging COVID variants. A return to 'normal' domestically is also dependent on the completion of a national vaccination program, the freeing up of supply chain blockages globally and the return of international travel which is not expected until at least March 2022. As a consequence the strategic focus is likely to remain similar to the past twelve months.

Capital Management

The onset of COVID-19 in late FY2020 was followed by a second wave in Melbourne which led to a four month lockdown from July to the end of October. This heightened the level of uncertainty surrounding the outlook for both the domestic and global economies over the following 12-18 months. The Board took the view that decisive action was needed to ensure the company remained well capitalised during the period in which the negative impacts of COVID-19 on the salmon industry were likely to remain in effect. In September 2020 Huon raised $66 million in equity through a placement and Share Purchase Plan (SPP), enabling the business to focus on its core strategy, pay down debt and meet the capital requirements of the Group through 2021.

The Board also indicated that the dividend remains suspended until the business returns to profitability with cash flow prioritised for operational requirements and the repayment of debt.

Downward revisions to the outlook for production volumes have eased capital expenditure requirements in the short term. This, together with the significant investment in new infrastructure over recent years, resulted in annual capex of $9 million in FY2021 reflecting maintenance expenditure.

People

As Huon expanded production capacity and increased its marketing efforts during the year, the number of employees increased by 10% to 797. With the pandemic remaining an ever present potential threat throughout the year, COVID-19 safe workplace practices were embedded across the business enabling both operational and office-based employees to continue working in a COVID-safe way. A review was also undertaken of all existing training practices, embedding new approaches to ensure training was not impacted.

The business continued to operate 'as normal' with no disruptions to the ongoing operations of the business.

It is particularly pleasing that this focus on constantly updating and developing the health and safety programs within the business translated into a significant improvement in safety performance during FY2021.

Conclusion

There is no question that the business has faced some of the most significant challenges in its history over the last eighteen months. The temporary closure of markets due to the coronavirus pandemic, together with the ongoing disruption to international trade and the grounding of international flights have been costly.

Huon has however also delivered some milestone achievements during this time as it rose to the challenge. A national advertising campaign, directed at growing per capita consumption in the domestic market, was launched in late 2020. As a result we saw growth in demand for salmon in the second half return to its pre COVID growth rate of 10%pa. Huon also increased its capability to supply fresh salmon to outlets in Western Australia following the opening of the Forrestdale processing facility. It was also successful in winning tenders to supply the national supermarket chains, with supply contracts commencing in April and May 2021.

Over the next two years however the business will be managed to meet the growth in domestic market demand and our growing share of the retail and wholesale channels. To do that our production volumes will be maintained at current levels with a continued focus on driving further production efficiencies.

While your board is confident that the investments made in recent years will support the growth of the business over the long term, the financial impact on the business from COVID-19 led to a number of unsolicited approaches from third parties earlier during the year. As a result a strategic review was initiated in February to assess the potential for corporate level transactions. On 6 August 2021 Huon announced that it had entered into a Scheme Implementation Deed with JBS, a global producer of land based proteins with significant operations in Australia, to acquire 100% of Huon shares by way of two alternative Schemes of Arrangement (Schemes). On 13 August 2021 Huon entered a process agreement with JBS to provide for the making of a recommended takeover bid (Offer). The Offer will be in parallel but not in substitution to the Scheme and will be subject to the Schemes not becoming effective (among other conditions). Huon shareholders are expected to have the opportunity to vote on the Scheme in October 2021.

On behalf of the Board I wish to extend our appreciation to all Huon employees for their efforts and commitment shown during the current pandemic. Our thanks also go to our customers, suppliers, local communities, and our shareholders for their support over the past year.

Neil Kearney
Chairman

Peter Bender
Managing Director and
Chief Executive Officer

Review of operations

Operating overview

Huon Aquaculture's financial performance in FY2021 continued to be affected by the significant disruption in late FY2020 to its two main channels to market – wholesale and export. Sales to the **wholesale channel** progressively recovered during the year as restaurants opened, workers returned to their offices and the food services sector began to recover. By year end, volumes sold into the wholesale channel had increased 18% on pcp to levels not seen since FY2017, however weaker pricing saw revenue unchanged on the previous year.

The majority of the increased supply of fish, which resulted from the planned increase in production, was intended for sale into the export market in FY2021 and FY2022. This would provide a period of transition until new contracted markets were established both domestically and offshore. A key component of the strategy to grow the market therefore has been for Huon to find new and reliable markets offshore. During the year **contracted volumes sold into the international market** increased 150%, accounting for 11% of revenue, with Huon now selling into nine different markets across the Asian region as well as the US. Volumes sold into the spot export market in FY2021 increased 32% on the previous year to 11,418 tonnes, however revenue was adversely affected by a 20% fall in the salmon price to an average 47 NOK(1) for the first eight months of the year compared to the same period the previous year (cf 59 NOK). With increasing diversification of markets over time the aim is to reduce Huon's exposure to the more volatile pricing environment of the spot export market to around 10% by 2023.

Growth rates during the first half of FY2021 were excellent with fish size more competitive in the wholesale market and more acceptable for export markets. With exports accounting for 27% of revenue, the low export price throughout the first, second and third quarters was the main contributor to the 10% drop in Huon's overall weighted average sales price to $11.97/HOG kg for FY2021.

In November 2020, Huon experienced two separate incidents involving damage to the netting of fish pens resulting in fish escapes. The loss represented 0.2% of the biomass with an estimated cost of around $2 million. The organised theft of salmon during the first half from the Ingleburn processing facility in Sydney was uncovered in December leading to a number of arrests with charges laid and legal proceedings underway. The overall net cost is expected to be around $2 million.

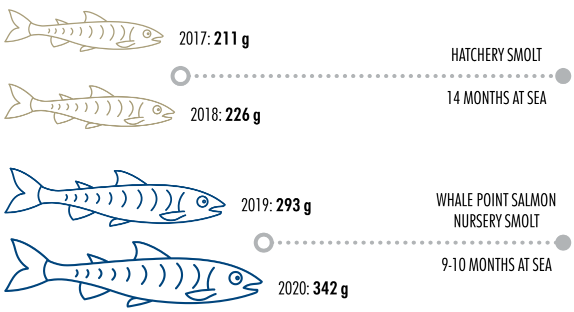
1 Fish Pool Price Index

Performance improvement

Growing conditions during the first half were excellent with overall volumes boosted by strong fish performance which resulted in a record average weight of 5.77/HOG kg for the harvest. This weight is the best in over a decade and well above the average over that time of 4.53/HOG kg. Harvest volumes in the second half declined, reflecting the decision to keep some stock in the water longer and to start flattening the production profile through FY2022. Conditions were also not as favourable in the second half with elevated average water temperatures through to April, resulting in slower growth and an average weight at harvest of 4.73/HOG kg.

A key indicator of the gains being achieved from changing the way Huon farms is the reduced cost of production per HOG kg. In the first half this fell 16% to $8.86/HOG kg (excluding freight) assisted by the significant increase in volumes. Although production costs per HOG kg were higher in the second half (+8% on pcp) due to slower growth and less fish in the water, the overall cost of production fell 5% year on year to $9.65/HOG kg.

Huon Smolt to Sea
Average size (grams)



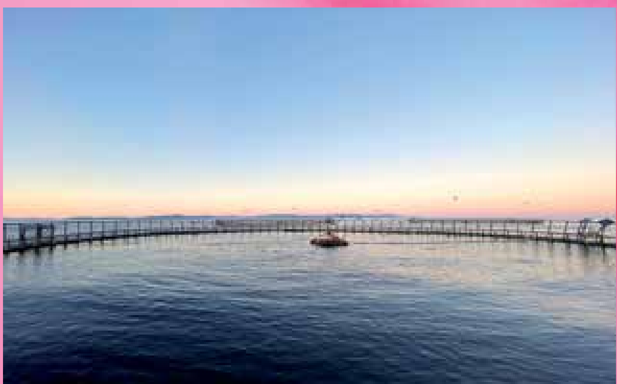
A key contributor to this trend has been the integration of the Whale Point Salmon Nursery into the Huon Farming Method. Since 2019 when Whale Point opened the average size of the smolt put to sea has steadily increased from 211 grams for the 17 Year Class salmon up to 342 grams for the 20 Year Class salmon. The key productivity benefit of this is that it has reduced the amount of time that the salmon spend at sea to achieve minimum harvest weight from 14 months down to 9-10 months.

In the short term, however, one of the most significant impacts from COVID on the business has been the additional freight costs applied to the sale into export and international markets of 44% of all salmon produced during the year. This resulted in freight charges doubling over the year to $66 million, compared to $32 million in FY2020. The export freight costs alone equated to an extra $1.85/HOG kg on top of the $9.65/HOG kg cost of production.


HUON
SALMON

Review of operations

NET CLEANING (ABOVE)



STORM BAY (PHOTO: RICK CHAMPION)

RONJA STORM (PHOTO: AARON BRAITHWAITE)

FORRESTDALE PROCESSING FACILITY

PROCESSING FACILITY PACKING ROBOTS

New processing facility in Western Australia

In November 2020 Huon opened its value-added processing facility in Forrestdale, Western Australia. It represents an important milestone for the Company as it strengthens Huon's ability to fulfill major retail contracts and create value-added products on-site to meet local demand.

The Forrestdale site has been fitted out with specialised equipment similar to its sister facility at Ingleburn in New South Wales. In line with Huon's biosecurity plan, Forrestdale has been designed with a strong focus on food safety and biosecurity. The site will be independently audited multiple times per year to comply with the industry's stringent certification requirements.

Huon's long term plan is to install a second processing line in the facility which will allow for multiple species to be processed using state of the art equipment. This will provide another stepping stone towards farming Yellowtail Kingfish in the state.

Capacity

From 2017-2019 Huon invested in new infrastructure that would support a significant expansion in production capacity from around 20,000 tonnes up to 40,000 tonnes. The timing of the first stage of this expansion, with the 2019 Year Class ready for harvest in 2021, ran headlong into the first wave of the pandemic.

The global pandemic had an immediate impact on the harvest program in 2H2020 as the significant disruption to the wholesale and export markets in the final months of the year slowed the harvest. This resulted in some fish remaining in the water for longer with their harvest carried into FY2021. A similar pattern played out in FY2021 as early expectations that markets and international travel would begin opening up by calendar year end were quickly put to rest. Projections of a harvest of at least 36,000 tonnes were adjusted down as a result of changes to production planning and scheduling designed to move the annual harvest to around 35,000 tonnes, starting in FY2021. While markets continue to be impacted by restrictions placed on freedom of movement by the pandemic, Huon will hold production levels below capacity for the next two years.

Review of operations

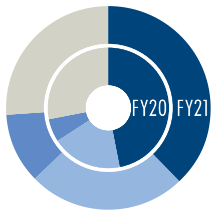
Huon's channels to market

Achieving balance in the channel mix through rebuilding and growing supply through the domestic retail channel was the main priority for Huon during FY2021, and will remain so in the current year. The domestic retail channel continued to grow strongly and in FY2021 accounted for 7,226 tonnes or 20% of sales volume compared to 4,421 tonnes (17% of sales) the previous year. Huon made strong, direct gains in the retail segment with salmon sales up 61% as a result of new supply agreements, the launch of a new range of value-added products and increased focus on customer development. Importantly, average pricing into this channel fell only slightly (-1%) on the previous year.

A new processing facility was opened in Western Australia in December to strengthen Huon's ability to meet major retail contracts and create value-added products on-site to meet local demand. Such initiatives reflect Huon's commitment to growing supply through the retail channel, a focus which will accelerate through 2021 with the support of an intensive advertising campaign nationally.

The wholesale market remains an important channel for Huon in the domestic market, accounting for 38% of revenue in FY2021. Volumes sold through this market were significantly disrupted in the second half of FY2020 (-20% on pcp) due to COVID. While they quickly recovered in 1H2021, with volumes sold through this channel now 18% higher in FY2021 compared to the previous year, pricing was significantly impacted (-15% on pcp). This was largely due to the ongoing disruption to the food service sector from COVID, including the second lockdown in Victoria which lasted for almost four months and stunted a faster recovery. Huon responded with the launch of nationwide advertising and marketing campaigns which will run throughout 2021, designed to stimulate demand through this channel and continue growing the size of the market.

FY2021 Channel Mix
% of total revenue



- Wholesale 38% (47%)
- Retail: Domestic 25% (19%)
- Retail: International 11% (6%)
- Export 26% (28%)

Wholesale Channel
Sales volume

+18%

% of total revenue

-18%

Impacted by sales pricing and freight

Huon's strong focus on increased sales and volumes into the domestic market succeeded in capturing the majority of volume growth in the market during the year and increasing its share of both the wholesale and retail segments.

The work put in over the past five years into building a network of close relationships with a range of overseas distributors and retail clients resulted in contracted sales to the international retail channel continuing to grow strongly. Huon now sells into a diverse range of markets with volumes increasing 150% on pcp and sales as a percentage of revenue close to doubling from 6% to 11% over the year. Growing this market and limiting Huon's exposure to the more volatile pricing environment of the spot export market is a key focus now that Huon is able to guarantee consistent supply from its increased production capacity.

Review of operations

Salmon prices

Pricing in the domestic market was mixed in the first half with the wholesale channel experiencing a 21% fall to $12.05/kg in response to the weakened international salmon price and discounting to stimulate demand. Sales into the retail channel on the other hand grew strongly with prices increasing by 5% on pcp to $15.14/kg due to a shift in sales mix to higher priced value-added products.

The situation reversed in the second half with domestic prices falling on average by 8% on pcp due to a 9% fall in the wholesale price. Across the year Huon experienced a 15% fall in its average wholesale price ($12.44/kg) compared to pcp while retail prices fell slightly from $14.91/kg in FY2020 to an average $14.65/kg.

International salmon prices remained depressed throughout most of FY2021, averaging 47 NOK/kg[1] until February 2021. With most of Huon's sales occurring during this period, the average spot export price received over the year fell 7% to $9.96/kg and the contracted retail price for sales to international customers fell 15% to $11.43/kg.

Since February 2021 average prices have returned to pre-pandemic levels of around 64 NOK/kg. This is consistent with the Fish Pool Index futures price for salmon of an average 62-63 NOK/kg in FY2022 due to underlying supply constraints affecting the major producing countries.

Impact of COVID-19 in FY2021

Huon continued to operate 'as normal', albeit with modified policies and procedures to contain any potential outbreaks of COVID-19 within the business, throughout the year. Huon participated in the Government's JobKeeper Scheme up to September 2020. There were no disruptions to the ongoing operations of the business.

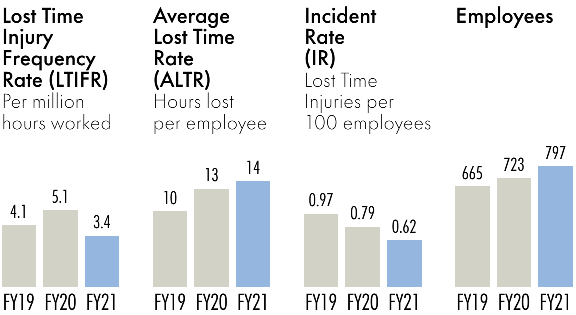
The closure of Australia's border and the grounding of international commercial flights remained in place throughout the year. This created a major problem for companies like Huon that rely on delivering their product fresh to consumers within days of harvest. While access to international markets was maintained with the support of government through the International Freight Assistance Mechanism, freight costs more than doubled during the year to $66 million.

Domestic demand increased during the year, despite the extended lockdown in Victoria from July until October and other State by State localised, snap lock-downs as part of the strategy to keep community transmission at bay. However while Huon experienced increased sales volume across all channels, prices dropped on average by 10% relative to FY2020 due to the significant decline in the international salmon price for the majority of the year. It is estimated that approximately $43 million in revenue was forgone due to that factor alone.

One positive benefit to come out the pandemic is a much greater awareness of salmon as an alternative protein to chicken, beef or pork. This is evidenced by the 61% growth in domestic retail sales, including retail fish shops and e-commerce channels, compared to the previous year. A significant investment by the salmon industry, including Huon, on advertising in the second half of FY2021 contributed to this but it is also expected to deliver long term benefits through increased per capita consumption with more consumers now familiar with salmon as a weekly family menu item.

1 Fish Pool Price Index

Review of operations



People and Safety

Developing People, Culture and Leadership

This year, Huon invested in its future by placing strong emphasis on the recruitment of new talent and the retention of existing talent through recruiting for positions across all divisions. The total headcount increased 10% during the year to 797 employees (June 2020: 723), primarily across processing and marine operations due to the increase in capacity and harvest, as well as the addition of the Forrestdale processing facility in Western Australia.

Huon continued to focus on employee engagement with an Engagement Survey being completed in late 2020. As a consequence several key actions were implemented including more varied communication methods, change management training, and activities designed to help our employees understand how their role helps Huon live its values. Huon continues to engage with employees and managers alike in enhancing the everyday employee experiences; this included broadening the way it manages communications with employees to account for the wide variety of locations and functions in which they operate.

A review was undertaken during the year of all our existing training practices, embedding new approaches to ensure training continues despite the COVID-19 pandemic. There was continued focus on compliance training with many employees completing training such as First Aid, Oxy Resuscitation and other role-specific training. There are currently 79 employees completing VET sector qualifications in aquaculture, seafood processing, engineering fabrication, work health and safety, supply chain operations, and electrical apprenticeships.

Language, literacy, and numeracy support continue to be made available to employees requesting support to assist them in their everyday work and life.

Safety and Wellbeing

Huon's priority over the last year has been the safety and welfare of its people throughout this unprecedented period of uncertainty. COVID-19 safe workplace practices have been embedded across the business enabling both operational and office-based employees to continue working in a COVID-safe way.

A major achievement during the year was the introduction of Huon's own Hazard Reporting App. This was designed to make it easier for employees to report incidents or hazards and has also improved the assessment and reporting of these incidents. The introduction of the app resulted in a significant increase in the number of hazards and incidents reported, particularly near-miss incidents, due to the ease of reporting. This has allowed underlying issues in the safety of operations to be addressed before an incident occurs, enabling Huon to continually improve the way it operates.

In alignment with ISO45001:2018, Huon has reviewed its OHS Policies, procedures and SOPs with a focus on high risk work. It has made these updated documents available on the dedicated OHS portal on Huon's intranet.

Overall safety performance continued to improve, particularly the LTIFR which fell 32% from 5.1 injuries per 1 million hours worked down to 3.4. Another achievement was the 21% fall in the Incident Rate from 0.79 Lost Time Incidents per 100 employees in the previous year to 0.62.

Review of operations

Outlook

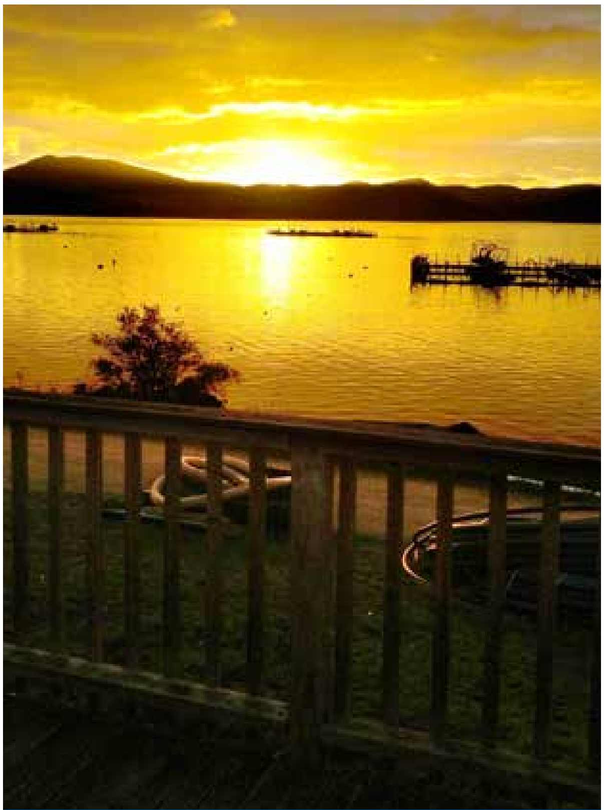
Huon's focus in FY2022 will be to manage production within the expanded capacity established in FY2021, to continue to grow the market and to lock in contracted sales both domestically and offshore. Annual production volumes for the next two years are therefore planned to average 35,000 tonnes.

Huon's channel mix is likely to see a reduction in sales volumes through the spot export market from 32% in FY2021 to around 20% in FY2022. This will be in no small measure due to Huon's success in winning new contracts with the major supermarkets and other independent outlets to supply the domestic retail market from late in 2H2021. Retail sales should at least reflect the growth in demand (+10%pa), supported by Huon's increased capability to supply fresh salmon to outlets in Sydney and the regions through its processing facility in NSW and, from November 2020, to Western Australia following the opening of a similar facility in Forrestdale, south of Perth.

Huon's success in increasing contracted volume sales (+150% on pcp) into international markets, despite the travel restrictions imposed by COVID during the year, will further underpin the reduction in volumes that are channelled into the spot export market. Within the next 2-3 years this, together with the increase in domestic retail sales, will assist in delivering more stable Group financial performance.

The strong performance of the 20 Year Class salmon is expected to deliver a similar above average HOG weight in FY2022 to that achieved in FY2021 (5.24 kg). This, together with the reduced cost of managing Year Classes since 2019 due to the productivity gains delivered from investing in new infrastructure, is expected to result in a cost of production (excluding freight) averaging around $10.50/HOG kg.

Revenue will depend on pricing which, compared to the outlook at the beginning of FY2021, is currently looking much more promising for FY2022. While uncertainties remain regarding the pace and scale of the economic recovery globally, Huon is confident of recording an increase in both revenue and operating EBITDA given the forecast volume and improving price expectations.



DOVER OFFICE VIEW

Operating in unique environments

Huon is fortunate to farm in Tasmania's unique environment, allowing the Company to raise salmon in locations in which they thrive. From the time Huon Salmon start their life in hatcheries up until they are harvested, their environment plays a vital role in their health, growth and quality.

Onshore

Hatcheries

Hatcheries allow Huon to mimic the natural lifecycle of salmon, synchronising batches of salmon to go out to sea at different times of the year, enabling the supply of fresh healthy fish all year round. Located throughout Tasmania, they allow Huon to take advantage of different water and environmental conditions and maintain high standards of biosecurity.

Whale Point Salmon Nursery

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

Processing

The Paramatta Creek (Devonport), Ingleburn (Sydney) and Forrestdale (Perth) processing facilities are three of the most advanced in the world, ensuring the fish are as fresh as possible when they go to market. The Forrestdale facility was opened in November 2020 ensuring the Western Australian retail market also has access to fresh, top quality salmon.

Marine regions

Macquarie Harbour

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

Huon River and D'Entrecasteaux Channel

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

Storm Bay

Huon began farming Storm Bay in 2014 as part of its long term growth strategy to shift salmon farming into high-energy offshore sites. The East of Yellow Bluff lease in Storm Bay allowed Huon to restructure the offshore farming operations resulting in comfortably increased annual harvests of approximately 35,000 tonnes with the ability to increase further within the existing lease sites.

Western Australia

The Western Australian Government is undertaking development of the Geraldton-based finfish nursery project, allowing Huon to unlock the next chapter of its plans to commercially farm Yellowtail Kingfish (YTK) in WA's Midwest. Huon is now fully licensed to begin aquaculture operations in the mid-west once development is complete.

Map Key

- **Office or sales team**
- **Processing facilities**
- **Farming regions**

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

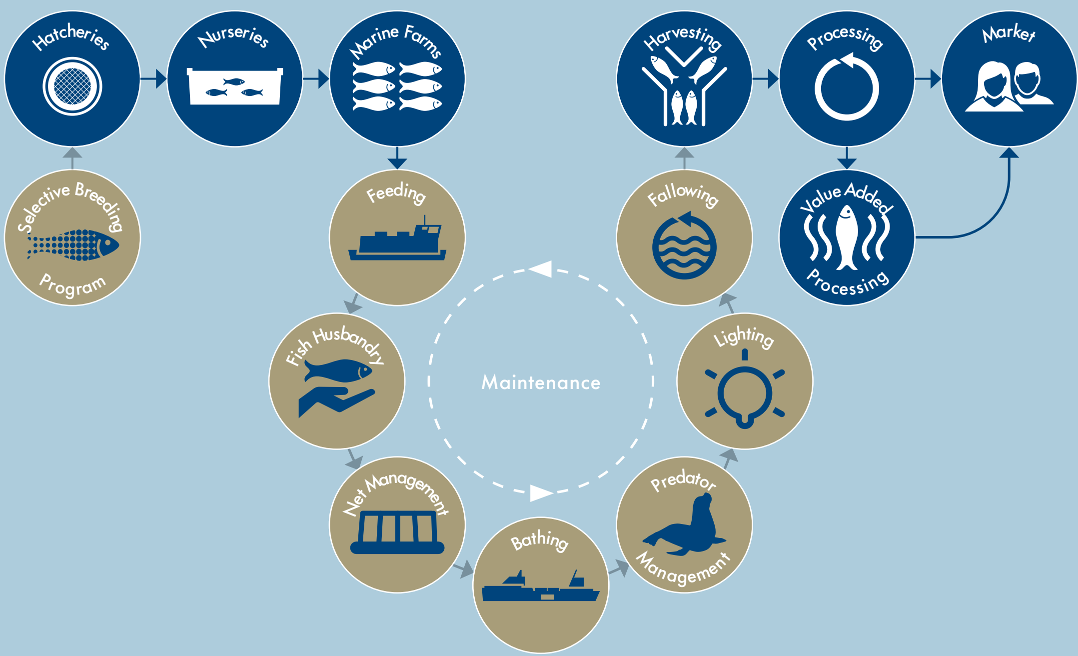
Separation of smolt and growout by lease zone

Growing Salmon


RONJA STORM


GILL CHECK

As a vertically integrated salmon producer, Huon's operations span hatcheries, nurseries, marine farming, maintenance, harvesting, processing, value adding, marketing, sales and distribution.



Huon has a reputation for leading innovation across all areas of its operations.

Feed control-room

Feeding is monitored from Huon's central feed control-room in Hobart. Automated feeding software ensures fish are fed 24/7, 365 days a year, in all weather conditions.

Forest Home Hatchery

A second generation recirculation hatchery that delivers outstanding smolt quality and larger smolt sizes with a reduced environmental footprint.

High-energy offshore sites

Deeper, high-energy sites at Storm Bay mean that pens are located in areas with stronger currents and greater water movement. Resulting in better fish performance.

Feed Barges

Two of the largest unstaffed fully automated feed barges are moored at Storm Bay.

Whale Point Salmon Nursery

By growing our salmon larger on land, we improve the efficiency of our overall production cycle by reducing the time our salmon spend at sea from 14 months, to 9-10 months. Importantly the reduced time at sea reduces Huon's agricultural and environmental risks.

Fortress Pens

Designed to operate in one of the roughest farmable waters in the world with a double net system, which has reduced predator risk.

Wellboats

Regular bathing and grading of salmon and harvest grade fish transferred to Hideaway Bay.

Harvesting

There is a direct relationship between harvesting and the quality and freshness of the end-products and by focussing on low-stress, humane, night-harvesting, using RSPCA-UK certified equipment, Huon consumers experience fresher, high quality salmon year-round.

Whale Point Salmon Nursery – Generating Results

WATER FILTRATION

FISH TANKS

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

98%

'FISH OUT PIPES' TO RONJA STORM

WHALE POINT SMOLT (~300 GRAMS) PHOTO: BIILUND PATRICK TIGGERS

Huon opened the technologically-advanced Whale Point Salmon Nursery in February 2019. Since then, it has revolutionised the way salmon is farmed, from lifting operational efficiency to improving fish health, welfare and biosecurity. Here we look at what has been achieved at Whale Point in the past two years.

Huon's decision to build the Whale Point Salmon Nursery enabled the Company to increase its capacity to grow smolt on land to a larger size before transferring them to sea. This allows Huon to make the best use of the increased capacity delivered by the expansion into Storm Bay.

Two years after Whale Point was commissioned, not only has it delivered on that goal but it has also increased the operational efficiency at both Lonnavale and Forest Home, our southern freshwater hatcheries. Both of these hatcheries are now growing fish to 50-100 grams before being transferred to Whale Point to grow up to 300 grams or more before their transfer to sea. This allows more fish to be grown at our hatcheries, increasing overall biomass production. The average time Huon salmon now spends at sea has either been reduced, or allowed the harvesting of larger fish for the same time at sea, and at the same time the harvesting schedule is able to deliver a more even harvest weight profile all year round.

The nursery includes a one kilometre-long over/underground 'fish-out pipe' which transfers smolt directly from Whale Point to the 116m-long wellboat, the *Ronja Storm*. In 2020, the fish-out pipe saved 478 truck movements. This keeps trucks off the road, easing traffic congestion and reducing noise pollution which lessens our impact on the surrounding community.

Over a six-day period in March 2021, the team transferred 560 tonnes of smolt (approximately 1.8 million fish) from the Nursery to the *Ronja Storm* via the fish-out pipe. This was the first time this had been done at this scale and it resulted not only in time being saved but fish stress-levels being reduced.

Whale Point Smolt Transfer System

Saved

478

truck movements in 2020

Whale Point Smolt Transfer System

Transferred

560T

of smolt over a six-day period (~1.8 million fish)

Environmental efficiencies are at the forefront of Whale Point's modus operandi. The Recirculation Aquaculture System (RAS) enables 98% of the freshwater to be repeatedly treated and reused. As well as resulting in no direct discharge to the surrounding environment, the waste solids extracted from the waste-water treatment system are delivered to Hanson's Cherry Orchards to be used in organic compost.

Improvements are ongoing, including the recent installation of a cooling tower to keep the dam water cool over the warmer months. This will reduce electricity usage and overall running costs as well as increasing reliability. The tower also takes ammonia out of the water, making it safer for reuse. Huon is committed to innovation and continuous improvement at Whale Point and the facility has become what it is today because of that dedication.

Huon's Approach to Marketing

Long term shift in channel mix begins in FY2022

63% Domestic retail sales volume growth

184% Volume increase in e-commerce channel sales

150% International retail sales volume growth

During FY2021 there was a major focus on the realignment of Huon's sales channels as it brought online the planned step up in production volumes just at the time when demand from the wholesale channel plummeted due to lockdown measures associated with COVID-19. Particular attention was placed on forging new relationship in international markets and tendering for a number of major retail contracts with the Australian supermarket giants that were due to roll-over in mid-2021.

Domestic retail sales volume grew by 63% in FY2021 largely on the strength of a significant investment in marketing to drive increased per capita consumption. Huon predominantly operates in the highest value segment of the salmon market (fresh) but this year also took advantage of strategic opportunities to grow sales of frozen and smoked salmon to increase market share. In FY2022 Huon's growth in retail sales will benefit significantly from its success in winning two new 3 year contracts to supply deli salmon to Coles and Woolworths and a new MAP contract with Woolworths. Volume sales are expected to increase by around 80% in FY2022, lifting the retail channel's share of Huon's total volume sales from 20% to around 32% and Huon's overall share of the domestic market from 33% to an estimated 39%.

Huon has continued to invest in the development of its e-commerce capability, building on the significant increase in sales recorded in the second half of FY2020 when COVID first took hold. In FY2021 sales almost tripled (+184% on pcp) underpinning our initial confidence in the potential to be gained from continued growth in this channel. The majority of sales are through Huon's online store with an average order value of $104. Huon's dedication to customer service has also driven further growth in the returning customer rate to 40%.

International retail sales continued to grow strongly in FY2021 with 150% volume sales growth from new and existing contracted customers in international markets as a result of the strong foundations built with retail partners throughout Asia. Huon will continue to grow this channel, which now accounts for 12% of volume, selling into nine different markets across the Asian region as well as the US. Increasing volumes and diversification of markets over time is key to limiting Huon's exposure to the more volatile pricing environment of the spot export market.

Huon's **wholesale** business was the most impacted by lockdown measures in the first six months of COVID-19. It recovered quickly however in FY2021 with volumes exceeding pre-COVID levels for the year and matching the record volumes sold in FY2017. By the end of FY2021 the food service sector in Australia had made significant progress in recovery, despite hotels, events and catering industries yet to return to pre-COVID operating levels . In response to this, Huon is using its strategically located processing facilities, including a new one opened in Perth in November 2020, to move closer to the end customer.

As expected, FY2021 experienced high levels of **trading volume internationally**, given the large planned increase in production volume for this year. Volumes increased 32%, with exports representing a third of Huon's channel mix. In FY2022, however, as the domestic market accounts for an increasing share of sales, exports are expected to fall to around 20%. This should progressively decline to 5-10% over the following 3 years.

Investing in marketing to drive growth in per capita consumption

Huon remains focused on expanding branded distribution both domestically and internationally in FY2022. In the domestic market this was supported by a significant above the line investment in marketing in the second half of FY2021 to drive Huon Salmon consumption. This centred on the launch of a national advertising campaign, "Give Chicken the Night Off", targeting the c.20% of consumers that purchase chicken and salmon at least weekly, to eat more salmon.

In October 2020 the launch of the entire Huon Salmon and Ocean Trout fresh pre-packed range into NSW Coles and Woolworths stores in Western Australia was accompanied by a revamped "Harvested By Night, Fresher By Day" campaign. This built on Huon's already strong freshness credentials (a key purchase driver for consumers in seafood) and was supported by the RSPCA which promoted the launch through a blog highlighting Huon's credentials as a salmon farmer with a focus on good fish welfare.

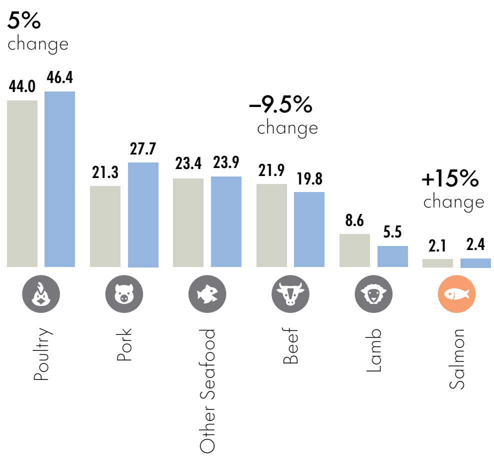
In the five years prior to 2021, the Australian salmon market had been constricted by supply issues from local producers and, as a consequence, underinvestment in marketing. The expansion in domestic supply in FY2021 provided the first opportunity to start addressing salmon's low share of voice in the Australian protein market. Compared to poultry consumption (46 kg per person in 2021), and pork, beef and other seafood which each have annual per person consumption levels of 20-28 kg, Australians eat only 2.4 kg of salmon per person.

The investment is expected to drive single year, double digit volume growth whilst maintaining price, an objective which has been delivered in its first six months. Huon is therefore confident that this initiative, together with a trend during COVID to eating more home cooked meals, can deliver a major increase in domestic per capita consumption in the years to come.

Protein consumption in Australia

Per person (kg)

● 2018 ● 2020



Sources:
- ABARES Annual Commodities March Quarter 2021
- IBIS World Seafood Consumption 2020

Trends in the Global Salmon Market

Reduced smolt numbers in Chile responsible for tight global salmon supply in 2021

The global salmon market is dominated by Norway and Chile which together represent an estimated 77% of production in 2021. The UK, Canada, the Faroe Islands and Australia are the next biggest group, each producing 90,000-200,000 tons annually to account for c.19% of the global market.

In 2020 the global salmon market continued to expand, with farmed Atlantic salmon growing by 5.2% on the previous year to 2.7 million tonnes. Australian production, however, rose 34% in that time, accounting for 8% of the growth in global salmon supply.[1]

In the immediate future, supply will be dependent on a number of factors including the price of salmon and a further easing of lockdown measures related to COVID-19. Kontali is expecting supply to be tight with global salmon supply forecast to grow by 2.3% in 2021 and averaging growth of 4-5% in the following two years. COVID-19 and low prices in Chile's main export markets – the US, Brazil, and Russia – led to lower smolt numbers in Chile in 2020. As a result supply from Chile in 2021 has contracted, with Kontali forecasting a 14% fall in the current year. Norway on the other hand has increased supply by an estimated 7% in 2021, accounting for the majority of the fall in volume from Chile.

The price outlook for 2021, having increased 25% to average 59 NOK over the first six months of the year compared to an average 47 NOK in the second half of 2020, is that it will continue to increase for the remainder of 2021, peaking at 64 NOK. Forward estimates for 2022 suggest prices will remain at this level, averaging around 62-63 NOK.[2]

Growth in global demand is dependent on the recovery of the food services segment

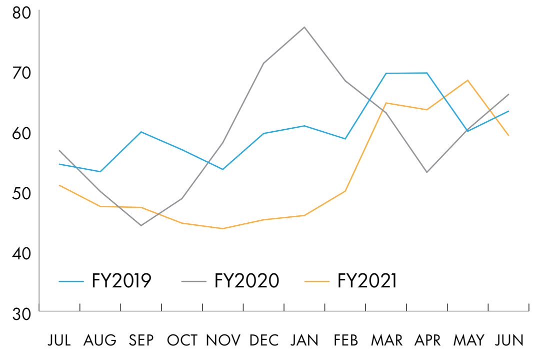
Despite challenging market conditions in 2020, consumption of salmon per capita has continued to increase in all major markets. According to Pareto Securities, the US led the way in growing salmon consumption which was 1.7 kg in 2020, implying an 8% growth on 2019 levels. Long term factors have driven this trend including a better selection of salmon in supermarkets and a growing preference for fresh pre-packed salmon products in these stores.

Other mature markets like Western Europe and Scandinavia, where per capita consumption is up to 6-8 kg, also reported robust growth in consumption of 5% in 2020.

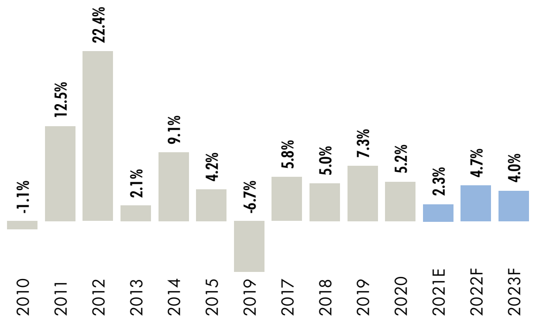
The lockdown measures put in place with COVID-19 led to a sharp decline in global demand from the hotel, restaurant, and catering segment (HoReCa) in 2020. This is an important segment of the salmon market responsible for an estimated 45% of global consumption.

1 Kontali.
2 Pareto Securities Seafood Weekly 3 May 2021.

Fish Pool Index (NOK kg)
Monthly average



Year on year change in global Atlantic Salmon supply and forecast (%)



In many Asian markets, including China, consumption is driven by this sector. Since the introduction of lockdown measures, the reopening of restaurants has been slow. In China (one of the first countries to ease restrictions) only half of all restaurants initially re-opened, and those that did, operated at 40-50% of 'normal' capacity. As restrictions are further eased in 2021, a return to normal demand conditions is expected in the HoReCa segment. This has been observed by Pareto Securities, where demand from China has grown 50% so far in 2021.

Rabobank also expects a positive impact on long term demand in Europe and the US from COVID-19. As in Australia, salmon was largely an 'at-home' eating experience during 2020, with consumers in these markets becoming confident in cooking salmon at home. There is an expectation that this will lead to further long-term 'at home' growth in demand even when HoReCa returns.

In Australia demand for salmon recovered strongly in FY2021 with volume growth estimated at over 10% pa. There was an expectation that this would continue into FY2022, however a surge in cases of the coronavirus since June resulted in further lockdowns, particularly in NSW, which has clouded the outlook.

The long-term demand dynamics for salmon remains strong with its increasing competitiveness as an alternative protein and low levels of penetration in many markets indicating there is room for growth.

Financial Summary

- Harvest tonnage rose 39% to 35,611 tonnes reflecting Huon's investment to rebuild biomass over the past few years. This together with optimal growing conditions in the first half of the financial year resulted in excellent fish performance.
- Favourable growing conditions also contributed to an above average harvest weight of 5.24 kg, improving on previous year's record average harvest weight of 5.04 kg. This also confirms that the changes to salmon farming practices made by Huon in recent years are contributing to sustained superior fish performance.
- A 20% fall in global salmon prices during the first eight months of the year, heavily impacted the overall return for FY2021. While revenue increased by 25% on pcp, revenue per HOG kg fell 10% from $13.30 to $11.97.
- Operating EBITDA fell 65% to $16.7 million as margins were squeezed from 13.9% to 3.9%. The average cost of production (excluding freight) fell 5% from $10.20/HOG kg in FY2020 to $9.65/HOG kg, while the average price received for Huon salmon fell 10% over the same period.
- Operating NPAT recorded a loss of $36.9 million due to the recognition of a $79.9 million after tax impairment charge. Higher finance costs further reduced earnings already weakened by lower average prices. Statutory NPAT recorded a $128.1 million loss.
- Volumes sold into the domestic market increased by 31% to 20,089 tonnes and export volumes increased to 15,523 tonnes. While the plan was to sell the majority of the increase in production into the export market, Huon has succeeded in selling more through the domestic market by increasing its market share of both the retail and wholesale segments.
- The fair value of Huon's biomass at year end decreased by $45.7 million to $218.3 million. Biomass in the water at 30 June 2021 was 23% lower at 20,336 tonnes compared to 30 June 2020.
- Dividends were again suspended in 2021 to preserve cash flow for operations.

Statutory Earnings

Twelve months for the year ended		FY2021	FY2020	FY2019
Tonnage	t	35,611	25,566	18,849
Revenue(1)	$M	426.4	339.9	282.0
Revenue per HOG kg	$/kg	11.97	13.30	14.96
EBITDA(2)	$M	(113.2)	48.8	38.2
EBITDA per HOG kg	$/kg	(3.18)	1.91	2.03
EBITDA margin	%	(26.5%)	14.4%	13.5%
EBIT	$M	(170.0)	9.7	12.5
NPAT	$M	(128.1)	4.9	9.5
Fair value adjustment of Biological Assets	$M	(16.0)	1.5	(9.1)
Related income tax refund/(expense)(3)	$M	4.8	(0.5)	2.7
Biological assets	$M	218.3	264.0	209.1
Earnings per share	c	(120.79)	5.63	10.82
Return on assets(4)	%	(24.3%)	1.4%	2.2%
Operating cash flow	$M	(3.0)	8.4	14.5
Net debt(5)	$M	133.3	167.3	138.8
Total gearing ratio(6)	%	54.2%	54.3%	44.2%

Operating Earnings

		FY2021	FY2020	FY2019
Operating EBITDA(7)	$M	16.7	47.3	47.3
Operating EBIT	$M	(40.1)	8.2	21.6
Operating NPAT(8)	$M	(36.9)	3.9	15.9

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

Summary of Operational Performance

Despite the impact of COVID-19 on pricing and demand in global salmon markets, there were a number of operational highlights during FY2021. These included:

- » winning major tenders to supply the domestic supermarket chains with fresh (deli) salmon under three-year contracts commencing in April and May 2021.
- » commencement in December 2020 of a twelve month national advertising campaign targeting Australian consumers, that boosted volumes sold into the retail segment by 63% in the second half of FY2021.
- » the successful launch of a new range of higher priced value-added salmon and trout products into the domestic retail market.
- » the opening of a new processing facility in Forrestdale, Western Australia to further build Huon's capacity to supply fresh salmon to outlets in the state.

These achievements follow five years of significant investment in new infrastructure, putting Huon in a stronger position to guarantee increased supply into domestic and international retail markets.

Biomass in the water at 30 June 2021 was 20,336 tonnes, a 23% decrease on the 26,429 tonnes in FY2020. Huon plans to manage production within this expanded capacity, with harvest volumes expected to be held around 35,000 tonnes in FY2022 and FY2023. The fair value of Huon's biomass at year end decreased by $46 million from 30 June 2020 to $218 million primarily due to harvest volumes in excess of production volumes with a portion of the FY2020 harvest being deferred to FY2021.

The first half of FY2021 provided excellent growing conditions which increased overall volumes by 45% to 19,293 tonnes (13,321 in 1H2020) and resulted in a record average weight of 5.77 kg. In the second half of FY2021, growing conditions were impacted by warmer water temperatures through to April, slowing growth and reducing the average weight to 4.73 kg. Cost of production per HOG kg fell 5% over the year to $9.65 ($10.20 pcp) as a result of increased production and continued productivity gains.

A lower pricing environment for salmon led to Adjusted Cash Flow from Operations falling from $17.4 million to $9.7 million. Capital raised during the year ($66 million) was partially used for debt repayment, with net debt falling from $167.3 million to $133.3 million. Repayment of debt will continue to be a priority over the next two years.

The increase in production volume in FY2021 was, as planned, largely sold into the export market. However this was mitigated by stronger than expected recovery during the year, and overall growth year on year, in both the domestic retail and wholesale markets. Sales into the domestic retail channel continued to grow strongly as Huon implemented a number of initiatives to grow its domestic retail footprint. Importantly, average pricing into this channel was effectively maintained on the previous year. The recovery in the wholesale channel continued to be impacted by COVID-19 with a second lockdown in Melbourne slowing the reopening of food services and hospitality businesses. Nevertheless despite hotels, events and catering businesses remaining closed throughout the year, Huon increased its sales and overall share of the wholesale channel as restrictions eased. The international retail channel grew 150% on pcp reflecting Huon's efforts to build a network of close relationships with a range of overseas distributors and retail clients. Huon now sells into nine countries throughout South-East Asia and the US.

Lower salmon prices in FY2021, particularly in Huon's dominant domestic wholesale and export channels, resulted in revenue increasing by only 25% off a 39% increase in tonnage. The reduction in pricing and high freight costs during the year resulted in operating margins being squeezed from 13.9% to 3.9% and Operating EBITDA falling by 65% to $16.7 million.

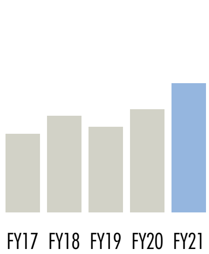
Huon's primary focus in FY2022 will be to manage production levels established in FY2021, to meet the growth in domestic market demand and to lock in additional contracted sales both in Australia and offshore. The company will also continue to focus on driving further production efficiencies. As international markets continue to open-up and the salmon price stabilises around current levels, Huon believes the foundations are in place to deliver further growth in revenue and a strong recovery in operating earnings in FY2022.

Operating Earnings and Cash Flow

Sales Revenue(1)

$426.4m

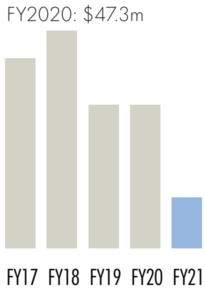
FY2020: $339.9m



Operating EBITDA(2)

$16.7m

FY2020: $47.3m



Operating NPAT(3)

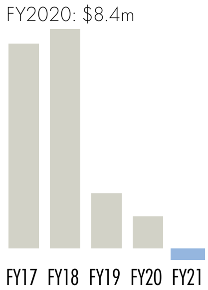
($36.9m)

FY2020: $3.9m

Operating Cash Flow

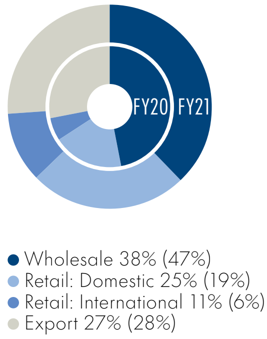
($3.0m)

FY2020: $8.4m



Sales Revenue by Channel

% of total revenue



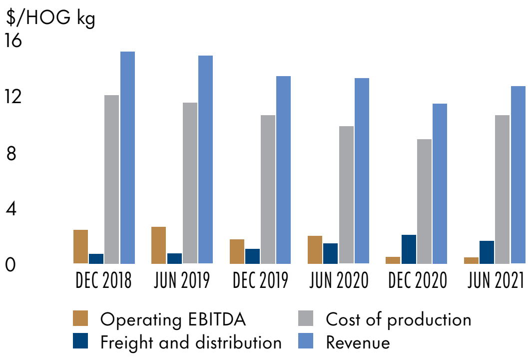
1 Revenue from the sale of goods.
2 Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.
3 Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact.

Key Financials

Operational Performance

Six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019
Harvest volume HOG	t	16,318	19,293	12,245	13,321
Revenue from operations	$M	206.3	220.1	161.8	178.1
Revenue $/HOG kg	$/kg	12.64	11.41	13.21	13.37
Cost of production	$M	(172.8)	(170.9)	(119.7)	(141.1)
Cost of production $/HOG kg	$/kg	(10.59)	(8.86)	(9.78)	(10.59)
Freight and distribution	$M	(26.3)	(39.7)	(17.8)	(14.0)
Freight and distribution $/HOG kg	$/kg	(1.61)	(2.06)	(1.45)	(1.05)
Operating EBITDA*	$M	7.2	9.5	24.3	23.0
Operating EBITDA $/HOG kg	$/kg	0.44	0.49	1.98	1.73
Margin	%	3.5%	4.3%	15.0%	12.9%
Fair value adjustment	$M	(20.3)	4.3	(24.7)	26.2

Operational Performance

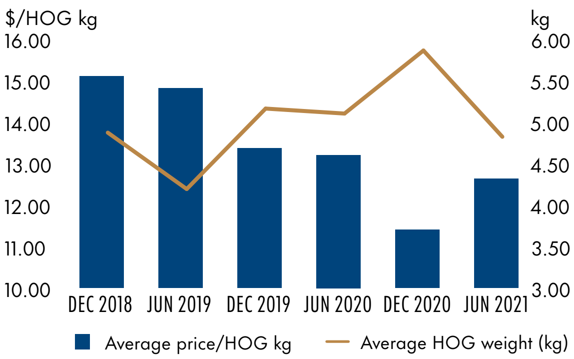


- The increase in harvest volumes reflects Huon's strategy to increase production capacity up to 40,000 tonnes.
- The cost of production per kg fell in the first half to $8.86/HOG kg compared to 1H2020 ($10.59/HOG kg) due to improved operating efficiencies and higher volumes. Costs rose in the second half to $10.59/HOG kg as elevated water temperatures slowed fish growth and the shift in production mix to retail drove processing costs higher.
- The proportion of revenue from export markets grew to 43% in 1H2021, from 32% in 1H2020. The lower prices realised in the export market contributed to the 14% fall in the average price in 1H2020 to $11.41/HOG kg. As volumes exported are typically much lower in the second half, the average price rose to $12.64/HOG kg for 2H2021, albeit still 4% down on pcp.
- The higher proportion of exports doubled freight costs per HOG kg in the first half to $2.06 compared to pcp. Freight costs for the year of $66 million increased by $34 million over FY2020.

Biological Assets

Six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019
Biological assets at fair value	$M	218.3	260.1	264.0	252.1
Fair value adjustment (FVA)	$M	12.1	32.4	28.1	52.8
Biological assets (excluding FVA)	$M	206.2	227.7	235.9	199.3
Total weight of live finfish at sea	t	20,336	28,883	26,429	23,001
Biological asset value/kg (live)	$/kg	10.73	9.01	9.99	10.96
Fair value adjustment/kg (live)	$/kg	0.60	1.12	1.06	2.30
Biological assets/kg (live) (excluding FVA)	$/kg	10.14	7.88	8.93	8.66
Number of fish (harvest)	000's	3,451	3,342	2,445	2,629
Sales volume (HOG kg)	t	16,318	19,293	12,245	13,321
Average HOG weight	kg	4.73	5.77	5.01	5.07
Average price/HOG kg (net sales)	$/kg	12.64	11.41	13.21	13.37
Net sales	$M	206.3	220.1	161.8	178.1

Fish weight and price



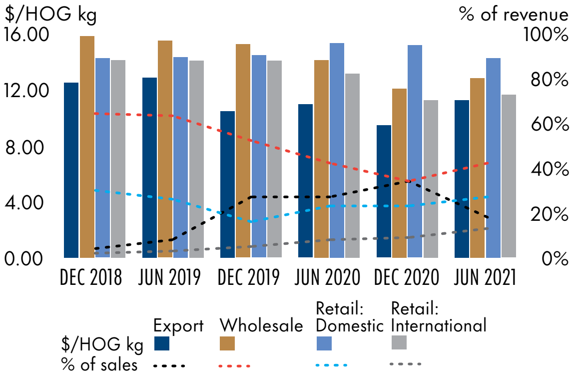
- The fair value of biological assets fell 17% on 30 June 2020 to $218.3 million while the value at cost fell 13% over the same period to $206.2 million. This reflects the significant drop in the salmon price during that time despite the increase in production
- The average value of biological assets at cost increased by 14% from $8.93/HOG kg (pcp) to $10.14/HOG kg as growing conditions were impacted by warmer water temperatures.
- Live weight at sea decreased 23% from 26,429 tonnes to 20,336 tonnes however the average weight continued to improve (+4% on pcp).
- Excellent growing conditions in 1H2021 benefited average harvest weight which rose 14% on pcp to a record 5.77 kg. Warmer sea temperatures in 2H2021 slowed growth and reduced the average harvest weight (-6% on pcp) to 4.73 kg.

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

Sales Channel

Six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019
Wholesale HOG	t	6,729	6,134	4,815	6,045
Retail Domestic HOG	t	3,927	3,298	2,407	2,014
Retail International HOG	t	2,268	1,837	1,032	601
Export HOG	t	3,394	8,024	3,991	4,662
Total HOG	t	16,318	19,293	12,245	13,322
Wholesale % of revenue	%	42%	34%	42%	52%
Retail Domestic % of revenue	%	27%	23%	23%	16%
Retail International % of revenue	%	13%	9%	8%	5%
Export % of revenue	%	18%	34%	27%	27%
Wholesale $/HOG kg	$/kg	12.79	12.05	14.08	15.21
Retail Domestic $/HOG kg	$/kg	14.23	15.14	15.30	14.43
Retail International $/HOG kg	$/kg	11.60	11.22	13.12	14.03
Export $/HOG kg	$/kg	11.22	9.42	11.37	10.85

Distribution Channels by Price and Contribution to Sales

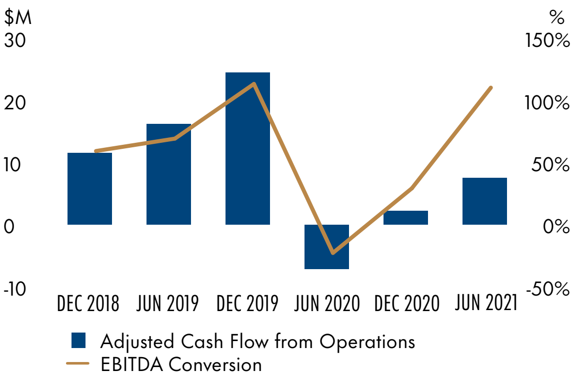


- Increased production continued to grow the export market maintaining it at 27% of the sales mix for FY2021. International salmon prices remained low until March 2021 but have since returned to pre-pandemic levels due to global supply constraints, particularly in Chile.
- The international retail channel grew strongly, contributing to 11% of revenue compared to 6% in FY2020. This reflects the growing diversity of markets across Asia and in the US that are looking to secure contracted sales of Huon salmon.
- The wholesale market remains one of Huon's most important channels and while that market has yet to fully recover from the impact of COVID, Huon increased its market share with volumes up 18% in FY2021 on pcp. Weaker pricing saw its contribution to revenue fall to 38% (47% pcp).
- A shift in sales mix to higher priced value-added products in the retail market, together with some large contract wins late in FY2021 led to this channel increasing its contribution to sales from 19% to 25%. An advertising campaign in 2021, targeting the nutritional benefits of salmon, will continue to support growth in retail sales per capita.

Cash Generation

Six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019
Operating EBITDA*	$M	7.2	9.5	24.3	23.0
Cash flow from operations	$M	1.4	(4.4)	(10.9)	19.3
Add – net interest paid	$M	2.4	2.4	3.9	2.6
– net lease interest paid	$M	4.1	4.2	3.6	2.3
– tax paid/(refunded)	$M	(0.4)	–	(3.7)	0.3
Adjusted cash flow from operations	$M	7.5	2.2	(7.1)	24.5
EBITDA conversion	%	104%	23%	-29%	107%
Capex	$M	5.0	4.0	9.1	12.5
Cash at end of period	$M	5.9	4.9	5.9	15.5

Operational Cash Flow



- Operational cash flow improved in the period despite operating EBITDA reducing by 65% to $16.7 million. The increased weighting of sales to the lower priced export channel and the higher cost of freight due to restrictions on commercial flights, contributed to the overall reduction in the average net margin and low cash flow for the year.
- Cash flow from operations improved as the investment in biological assets was eased. The increased exposure to the retail channel, with longer payment terms, partly offset this improvement with trade receivables increasing $15.5 million on pcp.
- Conversion of EBITDA to cash flow increased to 104% in 2H2021 despite higher export volumes generating increased freight costs, up 107% to $66 million in FY2021.
- Huon spent $9.0 million in capex in FY2021, with annual spend decreased due to the scale of recent capital spent during FY2018 to FY2020 period.

Huon Board of Directors

Neil Kearney B.Ec

- Chairman
- Director since August 2014

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

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

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

Special Responsibilities

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

Peter Bender

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

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

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

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

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

Frances Bender

- Non-independent Executive Director
- Director since May 2005

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

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

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

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

Simon Lester

CA, BCom, MAppFinInv

– Independent Non-executive Director
– Director since August 2014

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

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

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

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

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

Special Responsibilities

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

Tony Dynon

CPA

– Independent Non-executive Director
– Director since August 2016

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

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

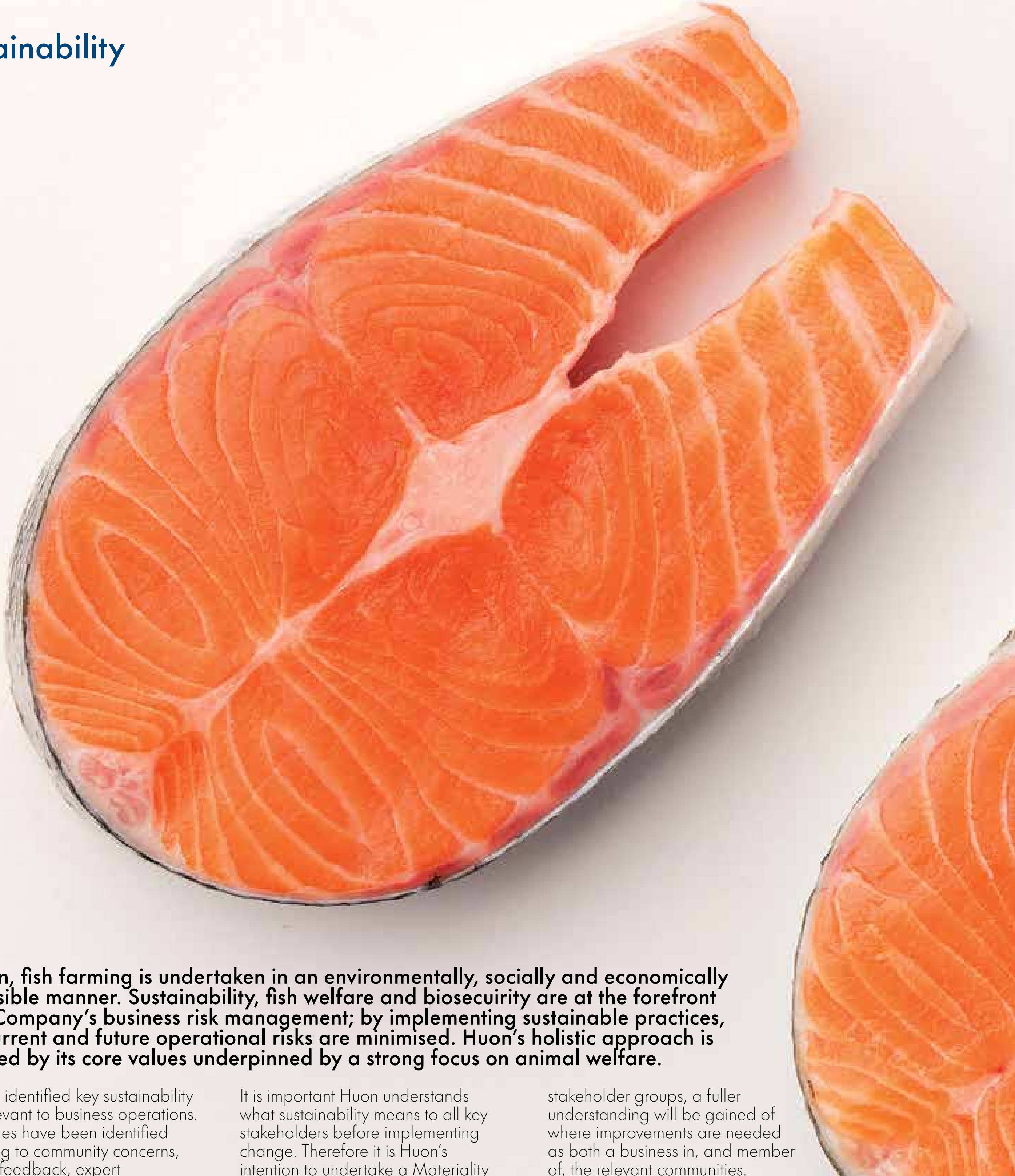
More recently Tony has had leadership roles in privately owned stockfeed businesses based in Australia, New Zealand and the UK. Tony was also a Non-executive director for Colorpak Ltd from 2004 to 2010 and a Non-executive director of Murray River Organics Limited from 2019 to 2020.

Tony is a member of CPA Australia.

Special Responsibilities

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

Sustainability



At Huon, fish farming is undertaken in an environmentally, socially and economically responsible manner. Sustainability, fish welfare and biosecuirity are at the forefront of the Company's business risk management; by implementing sustainable practices, both current and future operational risks are minimised. Huon's holistic approach is governed by its core values underpinned by a strong focus on animal welfare.

Huon has identified key sustainability issues relevant to business operations. These issues have been identified by listening to community concerns, customer feedback, expert knowledge, benchmarking against like-minded companies, alignment with the UN Sustainable Development Goals (SDGs) and with reference to both the Global Reporting Initiative (GRI) standards and Sustainable Accountability Standards Board (SASB) industry standards.

It is important Huon understands what sustainability means to all key stakeholders before implementing change. Therefore it is Huon's intention to undertake a Materiality Assessment Process with its internal and external stakeholder groups to identify their key sustainability concerns. It has always been Huon's position that engagement and disclosure is the only way to build and develop a sustainable business; by engaging with key stakeholder groups, a fuller understanding will be gained of where improvements are needed as both a business in, and member of, the relevant communities.

A formal Sustainability Report aligned with Huon's environmental, social, and corporate governance (ESG) reporting requirements will be prepared in 2022, allowing a clear sustainability vision to be presented for the future.

Climate action

Climate change is expected to have significant impacts on Australia's seafood industry via projected sea temperature rises, increases in ocean acidification and shifts in the frequency and severity of extreme weather events. These changes may have negative impacts on salmonid production including disruptions to fish growth and development, increased likelihood of disease spread and damage to offshore infrastructure.

Huon's approach to farming

Huon has proactively taken steps to manage and mitigate the impacts of climate change on its operations, including:

— A **selective breeding program for thermotolerant and disease-resitant fish** began in 2004, selecting fish that display a natural amoeba resistance and are more tolerant of warmer water temperatures. Huon works in conjunction with the CSIRO which has developed SNP chip technology for use in livestock breeding programs; principles that have now been transferred to salmon.

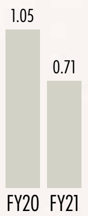
— **Investment of $100 million in the development of double-netted patented Fortress Pens** that can tolerate high energy environments, frequently being exposed to six metre storm swells and gale force winds in offshore sites at Storm Bay. These pens include light-weight and super-strong nets, allowing improved water flow and dissolved oxygen levels.

— Huon continues to participate in **feed trials to develop improved summer diets** for salmon that are easier to digest. The joint trial between Huon and Biomar aims to reduce the impact of warming ocean waters on salmon by helping the fish to digest and convert the feed in summer temperatures that are above their preferred range; this will directly improve fish health and performance.

— **Participation in the ongoing Fisheries Research and Development Corporation (FRDC) project on Storm Bay** (Storm Bay Decision Support Tools Project) partnered with Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Institute for Marine and Antartic Studies (IMAS), to characterise primary sources of nutrients into Storm Bay in order to detect larger-scale ocean impacts on the aquaculture industry, modelling short-medium term oceanic changes. This will help to assess future operating levels of the aquaculture industry in these areas and also support seasonal analysis predictions.

Huon is committed to understanding how its business interacts with a changing climate and how climate risks can be mitigated to secure its future. Practices will continue to be adapted and innovative and sustainable solutions applied.

Electricity Consumption
(KwH per sales kg)



Energy use and management

Salmon farming is one of the most efficient ways of using natural resources to produce healthy protein. Comparable to other forms of food production, it has a low carbon footprint, high energy and protein retention and low water footprint.

Huon incurs significant energy consumption to power feed barges and vessels used in marine operations, these are typically diesel-powered. Huon's fuel usage has increased in accordance with increased production.

A significant portion of electricity used in Huon's Tasmanian operations is from hydro generation, with the Whale Point Salmon Nursery ("Whale Point") a significant contributor to overall energy consumption. Following an in-depth audit of all energy inputs and outputs, Whale Point's energy usage between January and May 2021 fell by 31.7 per cent compared to the same time the previous year.

Huon also **participates in the Blue Economy Cooperative Research Centre**, partnering with other research institutions to examine current and future renewable energy options. Current projects include exploration of hydrogen power as a fuel source and the viability of using tidal power at the marine leases. Huon's goal is to continue to review opportunities to increase electricity and fuel efficiency across all operations, including in the supply chain, and to proactively pursue opportunities to introduce more efficient technologies.

Managing water

Climate change is known to be causing disruption to rainfall patterns globally which is expected to cause reduced or more infrequent rainfall in Australia. It is vital that Huon seeks to understand how our use and consumption of fresh water impacts local water catchments and how changes to water availability may impact Huon's operations in the long-term.

Freshwater hatcheries

While Huon's freshwater facilities use freshwater the majority are non-consumptive; those that are flow-through hatcheries directly discharge water to their source following appropriate filtration and treatment.

Huon uses **Recirculation Aquaculture Systems (RAS) designed for low water usage** by using an extensive filtration system that removes nutrients from the water before circulating back through the facility and eventually to waste. The newest RAS at Whale Point **enables up to 98 per cent of water to be repeatedly treated and reused**. The remaining 2 per cent is used in Huon's offshore bathing programme for the treatment of Amoebic Gill Disease (AGD).

Marine Operations

Freshwater is used routinely in marine operations as a safe treatment of AGD. The use of our wellboats has enabled a reduction of freshwater use through the ability to reuse bathing water, and with the introduction of reverse osmosis systems on the Ronja Storm, the reliance on freshwater is expected to reduce further.

Processing Facilities

Huon's processing facilities use freshwater for hygiene purposes. A project is underway to assess the water consumption of these facilities and cost effective methods of reducing or reusing freshwater waste streams.

Managing waste

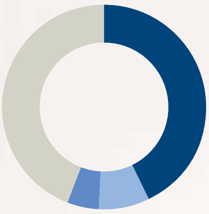
Responsible waste disposal is a key challenge for both the aquaculture industry and its consumers. Being a vertically-integrated company means Huon's waste streams are varied; including waste from farming operations, product processing, organic by-product and general office waste. Reducing waste generation and increasing opportunities for recycling is an ongoing priority.

Operational waste

Huon's main waste streams across farming operations include high density polyethylene pipe, netting, polystyrene and rope that is no longer fit for repurpose. Huon's goal is to formally review all operational waste streams and set targets that maximise reuse and recycling opportunities. Progress towards waste reduction and recycling of these key streams to date includes:

- Continual reuse and upcycling of materials and equipment until end of life
- Recycling of high density polyethylene (HDPE) components and polystyrene from retired marine farming infrastructure
- Donation of retired nets within local communities for upcycling and reuse (e.g. crop protection, fencing and cargo retention)
- Exploring options for recycling of Dyneema rope including partnerships with local businesses

Tasmanian by-product reuse
Summary FY2021



Organic waste

In FY2021 Huon produced 35,611 tonnes of fish for food production (FY2020: 25,566 tonnes) meaning a large component of Huon's waste is fish by-product, including salmon skins, viscera, heads and frames, offcuts, graded-off smolt and fry as well as hatchery water and fish waste.

These waste products are rich and nutrious but don't currently have a role in Huon's existing product streams. Alternative pathways are, therefore, being pursued including pet food and composting, to redirect this waste from landfill to more renewable and potentially revenue-generating uses.

Huon's current reuse of fish by-product includes:

- Reuse of fingerlings and smolt from Whale Point, Lonnavale and Forest Home hatcheries for pet treats
- Reuse of processing offcuts (e.g. salmon skins) from Parramatta Creek processing factory for pet treats
- Reuse of heads and frames, offcuts and viscera for incorporation into pet foods
- Reuse of macerated morts and sludge from hatcheries to increase soil health and agricultural production through approved land-spreading
- Reuse of low grade fish morts for composting at all freshwater hatcheries

Huon's ultimate goal is to achieve 100 per cent reuse of fish by-product by 2025. It is well on the way to achieving this with **100 per cent** of organic waste from the Company's Tasmanian operations either going to pet treats, composting, rendering or direct farmland-spreading projects. Huon will now focus on rolling out these processes across other operational sites as well as reducing the distances that waste travels in order to reach reuse locations.

Packaging

Huon is highly aware of the environmental impacts of its packaging. As a member of Australian Packaging Covenant Organisation (APCO) Sustainable Packaging Guideline (SPG) assessments are undertaken annually for Huon's product packaging. For the APCO Annual Report (calendar year 2020) Huon achieved Performance level 3 (Advanced). This underscores Huon's leadership in improving the integration of sustainable packaging across its business. Huon's sustainable packaging targets are aligned with APCO's 2025 National Packaging Targets. Packaging highlights so far include:

- Huon has transitioned all Value Added (smoked lines) from foil board to 100 per cent recyclable card.
- Huon has transitioned 99 per cent of Huon own-brand Modified Atmospheric Packaging (MAP) sleeves from C-wrap (plastic) to Cardboard (recyclable) and has incorporated the Australian Recycling Logo (ARL) on these sleeves.
- Huon is in the process of tendering its MAP trays to improve the recyclability of this packaging option; circa 9 million trays are used annually.
- Huon now utilises PREP (Packaging Recyclability Evaluation Portal) to verify that packaging is or isn't recyclable in Australian and New Zealand kerbside collections.
- The majority of Huon's secondary packaging (e.g. cardboard shippers and shelf-ready trays) are 100 per cent recyclable.

Huon will continue to monitor its performance against National Guidelines and seek opportunities to implement more sustainable packaging options across its full product range. Future packaging projects include:

- Product innovation – streamlining and standardising its packaging (resulting in less waste).
- Alternative insulated packaging trials – opportunities to phase out polystyrene.
- Phasing out absorbent pads in MAP trays (the absorbent pad is single use plastic and cannot be recycled).

Protecting environments where we operate

Huon's operations are wide-ranging and have the potential to interact with both freshwater and marine environments. Huon monitors its environmental impacts through monitoring and survey programs, both voluntarily and in line with Environment Protection Agency (EPA) licencing requirements.

Freshwater ecosystems

Huon has freshwater facilities across Tasmania; all facilities are licensed by both the Inland Fisheries Service and the EPA. This licensing requires compliance with strict environmental conditions including monitoring of site outputs and downstream flows.

Huon has implemented a Freshwater Improvement Plan (FIP) for all freshwater sites to ensure uniformity of operational requirements across all Huon sites. This includes a cap on discharge limits and site biomass capacities to reduce the potential for adverse environmental impacts. The FIP does not increase production levels at these facilities from current maximum levels and data is provided monthly to the EPA directly from the NATA-approved laboratory conducting the analysis. This allows Huon to continually look for opportunities to improve practices and implement new technologies to further reduce its environmental impact.

Marine ecosystems

Huon farms fish in three marine regions in Tasmania; the Huon and D'Entrecasteaux Channel, Macquarie Harbour, and off Bruny Island's east coast in Storm Bay. The impact of finfish aquaculture on the Tasmanian marine environment has been the subject of over thirty years of rigorous scientific investigation. Numerous scientific surveys, reports and research exists covering a range of potential influences, from benthic (seabed) changes, near-farm seafloor, and broad scale (intermediate and far from farm) water quality changes.

Huon complies with a range of environmental monitoring processes for the regulator (the EPA), and other government departments (such as the Natural Values Conservation Branch, and Marine Farming Branch of DPIPWE). Additionally, monitoring is also undertaken for ethical reasons, and some is linked to research collaboration projects. Ongoing monitoring programs have resulted in the following approaches being adopted to minimise its impact on the marine environment:

— Maintain low stocking density levels in pens that are below the regulatory compliance threshold;
— Baseline video surveys at and around new farming sites to allow monitoring for change;
— Monthly video surveys under stocked pens to assess benthic influence and annual video surveys submitted to the EPA as per environmental licence requirements;
— Good fallow practices to ensure separation of year classes and adequate periods for benthic recovery;
— Pellet detection technology to minimise fish food losses to seafloor;
— Managing stocking profiles and feeding practices to comply with the Marine Farm Development Plans Total Permissible Dissolved Nitrogen Output (TPDNO) allowances;
— Participation in comprehensive annual Broadscale Environmental Monitoring Programs for marine growing regions;
— Significant investment in a feed R&D program to improve feed efficiencies and reduce nutrient output to the environment;
— In-pen water quality monitoring with live reporting to the Control Room; and
— Regular algal sampling at all marine leases by trained employees.

Conducting routine monitoring and surveys of Huon's leases has allowed a comprehensive record to be compiled of the history of Huon's interactions with the environment in which it operates. This has allowed for better planning of the fallowing process and understanding of the environment. It also drives the innovation of practices to continually minimise the influence of Huon's farming activities to the environment both within its leases, and more broadly.

Huon will continue its monitoring programs and collaborations with research institutions to identify further potential areas of improvement to ensure there are minimal environmental impacts from its operations.

Wildlife interactions

Huon has a dedicated Wildlife team which actively works to minimise animal interactions on its farms. This team spends a lot of time checking equipment and pens to make sure everything is maintained to a high standard. All wildlife and predator interactions are reported to relevant authorities and monthly updates are released via Huon's Sustainability Dashboard. Huon also undertakes the following practices to protect wildlife that may come into contact with its operations:

— Routine remotely operated underwater vehicle (ROV) and dive inspections of underwater infrastructure to identify net integrity issues;
— Pen and barge camera inspections to monitor pen integrity and reduce wildlife interactions;
— Bird escape hatches to enable self-release in the event of pen entry;
— Cessation of beanbags and scare caps as seal deterrents from 2018;
— Adherence to DPIPWE's Seal Management Framework for the aquaculture industry; and
— Adherence to Huon's Whale Migratory Interaction Plan and training in whale interaction protocols.

Healthy fish

At Huon, the approach to fish health and welfare is proactive and holistic; it involves quality diets, good site management, fish husbandry, biosecurity, and vaccinations. Fish health and welfare is critical to the long-term success of Huon's operations.

Animal Care

Achieving certification through the RSPCA Approved Farming Scheme is testament to Huon's philosophy and long-standing commitment to animal welfare. As farmers, we know that fish perform best if they are treated with respect and given the best possible environments to grow. Huon is committed to practices that promote positive welfare outcomes and a comprehensive Veterinary Health Plan is maintained that forms the basis of all Huon's protocols and procedures to address fish health, welfare and biosecurity matters.

Vaccines play an important role in managing fish welfare by protecting against disease and maintaining healthy stock. The salmon industry, alongside DPIPWE, has pioneered the development and use of fish vaccines within Australia and this technology and expertise will continue to play an important role in protecting Huon's fish into the future.

Huon also operates with one of the lowest stocking densities in the world, at less than 1 per cent across its pens. This is approximately two-thirds under the 15kg/m^3 maximum stocking density allowed under the RSPCA Approved Standard for farmed Atlantic salmon in marine environments. This low density encourages good growth and minimises disease because the fish have ample space to swim freely and dissolved oxygen levels are also higher.

Huon's wellboats have wells or tanks for transporting live fish. Wellboats are used to transport smolt to sea, transfer fish from farm sites to harvest pens, and to bathe them in freshwater; bathing helps to protect the fish from AGD in the most low-stress environment possible. *Ronja Storm*, Huon's second wellboat, arrived in February 2020 joining Huon's first wellboat (the first in Tasmania), the *Ronja Huon*. Huon was the first company globally to use a wellboat for the purpose of bathing fish in freshwater. The state-of-the-art technology integrated into the wellboats allows optimal conditions to be maintained for the fish while they are on-board.

Biosecurity

Huon's biosecurity practices are based on a detailed Risk Assessment Review across Huon's operations, consolidated with the collective experience and standard operating procedures of its employees over 35 years, and an extensive review of biosecurity practices in overseas salmon-producing countries.

Huon has implemented Fish Farm Management Plans for all Freshwater hatchery operations, compliant with the Inland Fisheries Service biosecurity requirements, ensuring standardisation of processes across all freshwater operations. Huon also participates in the Tasmanian Salmonid Health Surveillance Program (TSHSP) to support the sustainability of the Tasmanian salmonid industry by investigating diseases and understanding disease management.

Antibiotics

Huon's investments in RAS facilities combined with the continuing development of vaccines, and improvements to farming practices ensure any use of antibiotics is very rare. In fact, Huon has not used antibiotics at sea since 2016, when a single pen was treated. Furthermore, we have not used antibiotics at any Huon-owned hatcheries since January 2019. Any antibiotic use is strictly supervised by registered Veterinarins, reported to State Government and voluntarily publicly disclosed on Huon's website.

Huon also participates in the independent National Residue Survey to monitor levels of therapeutants and contaminants. Results are published annually on the National Residues Survey website and there have never been antibiotic residues detected in Huon Aquaculture products.

Humane Harvesting

Harvesting fish humanely is crucial to ensuring a high-quality, which is why every Huon fish are grown and harvested under the principle of "no pain, no fear"; it was Huon that led the salmon farming world in their harvest principles. Huon's humane harvest method was developed in-house, has been rated world's best-practice, was RSPCA UK awarded and has been adopted internationally by other salmon farmers.

Sustainable feed

Huon fish are fed specialised diets that optimise health and performance at every stage of their lifecycle. All of Huon's feed is now sourced from Tasmanian-based suppliers which reduces the risk of relying on imports, supporting the supply chains for Tasmanian primary producers.

Quality feed is imperative in maintaining good fish health. The ingredients in Huon's salmon feed, like all stock feed in Australia, are rigorously controlled and audited. All feed ingredients used by Huon are approved under the Australian Stockfeed and Pet Food Regulations, governed by the Australian Pesticides and Veterinary Medicines Authority (APVMA).

Equally as important as what is in Huon's feed, is what is left out—it does not contain ingredients of genetically modified (transgenic) origin. Growth hormones or growth promoters are never fed to Huon salmon, nor does the feed contain any pork or pork by-products.

In Australia, feed companies are legally required to disclose ingredient details which is why Huon salmon is a safe, nutritious, healthy, and sustainable food. Huon continues to work with fish feed manufacturers to ensure high quality feed that is sustainably sourced.

Huon's progress towards sustainable feed includes:

— Full traceability of the raw materials in its feed
— Use of feeds that lower feed conversion ratios (FCR)
— Reduction in the climate footprint of feed raw materials
— Ongoing feed trials with food manufacturers to improve food quality
— Use of pellet recognition software to minimise feed wastage.

FIFO ratios

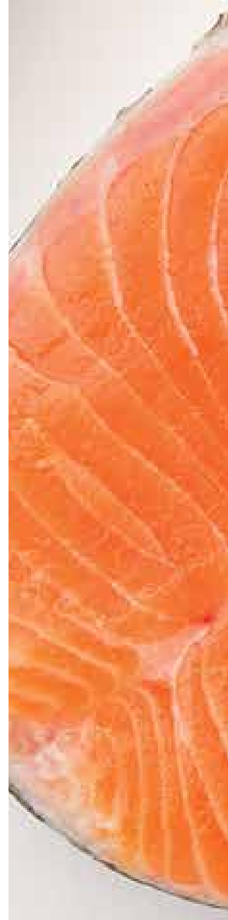
Salmon need to eat a certain amount of fish meal and fish oil to obtain the appropriate level of Omega-3. Most fish meal and oil is extracted from fast-growing bony pelagic fish which are classified as forage fish. Forage fish, also called prey or bait fish, are eaten by larger predators including other fish, seabirds and marine mammals.

An ideal FIFO (fish-in/fish-out) ratio should be less than 1.0 (meaning more fish protein is produced than consumed). Huon's forage fish FIFO ratio (fish-in/fish-out) is 0.87. Meaning that for every 1kg of salmon grown, 870g of forage fish is utilised. The global industry average is 1.68kg (standard calculation across industry).

Huon's ratio is low in comparison as its feed includes alternative proteins and starch (such as vegetable and land-animal by-products) which increases the sustainability of its operations. The methodology used to calculate the above figures is in line with global reporting standards used by the GSI and ASC.

Certifications

Huon seeks independent certification of its processes both as a means of validating compliance with global best-practice, and building trust and transparency through the external auditing process. Huon's current certifications are shown below and further detail on the requirements for achieving these certifications is available on its website.



Directors' Report

The Directors of Huon present the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (Consolidated Group) for the financial year ended 30 June 2021.

Directors

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

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

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

Directors' Interests

Particulars of Directors' interests as at 30 June 2021 were:

Shareholdings	Ordinary Shares	Performance Rights
Peter Bender(i)	57,881,567	283,352
Frances Bender(i)	57,881,567	–
Neil Kearney	16,590	–
Simon Lester	14,516	–
Tony Dynon	12,930	–

(i) Includes direct and indirect interests.

Company Secretary

Thomas Haselgrove B.Ec. CA

Thomas Haselgrove is the Chief Financial Officer and Company Secretary with 29 years' experience in audit, statutory accounting and commerce across a number of organisations including Ernst & Young, and in the food, beverage and FMCG sectors, including Southcorp Wines and Chiquita Brands. Thomas was appointed Company Secretary in 2006.

Principal Activities

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

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

Dividends

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

	$'000
Final ordinary dividend for the year ended 30 June 2020 of nil cents (2019 – 3.0 cents) per ordinary share	Nil
Interim ordinary dividend for the year ended 30 June 2021 of nil cents (2020 – nil cents) per ordinary share	Nil

The Directors have not recommended the payment of a final ordinary dividend for the year ending 30 June 2021.

Review of Operations

Information on the operations and financial position of the Consolidated Group, and the Business Strategy and outlook are set out in the Chairman's and Managing Director's Review on pages 2 to 3 and the Review of Operations on pages 4 to 15 of this Annual Report.

Changes in State of Affairs

Significant changes in the state of affairs of the group during the financial year was the increase in share capital by $65,608,000 as a result of the issue of shares under the Share Placement and Share Purchase Plan completed during August and September 2020. Details of the changes in share capital are disclosed in note 16(b) to the financial statements.

The net cash received from the increase in share capital was used principally to repay borrowings.

Matters Subsequent to the end of the Financial Year

On 6 August 2021 Huon announced that it had entered into a Scheme Implementation Deed with JBS, a global producer of land based proteins with significant operations in Australia, to acquire 100% of Huon shares by way of two alternative Schemes of Arrangement (Schemes).

On 13 August 2021 Huon entered a process agreement with JBS to provide for the making of a recommended takeover bid (Offer). The Offer will be in parallel but not in substitution to the Scheme and will be subject to the Schemes not becoming effective (among other conditions). Huon shareholders are expected to have the opportunity to vote on the Scheme in October 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Future Developments

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

Directors' and Directors' Meetings

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

	Board of Directors meetings		Audit and Risk Management Committee meetings		Remuneration and Nominations Committee meetings	
Director	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Neil Kearney	16	16	6	6	4	4
Peter Bender	16	16	*	*	*	*
Frances Bender	16	15	*	*	*	*
Simon Lester	16	16	6	6	4	4
Tony Dynon	16	16	6	6	4	4

* Not a member of the Committee

Share Options and Performance Rights

During or since the end of the financial year, 365,613 performance rights were granted to Directors and Key Management Personnel. Refer to the remuneration report for further details of the performance rights granted and outstanding.

Environmental Regulation

The Consolidated Group is subject to significant regulation at both State and Commonwealth levels in respect of its hatchery operations, marine operations, land and use tenure and environmental requirements. This includes specific environmental permits, licences and statutory authorisations, trade and export and workplace health and safety.

The Consolidated Group has well established management frameworks for routinely and regularly monitoring compliance with the relevant regulatory requirements and to monitor and manage environmental compliance in relation to new regulations as they come into effect. Compliance within the regulatory framework is routinely reported to the Board.

The Consolidated Group employs a cross-functional team to manage compliance within the regulatory framework and guide a strategy of continuous improvement in environmental management and sustainability.

Further details regarding the Consolidated Group's sustainability and environmental management credentials and policies are outlined in the Chairman's and Managing Director's Review and the Review of Operations.

During the prior year the Huon Aquaculture Company Pty Ltd was fined $40,000 in the Hobart Magistrates Court for one charge of depositing a pollutant in a place where it could reasonably be expected to cause material environmental harm and five charges of contravening conditions of its Environment Protection Notice at its Whale Point net wash facility in early 2018. Huon Aquaculture Company Pty Ltd had pleaded guilty to the charges which were laid under the Environmental Management and Pollution Control Act 1994.

The Court made no finding of environmental harm and commented that this was not a case where it was alleged that Huon Aquaculture Company Pty Ltd offended to actively avoid environmental regulations. The Court noted that Huon Aquaculture Company Pty Ltd had taken active steps to improve processes in order to avoid future breaches.

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

Remuneration Report

This Remuneration Report for the financial year ended 30 June 2021 outlines the Company's remuneration structure in accordance with the requirements of the Corporations Act 2001 (Cth) (the Act), and the Corporations Regulations 2001 (Cth). This report provides remuneration information in relation to the Company's Key Management Personnel (KMP) including for the Non-executive Directors (NEDs), Executive Directors (EDs), and Executive Management Group (EMG). KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. This Remuneration Report has been audited as required by section 308(3C) of the Act.

Key Management Personnel (KMP)

The table below outlines the KMP for the financial year ended 30 June 2021 unless otherwise indicated.

Executive Directors

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

Non-executive Directors

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

Executive Management Group

— Philip Wiese (Deputy Chief Executive Officer)
— Thomas Haselgrove (Chief Financial Officer and Company Secretary)
— David Morehead (General Manager Marine Operations)
— Charles Hughes (General Manager Commercial and Planning)
— David Mitchell (General Manager Freshwater Operations)
— Anthony Baker (General Manager People, Safety and Sustainability)

Remuneration Governance

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

Remuneration and Nomination Committee (RNC)

The Remuneration and Nomination Committee (RNC) comprises of three independent NEDs (including the Chairman). As at 30 June 2021 the RNC comprised:

— Simon Lester (RNC Chairman),
— Neil Kearney and
— Tony Dynon.

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

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

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

Use Remuneration Consultants

From time to time the Board directly engage external advisers to provide input into the Company's remuneration policies and into the process of reviewing KMP remuneration arrangements. During the current year no external advisors were engaged to provide services for the Board. In the prior year, the Board engaged Godfrey Remuneration Group to provide market data, analysis, modelling and recommendations on executive and non-executive remuneration and paid $39,425 for these services.

Securities Trading Policy

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

KMP Remuneration Arrangements – Executive Directors and Executive Management Group

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

Remuneration Principles and Strategy

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

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

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

Components of Remuneration

In the financial year ended 30 June 2021, the KMP remuneration structure comprised of market competitive fixed and variable remuneration including STI and LTI plans as detailed in the following table:

Component	Performance Measures	Weighting as % of TFR	Link to Performance
Fixed remuneration includes base salary, superannuation contributions, long service and annual leave and other benefits	Multiple sources of data used to determine annual changes in fixed remuneration including competitive market data and each individual's performance and contribution during the year	N/A	Consolidated Group performance as well as individual performance are considered during the annual remuneration review of Fixed Remuneration
STI Cash bonus	— Operating earnings (earnings excluding adjustments for biological assets) before interest and tax (80%) — Lost time injury frequency rate (20%)	— DCEO Target = 40% — EMG Target = 30%	To provide short term incentive for KMP to remain in the Company and to recognise and reward contribution to short-term Company outcomes
LTI Performance Rights	— Operating earnings (earnings excluding adjustments for biological assets) per share growth (50%) — Return on assets (50%)	— MD/CEO Target = 100% — DCEO Target = 40% — EMG Target = 30%	The LTI plan provides a reward to KMP for their contribution to the achievement of forecasted objectives and long-term shareholder value. The LTI plan also rewards KMP for their continued service with the Company and seeks to retain KMP in the long-term

Remuneration Overview

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

The following summarises the target remuneration mix of KMP for the financial year ended 30 June 2020 and 2021:

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

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

Changes to STI and LTI performance hurdles

As noted in the FY2020 remuneration report, the performance measures for the STI and LTI had not been adjusted to account for the impact from the adoption of AASB16. As such, the prior year performance measures were calculated on a pre-AASB16 basis for the purpose of determining remuneration outcomes.

In FY2021, the Board (through the Remuneration & Nominations Committee) has revised the performance hurdles to ensure they now appropriately reflect the impacts of AASB16 on the earnings and assets of the Company and the corresponding impact on the relevant performance metrics. No changes were made to performance hurdles prior to FY2021.

The key changes are as follows:

— the EBITDA performance hurdle for the STI plan will be changed to EBIT and will be set during the annual budget process. The change will ensure the depreciation expenses of the ROU assets are included in the earnings measure, and the targets of employees align to those of shareholders; and

— the return on assets (ROA) performance hurdle for the LTI plan is impacted by changes to both the profit measure and the increase in the asset base with the inclusion of the ROU assets. The measure remains relevant to the business and shareholders, so the targets have been reset with consideration to historical achievement and forecast modelling. It was deemed appropriate to change the lower bound hurdle to 9% (previously 10%) and the upper bound hurdle to 11% (previously 15%).

The current remuneration strategy and framework remains well positioned to support the business strategy and objectives for the current year and foreseeable future. The Board is cognisant of uncertainties and unforeseen challenges posed by the current economic climate and will continue to monitor and review the remuneration framework to ensure it continues to align with shareholder interests.

FY2021 Employee Shares

In FY2021 the evolving COVID-19 situation and corresponding economic uncertainty, including the impact on global salmon prices, caused the Company to seek options for reducing its cash cost base. In August 2020, all employees (excluding those under award schemes) were asked to take any agreed increase in their annual remuneration in the form of shares in the Company instead of cash payments, this included employees who are considered key management personnel (KMP). The price of these shares of $3.00 per share was the 5 day weighted average price up to 27 August 2020, discounted by 7%.

The issuance of shares aimed to reduce cash costs whilst ensuring retention of our employees who are critical to the long-term future of our business. This approach also aligned employee engagement with shareholder value as more of our employees became shareholders of the Company.

Fixed Remuneration

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

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

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

Details of 2020 and 2021 fixed remuneration levels are provided below:

	Fixed remuneration	
KMP	**2021 $**	**2020 $**
Peter Bender	642,996	626,044
Frances Bender	216,977	208,553
Philip Wiese	575,950	569,096
Thomas Haselgrove	350,640	355,662
David Morehead	348,915	335,787
Charles Hughes	305,345	300,787
David Mitchell	355,298	323,479
Anthony Baker(i)	298,612	99,266

(i) From March 2020.

Variable Remuneration – STI Plan

KMP, except for the CEO, Executive Director and Non-Executive Directors, are eligible to participate in Huon's STI plan. Huon's annual STI plan is designed to recognise the contribution and achievement of financial and operational targets as determined by the Board and CEO.

The target annual STI that may be awarded to KMP is expressed as a percentage of their respective Total Fixed Remuneration (TFR).

Key Features of STI Plan

Who participates?	KMP (Except for the CEO, Executive Director and Non-Executive Directors).
How is the STI plan delivered?	Payment of cash incentive. Payment will be made subject to Board discretion and subject to performance targets being met.
What is the STI plan opportunity?	An opportunity for KMP (except CEO, Executive Director and Non-Executive Directors) to earn an annual incentive payment calculated as a percentage of their annual TFR conditional on the achievement of financial and non-financial measures. Target STI maximum opportunity of 40% of TFR for the DCEO and maximum opportunity of 30% of TFR for the EMG.
What are the performance conditions for FY2021?	Actual STI plan payments awarded to each member of KMP depend on the extent to which specific targets set at the beginning of the financial year are met. The CEO, Executive Director and Non-Executive Directors do not participate in the STI Plan. The target consists of key performance indicators (KPIs) including financial objectives. For FY2021 the performance measures under the STI plan were as follows: — Operating earnings (earnings excluding adjustment for biological assets) before interest and tax; — Lost time injury frequency rate.
Why the financial measures were chosen?	The financial and operational measures were chosen as they represent the key drivers for the short-term success of Huon's business and provide a framework for delivery of long-term value to shareholders from Huon's strategy.
How is performance assessed?	The RNC considers the performance against financial and operational targets at the end of the financial year (with the financial target calculations based on audited accounts) and makes recommendations to the Board for the amount, if any, to be paid to the KMP.
What happens if KMP leave?	Where cessation of employment occurs, the Board may determine the treatment of any award that has been granted to KMP in accordance with Plan Rules which may include forfeiture. The Board has discretion to award an STI plan amount on a pro-rata basis taking into account time and current level of performance of the KMP against the performance hurdles.

The following table represents the target annual STI opportunity as a percentage of TFR for KMP in 2020 and 2021.

KMP	STI value as % of TFR 2021	STI value as % of TFR 2020
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%
David Morehead	30%	30%
Charles Hughes	30%	30%
David Mitchell	30%	30%
Anthony Baker[i]	30%	30%

(i) From March 2020.

Variable Remuneration – LTI Plan

Huon's LTI plan applies to KMP (except for the Executive Director and Non-Executive Directors) and is designed to align remuneration with long term shareholder value and assist in the motivation, retention and reward of KMP. The RNC reviews all LTI plan offers made to KMP. Shareholder approval is obtained before any LTI plan grants are made to the CEO in accordance with ASX Listing Rules.

Key Features of the LTI Plan

Who participates?	KMP (except for the Executive Director and Non-Executive Directors).
How is the LTI plan delivered?	Granting of performance rights to KMP. These rights provide the KMP with the ability to convert the rights to ordinary shares of the Group upon meeting the performance conditions.
What are the performance hurdles under the FY2021 LTI performance rights grant?	Performance rights issued under the FY2021 LTI Plan are subject to two separate performance measures: — 50% of the performance rights will be subject to a vesting condition based on earnings per share compound annual growth rate (EPS CAGR) over the performance period; and — 50% of the performance rights will be subject to a vesting condition based on return on assets (ROA) over the performance period. Both performance hurdles have threshold levels which need to be achieved before vesting commences. Details of these hurdles and thresholds are outlined in the following section.
When do the FY2021 LTI plan performance rights vest?	The performance period for the 2021 LTI plan is the period from 1 July 2020 to 30 June 2023. The performance rights granted will vest subject to the performance hurdles associated with the grant and to the extent that certain performance-based conditions are achieved in the relevant performance period. Performance rights that have vested may be exercised until the applicable expiry date. If any shares are issued following exercise of a vested performance right prior to the applicable expiry date, then they may not be sold or transferred before 1 July 2023.
How are grants treated on termination?	Where cessation of a KMP's employment occurs, any unvested LTI plan performance rights (or vested and unexercised performance rights) are forfeited, unless deemed otherwise by the Board. For any other reason, the Board may at its discretion retain a pro-rated (based on time) portion of awards on-foot and subject to original performance hurdles.
How are grants treated if a change of control occurs?	In the event of a change of control, the performance rights may vest at the Board's discretion. In determining whether to exercise its discretion, the Board will have regard to all relevant circumstances, including the level of satisfaction of the performance conditions over the performance period from the grant date to the date of the relevant change in control event. If a company obtains control of the Company as a result of a takeover bid or another corporate action, the company acquiring control (Acquiring Company) and the KMPs may agree together that on the vesting of performance rights, the KMP receive shares in the Acquiring Company in lieu of shares in the Company, on substantially the same terms as before.
Do participants receive distributions or dividends on unvested LTI grants?	Participants do not receive distribution or dividends on unvested LTI plan grants.

The following table represents the annual LTI allocation as a percentage of TFR for KMP in 2020 and 2021:

KMP	LTI value as % of 2021	LTI value as % of 2020
Peter Bender	100%	100%
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%
David Morehead	30%	30%
Charles Hughes	30%	30%
David Mitchell	30%	30%
Anthony Baker[(i)]	30%	30%

(i) From March 2020.

2021 LTI Plan Hurdles explained

Performance rights issued under the 2021 LTI Plan are subject to two separate performance measures: 50 percent of the performance rights will be subject to an EPS CAGR vesting condition; and 50 percent will be subject to a ROA vesting condition. These performance hurdles were chosen by the Board as they believe both EPS CAGR and ROA are transparent, well understood, and appropriate mechanisms to measure performance and provide a strong link between KMP reward and shareholder wealth creation. Both hurdles are explained in more detail below:

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

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

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

Return on assets (ROA) is calculated as statutory earnings before interest and tax (EBIT) (excluding adjustment for biological assets), divided by total assets excluding cash and fair value adjustment on biological assets (average of opening and closing balance). ROA is an appropriate measure for asset intensive industries which reinforces the need to invest capital on projects with a superior return. The changes to the ROA hurdles have been made to reflect the uplift in total assets as a result of the adoption of AASB16. These changes have been discussed earlier in this remuneration report.

KMP Remuneration Outcomes (including Link to Performance)

Huon's Financial and Operational Performance

Performance measure	Unit	2021	2020[i]	2019	2018
Operating earnings before interest, tax, depreciation and amortisation (EBITDA)	$m	16.7	40.8	47.3	71.8
Operating earnings before interest and tax (EBIT)	$m	(40.1)	8.3	21.6	47.1
Cash flow from operations (CF)	$m	(3.0)	(5.0)	14.5	57.9
Lost Time Injury Frequency Rate (LTIFR)[ii]	hours/million	3	5	4	4
Earnings per share (EPS) (Operating)[iii]	Cents	(33.65)	6.26	18.13	40.53
Return on Assets (ROA) (Operating)[iv]	%	(5.7%)	1.4%	4.1%	10.4%
Dividend	$m	Nil	2.6	5.2	8.7
Dividend payout ratio (Operating)	%	n/a	47.9%	33.1%	24.7%
Share price (30 June)	$	3.25	2.92	4.50	4.46

(i) Performance measures before the adoption of AASB16 (Pre AASB16).

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

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

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

Consolidated Group performance and its link to STI

Performance against STI plan targets

The following table shows the Company's 2021 STI performance scorecard measures, weightings and outcomes as applied to the KMP.

Performance Measures	Description	Weighting	Outcome	Comment
Operating earnings before interest and tax (Operating EBIT)	Statutory EBIT excluding adjustment for biological assets.	80%	Target not achieved	Operating EBIT is seen as a good guide of the current trading performance of the Company as it is the profitability adjusted for finance cost.
Lost time injury frequency rate (LTIFR)	Lost time injury frequency rates are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million.	20%	Target not achieved	Staff are a key asset to Huon and as such their safety is paramount. A reduction in LTIFR is a key part of the safety program.

STI Outcomes for KMP for 2021

The following table provides a summary of STI outcomes and payments for the 2021 performance year.

KMP	STI target $	Target STI as % of TFR	Total STI Foregone $	Total STI forfeited $	Total STI achieved as % of STI target
Philip Wiese	182,409	40%	–	182,409	0%
Thomas Haselgrove	85,409	30%	–	85,409	0%
David Morehead	85,414	30%	–	85,414	0%
Charles Hughes	78,436	30%	–	78,436	0%
David Mitchell	78,436	30%	–	78,436	0%
Anthony Baker	68,058	30%	–	68,058	0%

Consolidated Group performance and its link to LTI

Performance Against LTI Plan Targets

The following table shows the performance periods and outcomes for the 2018 LTI Plan which covers the performance period 1 July 2018 to 30 June 2021 and is assessed in FY2021. The total vesting outcome for the three year period is nil performance rights issued. Any performance rights under the 2018 LTI Plan that do not vest as result of the vesting outcomes will lapse.

The 2019 and 2020 LTI Plans will be assessed against their performance periods and outcomes at the completion of FY2022 and FY2023 respectively:

LTI Plan	Performance Period/Outcome	Measure	FY2019	FY2020(i)	FY2021	Vesting %
2018	Measure	EPS (cents) EPS (CAGR) ROA (%)	18.13c (25.8%) 4.1%	6.26c (42.5%) 1.4%	(33.65c) (194.0%) (5.7%)	
	Outcome	EPS	N/A	N/A	0%	0%
	1 July 2018 – 30 June 2021	ROA	0%	0%	0%	0%

(i) Performance measures before the adoption of AASB 16 (Pre AASB 16).

LTI transactions for KMP for 2021

The following table details the Performance Rights made to KMP during FY2021.

KMP – Performance rights granted	Grant date	Units granted	Fair value(i) $	Total fair value of grant 2021 $
Peter Bender	30 Oct 2020	172,015	2.47	425,446
Philip Wiese	30 Oct 2020	60,003	2.47	148,406
Thomas Haselgrove	30 Oct 2020	28,095	2.47	69,488
David Morehead	30 Oct 2020	28,097	2.47	69,492
Charles Hughes	30 Oct 2020	25,801	2.47	63,814
David Mitchell	30 Oct 2020	25,801	2.47	63,814
Anthony Baker	30 Oct 2020	25,801	2.47	63,814

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

KMP – Performance rights held

The following table details the Performance Rights held and the movement during FY2021.

Name Grant Date	Held at Start of Year	Other	Granted During Year	Forfeited	Vested	Unvested at End of Year
Peter Bender						
— 30 November 2017	8,692	–	–	–	(8,692)	–
— 31 October 2018	108,595	–	–	(108,595)	–	–
— 23 October 2019	111,337	–	–	–	–	111,337
— 30 October 2020	–	–	172,015	–	–	172,015
Philip Wiese						
— 30 November 2017	2,627	–	–	–	(2,627)	–
— 31 October 2018	32,819	–	–	(32,819)	–	–
— 23 October 2019	38,837	–	–	–	–	38,837
— 30 October 2020	–	–	60,003	–	–	60,003
Thomas Haselgrove						
— 30 November 2017	1,420	–	–	–	(1,420)	–
— 31 October 2018	17,737	–	–	(17,737)	–	–
— 23 October 2019	18,184	–	–	–	–	18,184
— 30 October 2020	–	–	28,095	–	–	28,095

KMP – Performance rights held (continued)

Name Grant Date	Held at Start of Year	Other	Granted During Year	Forfeited	Vested	Unvested at End of Year
David Morehead						
— 30 November 2017	1,420	–	–	–	(1,420)	–
— 31 October 2018	17,738	–	–	(17,738)	–	–
— 23 October 2019	18,186	–	–	–	–	18,186
— 30 October 2020	–	–	28,097	–	–	28,097
Charles Hughes						
— 30 November 2017	1,304	–	–	–	(1,304)	–
— 31 October 2018	16,289	–	–	(16,289)	–	–
— 23 October 2019	16,700	–	–	–	–	16,700
— 30 October 2020	–	–	25,801	–	–	25,801
David Mitchell						
— 30 November 2017	1,304	–	–	–	(1,304)	–
— 31 October 2018	16,289	–	–	(16,289)	–	–
— 23 October 2019	16,700	–	–	–	–	16,700
— 30 October 2020	–	–	25,801	–	–	25,801
Anthony Baker						
— 30 November 2017	870	–	–	–	(870)	–
— 31 October 2018	11,604	–	–	(11,604)	–	–
— 23 October 2019	14,490	–	–	–	–	14,490
— 30 October 2020	–	–	25,801	–	–	25,801

KMP Contracts

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

Contractual arrangements

The following table shows the key contractual arrangements for KMP:

KMP Member	Contract Type	Fixed Remuneration[(i)] $	Access to STI	Access to LTI
Peter Bender	Ongoing contract	522,926	No	Yes
Frances Bender	Ongoing contract	169,915	No	No
Philip Wiese	Ongoing contract	456,022	Yes	Yes
Thomas Haselgrove	Ongoing contract	284,696	Yes	Yes
David Morehead	Ongoing contract	284,714	Yes	Yes
Charles Hughes	Ongoing contract	261,454	Yes	Yes
David Mitchell	Ongoing contract	261,454	Yes	Yes
Anthony Baker	Ongoing contract	261,454	Yes	Yes

(i) Superannuation is paid in addition to fixed remuneration.

Managing Director (MD) and CEO

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

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

Executive Director (ED)

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

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

Executive Management Group

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

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

KMP Remuneration for the Financial Year ended 30 June 2021

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

	Fixed Remuneration					Variable Remuneration			
Year	Salary and Fees $	Non-Monetary $	Other $	Long Service and Annual Leave $	Super-annuation $	Cash Bonus $	Performance Rights[(i)] $	Total $	Performance related %
Executive Directors									
Peter Bender									
2021	547,821	15,280	–	54,895	25,000	–	(5,075)	637,921	(1%)
2020	568,050	15,324	–	16,708	25,962	–	73,905	699,949	11%
Frances Bender									
2021	169,915	–	–	22,133	24,929	–	–	216,977	0%
2020	176,260	–	–	6,340	25,953	–	–	208,553	0%
Key Management Personnel									
Philip Wiese									
2021	466,469	42,608	–	42,834	24,039	–	8,299	584,249	1%
2020	516,693	28,937	–	(573)	24,039	–	27,541	596,637	5%
Thomas Haselgrove									
2021	288,124	12,233	–	26,987	23,296	–	(830)	349,810	0%
2020	248,729	45,817	–	35,108	26,008	–	12,071	367,733	3%
David Morehead									
2021	284,714	8,541	–	28,612	27,048	–	(829)	348,086	0%
2020	295,345	–	–	12,384	28,058	–	12,073	347,860	3%
Charles Hughes									
2021	261,454	7,845	–	11,208	24,838	–	(762)	304,583	0%
2020	291,329	–	–	(14,397)	23,855	–	11,085	311,872	4%
David Mitchell									
2021	274,797	7,845	–	46,550	26,106	–	(762)	354,536	0%
2020	271,217	–	–	26,496	25,766	–	11,085	334,564	3%
Anthony Baker (from March 2020)									
2021	241,652	27,647	–	4,475	24,838	–	6,341	304,953	2%
2020	78,085	4,572	–	8,757	7,852	–	3,830	103,096	4%
Total									
2021	2,534,946	121,999	–	237,694	200,094	–	6,382	3,101,115	0%
2020	2,445,708	94,650	–	90,823	187,493	–	151,590	2,970,264	5%

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

Non-executive Director (NED) Remuneration

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

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

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

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

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

Non-executive Directors

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

The table below shows the actual NED remuneration for FY2020 and FY2021.

	Base $	ARC $	RNC $	Super-annuation $	Total $
Neil Kearney (Chairman)					
2021	146,119	–	–	13,881	160,000
2020	146,119	–	–	13,881	160,000
Simon Lester					
2021	61,324	10,000	20,000	8,676	100,000
2020	61,324	10,000	20,000	8,676	100,000
Tony Dynon					
2021	61,324	20,000	10,000	8,676	100,000
2020	61,324	20,000	10,000	8,676	100,000
Total Non-executive Director remuneration					
2021	268,767	30,000	30,000	31,233	360,000
2020	268,767	30,000	30,000	31,233	360,000

Director and KMP Shareholdings

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

	Balance at start of FY2021	Acquired during FY2021	Received on vesting of rights to deferred shares	Other changes during FY2021	Balance at end of FY2021
Neil Kearney(i)	6,316	10,274	–	–	16,590
Simon Lester(i)	14,516	–	–	–	14,516
Tony Dynon(i)	6,080	6,850	–	–	12,930
Peter Bender	13,257,829	–	8,692	–	13,266,521
Frances Bender	5,794	–	–	–	5,794
Peter and Frances Bender(i)	44,609,252	–	–	–	44,609,252
Philip Wiese(i)	34,087	14,831	2,627	(24,614)	26,931
Thomas Haselgrove	41,042	2,847	1,420	–	45,309
David Morehead	38,630	2,847	1,420	–	42,897
Charles Hughes(i)	14,528	5,143	1,304	(14,528)	6,447
David Mitchell	30,746	2,615	1,304	(8,000)	26,665
Anthony Baker	6,720	2,615	870	(9,335)	870

(i) Includes indirect holdings.

Transactions with KMP and their Related Parties

Loans to KMP and their Related Parties

The Company has not issued any loans to its Directors or KMP or their related parties.

Other Transactions and Balances with KMP and their Related Parties

Related Entity Name	Relevant KMP	Nature of transaction	Amount transacted during the financial year period $
James Bender Contracting Pty Ltd (JBC)*	Peter, Frances Bender	Lease of equipment to Huon	656,982
PAB Contracting Pty Ltd (PAB)*	Peter, Frances Bender	Lease of equipment to Huon	96,000

* Based on commercial terms.

Indemnification of Directors, Officers and Auditors

The Company indemnifies current and former Directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the 2021 financial year, Huon paid a total of $103,790 in premiums for Directors and Officers Liability insurance. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

Auditor's Independence Declaration

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 56 and forms part of this Directors' Report.

Non-Audit Services

The Company may decide to employ the auditor for assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Group are important.

During the year the following fees were paid or payable for non-audit services provided by the auditor (PricewaterhouseCoopers Australia), its related practices and non-related audit firms are set out below:

	Consolidated 2021 $	Consolidated 2020 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	376,888	223,500
Other assurance services	–	–
Total remuneration for audit services	376,888	223,500
Taxation & other advisory services		
Taxation & other advisory services	34,680	149,518
Other advisory services	52,380	19,026
Total remuneration for taxation & other advisory services	87,060	168,544
Total remuneration of PricewaterhouseCoopers Australia	463,948	392,044

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

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

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

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

Proceedings on Behalf of the Company

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

Rounding of Amounts

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

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

Neil Kearney
Chairman
26 August 2021

Peter Bender
Managing Director and CEO
26 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Huon Aquaculture Group Limited and the entities it controlled during the period.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
26 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Corporate Governance Statement

The Board of Directors (Board) of Huon Aquaculture Group Limited (Huon) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders. Strong corporate governance is an important aspect in ensuring that Huon creates sustainable long-term value for its shareholders.

Huon is committed to ensuring high standards of corporate governance. This statement outlines the key aspects of Huon's governance framework and its principal governance practices.

The Board believes that Huon's policies and practices comply in all material respects with the ASX Corporate Governance Council's Corporate Governance Principles (4th Edition) (ASX Principles and Recommendations) with the exception of Recommendations 3.4 (Anti-bribery and Corruption) and 7.3 (Internal Audit function) as detailed in this Statement.

The relevant reporting period for this Corporate Governance Statement is Huon's 2021 financial year which commenced on 1 July 2020 and ended on 30 June 2021. This Corporate Governance Statement was approved by the Board and is current as at 26 August 2021.

Further information about Huon's corporate governance practices and policies can be found in the Investor Centre/ Corporate Governance on the Company's website.

Principle 1: Lay solid foundations for management and oversight

Role of Board and Management

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

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

Strategy

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

Risk management and reporting

— identifying the principal risks and overseeing appropriate control and management frameworks for them;
— reviewing and ratifying the Company's system of risk management, legal compliance and internal compliance and control;
— determining, via the oversight and risk management processes of the Audit and Risk Management Committee, in accordance with the Audit and Risk Management Committee Charter as determined by the Board, that satisfactory arrangements are in place for auditing the Company's financial affairs; and
— approving and monitoring material internal and external financial and other reporting.

Relationship with management

— appointment and removal of the Chief Executive Officer (CEO) and Company Secretary;
— ratifying the appointment and removal of Senior Executives which includes all executives who report directly to the CEO;
— approving the remuneration framework and overseeing remuneration policies and Executive Management performance including determining whether the remuneration and conditions of service of Senior Executives are appropriate and consistent with the approved policies and framework;
— establishing and monitoring executive succession planning;
— setting specific limits of authority for Management; and
— delegating day-to-day decision making and implementation of the approved strategy to Executive Management within the limits of the approved management authority.

Monitoring of performance

— approving criteria for assessing performance of Executive Management and monitoring and evaluating their performance; and
— undertaking an annual evaluation of the performance of the Board, each Board Committee and individual Directors; and
— establish goals and objectives for the Board for the upcoming year and effect any amendments to the Board Charter or any Board Committee Charter considered necessary

Corporate governance

— ensuring that policies and compliance systems are in place consistent with the Company's objectives and best practice;
— ensuring that the Company and its employees act legally, ethically and responsibly on all matters in accordance with the Company's own governing documents, including the Company's Code of Conduct; and
— selecting and appointing the Board Chair, and if the Company has one, the Deputy Chair or Senior Independent Director.

Board Committees

— establishing such committees of the Board as may be appropriate, including:
i. Audit and Risk Management Committee; and
ii. Remuneration & Nomination Committee
— adopting Charters setting out the membership, responsibilities and reporting obligations of each Board Charter, including evaluating performance of those Committees; and
— undertaking an annual performance evaluation of each Board Committee, comparing the performance of the Board Committee with the requirements of the Board Committee for the upcoming year and effecting any amendments to the relevant Committee charter as deemed necessary.

Delegation to Management

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

— developing business plans, budgets and strategies for the Company for consideration by the Board;
— implementing the business plans, budgets and strategies to the extent approved by the Board;
— operating the Company's business within the parameters set by the Board and keeping the Board informed of material developments in the Company's business;
— referring any matters that exceed the parameters set by the Board to the Board for its consideration and approval, including but not limited to, proposed transactions, commitments or material arrangements;
— identifying and managing operational risks and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board;
— implementing the policies, processes, frameworks and codes of conduct as approved by the Board; and
— managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems function effectively and capture all relevant material information on a timely basis.

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

Board appointments

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

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

Written agreements with Directors and Executive Management

Directors have a formal letter of appointment that sets out the key terms and conditions of their appointment. All Directors also sign a Deed which covers issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice, policy and procedure for trading in Company shares including strict blackout periods, Director independence and any matters that could affect independence, and requirements concerning confidential information. Executive Management are also engaged under a written agreement setting out the terms of their employment.

Company Secretary

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

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

Diversity policy

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

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

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

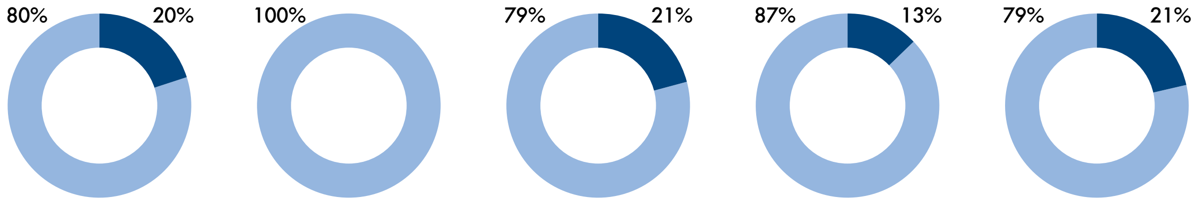
The Company believes that commitment to diversity creates competitive advantage and enhances employee participation which is essential to the success of the business. The Board has set measurable objectives and the aim of these is to create an environment conducive to the appointment of well qualified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

Measurable Objective	Achievements in FY2021
Foster an inclusive culture of workplace diversity	Huon recognises that having a workforce of individuals with unique skills, experiences and backgrounds and values provides a depth of skill and knowledge that can give Huon a competitive advantage through enhanced employee engagement. We want to foster an environment where everyone can feel comfortable bringing their true self to work. Huon has a diversity policy that is communicated to all employees and the tone at the top that cascades through the teams is one of inclusion and family. In March 2021, Huon celebrated International Women's Day and shared information on global gender equality progress and facts with the various teams to enhance their understanding of the need for gender equality, the progress made to-date and the importance of continued work in this space. In FY2022, Huon plans to undertake diversity and inclusiveness training and take part in awareness days around mental health (RUOK) and sexual orientation and identity (Pride).
Apply and promote Flexible Work Practices Policy	The Company does not currently have a formal flexible work policy. However, for those of our employees who can work remotely, the last year has seen remote and flexible working achieved on a scale we have never experienced before due to the COVID-19 pandemic. Our office-based staff worked remotely from March 2020 until July 2021, at which point teams were able to come back to our offices if they felt safe to do so. Flexible working has remained part of our way of working now and is organised between employees and their managers on a case-by-case basis; this allows our people to get more balance between their work and home life whilst still getting the people and team interaction that is required for optimal performance. Flexible and remote working practices are opportunities considered as part of the recruitment process in order to attract the best candidates, Huon has a formal Recruitment and Selection Policy that includes Flexible working practices as a key principle. In FY2022, a flexible working policy will be formally implemented to ensure a consistent and transparent approach across all of Huon.
Present diversity data on Huon's sustainability dashboard	Information is presented on the sustainability dashboard showing the gender diversity results for the company. This data is presented on a quarterly basis. Gender diversity data is not currently presented by department; this is something Huon plans to implement in FY2022.
Ensure appropriately qualified and relevantly experienced women are considered at short list stage for Board appointments	Huon is committed to an equal, fair and merit-based recruitment and selection process. Short-listing of candidates is a key part of our recruitment process and the skill set and experience that a candidate brings to a role will always be the top priority. Huon did not have any change in the structure of the Board in the current year but any Board appointments will always be performed fairly and in accordance with the Huon principles and values.
Progressively increase female representation where the business unit is at less than 20% with specific focus on operational areas	The female representation across the Company has dropped to 21% (FY2020: 22%). However, within departments there are still significant gender imbalances. Huon continues to consider diversity throughout its recruitment process and actively seeks to address these imbalances. A key part of this is to ensure the pipeline of candidates is balanced, this happens by engaging with both genders at an earlier stage of the career lifecycle; Huon works with primary and secondary schools, hosting student placements and facilitating site tours as well as providing guidance to VET and tertiary Aquaculture students. It is hoped that engaging with more females at this stage will ensure more gender balance in the applications received for operational roles.
Progressively increase female participation in Huon's Leadership Education and Development Programs	Due to the COVID-19 pandemic and the focus on the health and safety of Huon's people during this tumultuous time, the leadership program planned for the current year was unable to go ahead. This will be run again in FY2022 and will be structured with gender balance. Huon recognises that the lack of female representation in the executive management team is an area that needs addressing however the increase in female representation at the Senior Management level up to 21% from 13% five years ago shows that the pipeline is growing and the leadership initiatives to-date have succeeded.
Align selection practices to deliver an equal mix of male and female students for school-based apprenticeships	As previously noted, the Recruitment and Selection Policy on Huon's intranet sets out the principles that Huon employees must apply when selecting students for apprenticeship programs. Ensuring diversity across the short-list of candidates is an important requirement.

The Company continues to prioritise merit and competency-based selection criteria at the same time recognising diversity in each application of its recruitment and promotion methods. The Company anticipates a long and steady increase in female workforce proportion particularly in key leadership roles and as such has not set a gender target. Additional information on gender diversity and progress towards improved gender balance is included below.

Gender diversity as at 30 June 2021

Board | Executive Management | Senior Management | Management | Total workforce



● Female ● Male:

	Board		Executive Management		Senior Management		Management		Total workforce	
	●	●	●	●	●	●	●	●	●	●
2021	80%	**20%**	100%	**0%**	79%	**21%**	87%	**13%**	79%	**21%**
2020	80%	**20%**	100%	**0%**	76%	**24%**	85%	**15%**	78%	**22%**
2019	80%	**20%**	100%	**0%**	79%	**21%**	86%	**14%**	80%	**20%**
2018	80%	**20%**	100%	**0%**	85%	**15%**	87%	**13%**	81%	**19%**
2017	80%	**20%**	100%	**0%**	87%	**13%**	87%	**13%**	79%	**21%**

Subsequent to 30 June 2021 but before the date of this report, the gender balance of the executive management group changed to 83% Male and 17% Female with the appointment of a new GM of Sales and Marketing. This is a great step for Huon's drive to improving gender balance and reflects the improvements seen through the management and senior management groups over recent years and the investment in leadership programs for internal development.

Workplace Gender Equality Agency WGEA Report

The Company lodged its annual public report with the Workplace Gender Equality Agency (WGEA) including gender pay equity and achieved compliance status. A copy of the report can be viewed on the Company website.

Board performance evaluation

The Board adopted a self-evaluation process to review its own, its Committees' and individual Directors performance during FY2021. This process includes written surveys completed by all Directors which are discussed with the Chairman, as well as detailed analyses on the performance and effectiveness of each committee, completed by the relevant committee Chair and discussed with the Chairman to ensure the Board and its Committees remain effective. The Board also reviews the composition and skills mix of the Directors on an ongoing basis to ensure that the Board has the necessary and desirable competencies to govern effectively.

Executive Management performance evaluation

The performance of the CEO and Executive Management is assessed each financial year. These include but are not limited to:

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

The Board conducts the performance evaluation of the CEO annually and this forms the basis for determining the CEO's performance-based remuneration; the Remuneration Report starting on page 41 contains further detail on this assessment for the current financial year. Throughout the year, the Chairman conducts regular check-ins with the CEO to discuss current business performance, direction and required actions. These check-ins are informal and ensure progress against goals is monitored in a timely manner. The CEO conducts the performance evaluations of the Executive Management; this includes regular individual check-ins with each member of Executive Management to ensure progress against goals and action taken to reflect feedback, these then culminate in the annual performance evaluation process which drives the performance-based remuneration.

Principle 2: Structure the Board to add value

Board composition, skills and experience

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

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

The current skills matrix of the Directors of the Board brings together extensive expertise and experience in relation to all areas of the day-to-day and commercial elements of the Company. The table below outlines the percentage of current Directors possessing those skills and experience:

Category	Percentage of Directors (substantial or extensive experience)
Industry knowledge Expertise and experience in the salmon, aquaculture and food industry at a very senior level	100%
International & Domestic markets Expertise and experience operating in both domestic and international food markets	100%
Executive leadership Significant business experience and successful leadership at a senior executive level	100%
Strategic, risk and operational development Proven track record in identifying, developing and implementing a successful strategic plan and risk management including challenging managements' views and assumptions to deliver long-term growth and shareholder returns	100%
Governance Commitment to the highest standards of corporate governance, including ASX listing rules and practices	100%
Financial acumen Expertise in financial accounting and reporting, corporate finance and internal financial controls including an ability to challenge the adequacies of financial and risk controls	80%
Brand, marketing and product development Expertise in marketing, brand maximisation and new product development to drive strategic objectives and growth	100%
Sustainability practices Commitment to leading the way in industry sustainability practices and providing transparency to various stakeholders to minimise impact on the environment and communities	100%
People, health and safety Expertise in workplace health and safety and commitment to prioritising the physical and mental welfare of the workforce	100%

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

Board and Director independence

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

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

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

Details of the Directors of the Board, appointment dates of each Director, and the members of the Board Committees are set out in the Directors' Report on pages 30 to 31 of this Annual Report.

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

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

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

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

Remuneration and Nomination Committee

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

— Simon Lester (Chairman);
— Neil Kearney (Member); and
— Tony Dynon (Member).

Consistent with ASX Recommendations, the Chairman of the Company does not chair the RNC and so a separate chair is not required should the Remuneration and Nomination Committee deal with the appointment of a successor to the Chairman. Details regarding the frequency of and attendance at RNC meetings throughout the financial year can be found on page 40 of this Annual Report.

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

— the appointment and re-election of Directors as members of the Board and its Committees;
— the induction and continuing professional development of Directors;
— Board succession planning;
— the recruitment process for a new Director;
— Board, Committees and Director performance evaluation;
— the Company's superannuation arrangements;
— the Company's recruitment, retention and termination policies;
— those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
— the size and composition of the Board and strategies to address Board diversity and the Company's performance in respect of the Company's Diversity Policy; and
— succession plans for the CEO and other Senior Management.

The Committee comprises of only Non-executive Directors with a majority of independent Directors and must have an independent chairperson as nominated by the Board and includes at least one member with expertise in remuneration. Members of the RNC are appointed for a fixed period of no more than three years with Committee members generally being eligible for re-appointment.

Director induction and ongoing professional development

The induction of Directors is the role of the Remuneration and Nomination Committee and includes ensuring an effective orientation program is in place including providing induction information such as key corporate governance policies and charters of the Company. Directors are encouraged to engage in professional development activities and to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

Principle 3: Act ethically and responsibly

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

Code of Conduct

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

The Code addresses issues including;

— ethics; including openness, honesty, fairness, integrity and acting in the best interests of the Company;
— personal and business conduct; including giving and accepting business courtesies;
— conflicts of interest; including trading in Company shares and financial and other inducements;
— compliance with laws and regulations;
— privacy and intellectual property; including confidentiality and control of information;
— corporate opportunities;
— financial integrity;
— mutual respect; and
— business agreements and contracts.

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

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

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

Company Values

At Huon we have six key values that represent what the Board, management and our employees believe are important principles in order for the Company to achieve its purpose of being a workforce that seeks excellence and innovation, sustainably and efficiently producing the highest quality product, striving to be leaders within the industry and providing our customers with the best quality and service possible.

Company Values	
Community	We are responsible neighbours helping to build and support sustainable communities.
Integrity	We are ethical, transparent, and inclusive in all our dealings.
Creativity	We embrace the challenge of innovation and are driven by an improvement culture.
Safety	We provide a safe and healthy workplace for all our staff, contractors and visitors.
Care	We are passionate about our business, working together to achieve quality outcomes.
People	We value our employees and work together to develop our industry.

These values have been in place for the duration of the reporting period. They are embedded in the Company by the executive leadership and management groups across Huon through everyday leadership behaviour, goals and KPIs linked to the Company values, and being established throughout both internal and external communications. The Company lives these values in a transparent way through the publication of the Sustainability Dashboard published on the Company's website. This Dashboard was the first of its kind for our industry and uses data to help our communities better understand what we do, including information such as company gender diversity, safety statistics, wildlife mortalities, sea temperatures, and fish stock statistics. Employees receive training on these values and they are integrated throughout the recruitment of new employees as they underpin the performance evaluation process.

Whistle-blower Policy

In 2019 the Company implemented a Whistle-blower Policy; the aim of this policy is to:

— recognise the Company's commitment to operating legally (with any Applicable laws), in line with the Company's policies and procedures, and ethically;
— direct and guide employees regarding their mutual obligations to comply with the aforementioned compliance and commitments;
— encourage voluntary reporting of non-compliance without the fear of adverse action;
— provide a fair, confidential, anonymous and flexible approach and process to encouraging, supporting and responding to 'whistle-blowers';
— establish procedures for protecting whistle-blowers against adverse action or detriment;
— implement appropriate plans and processes to support and implement both the policy and whistle-blowers; and
— implement corrective action where required.

This policy covers all employees, contractors and other persons at the workplace and managers are required to promote the whistler-blower policy within their area of responsibility. The Company is required to reasonably investigate whistler-blower reports, provide support to the whistler-blower and take appropriate action where necessary. Any findings from investigations must be recorded and, if required, any non-compliance with Applicable Laws must be reported to the relevant agency or authority. The full whistler-blower policy is available on the Company website.

Anti-Bribery and Corruption

In June 2021, the Company implemented a standalone Anti-bribery and Corruption Policy as recommended by the 4th Edition ASX Recommendations. The provisions of the Code of Conduct covered anti-bribery and corruption for the period up to the adoption of the standalone policy, this included:

— giving and accepting business courtesies; including specific value thresholds for reportable gifts, entertainment or personal favour and the reporting and approval process for said gifts;
— financial and other inducements; including reference to federal legislation for committing such offences;
— financial integrity; including ensuring all entries in the Company's books are in accordance with Company policies and Applicable Laws and Regulations; and
— reporting processes for disclosing potential conflicts of interest.

The stand-alone policy expands on those topics discussed within the Code of Conduct and addresses the key responsibilities of those individuals covered by the policy; this includes but is not limited to:

— compliance with laws and policies;
— maintaining appropriate records of any gifts;
— obtaining appropriate approvals before entering into any transactions that can be seen to benefit an individual;
— being vigilant and reporting breaches or suspicious behaviour;
— promoting the anti-bribery and corruption policy and procedures across the Company;
— conducting risk assessments to identify areas of the business most at risk from bribery and/or corruption to focus efforts on high-risk areas; and
— conducting periodical reviews to ensure the policy remains effective in achieving its purpose.

The full policy is available in the Corporate Governance section on the Company website.

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Management Committee

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

The ARMC consists of three Non-executive Directors and a majority of independent Directors. The Chairman of the Committee is an independent Director and is not the Chairman of the Board, this is consistent with ASX Recommendations. The current members of the Audit and Risk Management Committee are:

- Tony Dynon (Chairman);
- Neil Kearney (Member); and
- Simon Lester (Member).

The Audit and Risk Management Committee Charter is available on the Company's website and outlines the Committee's key responsibilities as follows:

- review and approve internal audit and external audit plans – including making recommendations to the Board on the appointment, reappointment, replacement, remuneration, effectiveness and independence of the external auditors, considering the scope and adequacy of the external audit and discussing this with the external auditors and considering audit partner and audit firm rotation to maintain actual and/or perceived auditor independence.
- update the internal and external audit plans – meet with external audit as well as management to ensure adequacy of accounting and financial controls including testing scope, significant accounting estimates and judgements and issues and concerns warranting Committee attention such as control effectiveness or process improvement.
- review and approve financial reports – including reviewing significant accounting policies and judgements to ensure compliance with relevant accounting standards and recommending the accounts for approval by the Board.
- review the effectiveness of the Company's compliance and risk management functions – including making recommendations to the Board on the adequacy of the Company's processes for risk management, reporting and making recommendations on any incident involving fraud or a failure of the Company's controls, making recommendations on the Company's insurance program and making recommendations on the Company's risk management policy.

The relevant skills and experience of each committee member can be found on pages 30 to 31 of this Annual Report and details regarding the frequency of and attendance at ARMC meetings throughout the financial year can be found on page 40 of this Annual Report.

Integrity of Financial Reporting – CEO and CFO Certification

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

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

This declaration process is consistent with the requirements of the *Corporations Act 2001 (cth)* and the ASX Recommendations. Before these declarations are made the CEO, Deputy CEO and CFO receive representation letters from appropriate management verifying material issues relating to their respective areas of responsibility and disclosing factors that may have a material effect on the financial performance and/or position of the Company.

Integrity verification of unaudited or unreviewed information

Where the Company releases to the market any periodic corporate report that has not been audited or reviewed by an external auditor it adopts processes to ensure the integrity of these reports. These reports are prepared by Management with reference to the Company's records and systems with external assistance where required. Reports of this nature, such as those included within the unaudited sections of this Annual Report, are submitted to the relevant Board committee for review and approval after having been through a rigorous internal review process which is covered by the certifications made to the Board by Executive Management.

Role of the External Auditor at the AGM

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

Principle 5:
Make timely and balanced disclosure

Continuous Disclosure

The Company is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and the ASX Listing Rule 3.1 to ensure that the market is fully informed of information concerning the company that a reasonable person would expect to have a material effect on the price or value of Huon's securities. Where information is disclosed to the ASX under the continuous disclosure legislation this will then be made available to all stakeholders, market participants and the wider community via the Company's website.

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

The Board receives copies of all announcements under Listing Rule 3.1 promptly after they have been made.

Investor Presentations

The Company releases a copy of presentation materials on the ASX Market Announcements Platform ahead of new and substantive investor presentations.

During the reporting period, the Company released a copy of presentation materials on the ASX Market Announcements Platform on three occasions; 27 August 2020, 30 October 2020 and 26 February 2021. In each case, the materials were released ahead of the presentation.

Shareholders and other interested parties are able to participate in all Company hosted investor events, and webcast details are made available in advance on the ASX Market Announcements Platform. In addition, audio replays of these presentations are available at Huon's Investor Centre website at investors.huonaqua.com.au

Principle 6:
Respect the rights of security holders

Information about Huon and its Governance for Investors

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

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

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

This information is made available through:

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

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

Investor Relations Program

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

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

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

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

The Company strongly encourages all shareholders to attend meetings and uses and relies on its Communications Policy to ensure awareness and accessibility of those meetings. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Full participation at these events is facilitated by:

— the ability for shareholders to take part via webcast as well as in physical attendance (excluding events impacted by COVID-19 restrictions);
— allowing proxy forms to be submitted via multiple means (electronically, fax or post);
— allowing shareholders to submit questions prior to the Annual General Meeting if they are unable to attend in person.

Voting at the Annual General Meeting is completed via confidential polls rather than by a show of hands, this is consistent with ASX Listing Rules regarding voting rights.

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

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

Principle 7: Recognise and manage risk

Committee to oversee Risk

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

— operational and environmental risk;
— market and economic risk;
— workplace health and safety management; and
— financial risk.

The Committee consists of three Non-executive Directors and a majority of independent Directors. The Chairman of the Committee is an independent Director and is not the Chairman of the Board. Further information on the Audit and Risk Management Committee, including the charter and members, is included within the Principle 4 section of this Corporate Governance Statement.

Review Huon's Risk Management Framework

The Board, with the support of the Audit and Risk Management Committee, manages the Company's Risk Management Policy and Risk Management Framework which are reviewed on an annual basis. Any amendments to the Policy and/or Risk Management Framework must be approved by the Board. In addition, Management reports to the Audit and Risk Management Committee on risks, thus allowing the Committee to make recommendations to the Board. The Board reviews the Company's risk management at Board meetings, and where required, makes improvements to its risk management and internal compliance control systems.

The risk management policy ensures there is consistency in the methods used for assessing, monitoring and communicating risks in the Company as well as promoting a balanced approach to monitoring risk and return. Material risks to the Company are discussed further in the following section of this report.

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

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

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

Risk Type	Identified Risk
Agricultural and Environmental	Supply, growth and mortality of fish
	Biosecurity and farming practices
	Disease management
	Fish feed availability and formulation
	Climate change
	Predator threats
Social	Stakeholder engagement and responding to misinformation
	Regulatory and permitting risk
	Animal welfare
Market and Economic	Market disruption due to pandemics
	Pricing and demand
	Trade embargos affecting export markets
	Cyber security
	Fuel and energy prices
	Foreign exchange and interest rates
	Liquidity and funding
Workplace health & safety	Staff recruitment and retention
	Equipment and work practices
	Staff training, professional development and policies

These risks may change over time as the external environment changes and as the Company expands its operations. The Company's Risk Management Policy outlines processes Huon has adopted for the regular assessment and identification of risks as well as providing a management and response framework including the mitigation of risks where appropriate. Further information on Huon's assessment of the principal risks which could have a material impact on the Company are set out on page 69 in this Annual Report.

Internal Audit Function

The Company does not have an internal audit function due to the nature and size of the Company and the extent of its Risk Management Policy. The Company currently relies on oversight by management, the Audit and Risk Management Committee and the Board to ensure compliance with Huon's Risk Management Policy. The Audit and Risk Management Committee will continue to assess the need for an internal audit function based upon the risk and size of Huon's operations.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nominations Committee

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

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

When needed, the Company has also sought advice from external advisers in relation to the development of appropriate incentive plans for Key Management Personnel (KMP). Further information on the Remuneration and Nomination Committee, including the charter and members, is included within the Principle 1 section of this Corporate Governance Statement.

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

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

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

The full Remuneration Policy is available on the Company's website; this should be read in conjunction with the Securities Trading Policy.

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

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

The mix of remuneration components and performance measures ensures that there is a strong link between Executive remuneration and achievement of the Company's strategy and objectives; ensuring positive shareholder returns and broader stakeholder management in accordance with the Company's values.

The remuneration of Non-executive Directors is determined by the Board as a whole reflecting the value of the individual's time commitment and responsibilities. Remuneration packages may contain any or all of the following:

— annual fees;
— equity based remuneration; and
— other benefits such as superannuation payments.

The total remuneration of Non-executive Directors must not exceed the maximum annual amount approved by Company's shareholders (currently $800,000). Detailed information on the Company's remuneration policy and key principles and also the remuneration received by Directors and Key Management Personnel (KMP) in FY2021 is set out in the Remuneration Report on pages 41 to 53 in this Annual Report.

Equity-based remuneration

Both the Remuneration and Nomination Committee Charter and the Remuneration Policy contain oversight regarding equity-based remuneration. Huon's long term incentive (LTI) plan is delivered through the granting of performance rights which convert to shares in the Company on achievement of specified performance conditions. If a participant in an equity-based scheme enters into any transaction designed to limit the economic risk of participating in such a scheme, then the following applies:

— the participant must disclose details of the transaction to the Company Secretary;
— the Company Secretary will disclose to the Board all details of any such economic risk management transactions; and
— the Board will consider whether the participant is a KMP and if so whether there has been a breach of any law, whether the equity-based remuneration scheme should be amended, or whether future participation of the senior executives in the equity-based remuneration scheme should be amended in any way.

Securities issued via these remuneration schemes are subject to the Securities Trading Policy. This policy details the scenarios when shares can and cannot be traded, scenarios that are prohibited by law, and disciplinary actions that can be taken, including termination of employment, where the policy is found to have been breached.

Risk Management

Agricultural and Environmental Risks

Huon has been farming sustainably for 35 years and, as with any farming endeavour, it is subject to a range of events with outcomes that can impact the supply of smolt, fish growth and mortality. The most effective strategy to minimise exposure to such risk is good animal husbandry which demands care and innovation throughout the lifecycle of the fish. Preventing disease and the effective management of outbreaks, if they do occur, is integral to Huon's farming methods. Huon undertakes a range of measures to proactively and successfully manage its agricultural and environmental risks.

Supply, growth & mortality of fish

Huon takes a **multiple site approach to broodstock supply**; Huon has broodstock facilities located at five, geographically separate sites around Tasmania, thereby guaranteeing supply and reducing biosecurity risk.

Huon has multiple freshwater facilities, the **Whale Point Salmon Nursery** is the only one of its kind in the southern hemisphere. Huon's success in growing salmon to a larger size on land (in a controlled environment) has reduced the time spent at sea by 30–40%. Larger smolt are more robust and less vulnerable to predation. This provides increased capacity to manage existing leases, lowering the environmental and biosecurity risk. Refer to pages 20–21 of this report for more information on our Whale Point nursery.

Biosecurity

Good biosecurity is critical in preventing and managing disease which is why Huon has been actively involved in the joint industry-government review and implementation of improved biosecurity measures.

Huon's decision to shift the focus of operations to Storm Bay was reinforced by the benefits provided by tighter management of biosecurity across its operations. Huon now operates in three distinct biosecurity zones – Storm Bay; the Huon River and D'Entrecasteaux Channel; Macquarie Harbour. To ensure good biosecurity, **different yearclass of fish** have always been held on separate lease sites. The reorganisation of our leases last year allowed for greater distance separation between different year class fish. Huon's separation of smolt and growout by lease and zone is illustrated on page 17.

Disease management

Huon's Veterinary Health Plan (VHP) is a living document that underpins good fish health and welfare practices to ensure the **prevention of diseases**. Huon also utilises in-situ net cleaners to minimise the build-up of biofouling on the Fortress Pens. This ensures high water flow through pens, maintaining maximum oxygen levels to fish.

Huon was the first company globally to use a **wellboat** for the purpose of bathing fish in freshwater and now has two wellboats in service both designed to Huon specifications.

Both these vessels have supported Huon's proactive approach to managing risk – by enabling safe farming operations in more exposed sites, improving operational efficiency (more fish can be bathed at one time) and minimising fish losses by treating fish more quickly and efficiently (reducing AGD impact).

Additional information on our fish welfare practices is included in the sustainability section of this report starting on page 32.

Fish feed availability and formulation

Over 50% of the input costs to salmon production is feed. Huon mitigates this risk by maintaining **multiple sources of feed supply** which are all sourced from Tasmanian-based suppliers. This reduces the risk of relying on imports and supports the supply chains for Tasmanian primary producers.

With access to regular supply of the right type of feed, production is not compromised.

Huon works closely and continuously with our feed suppliers to ensure our fish are getting the best possible diet, more detail on our **fish feed formulation** can be found on page 38 of this report.

Climate change

Huon recognises that climate change is a significant risk for all businesses and communities, as such Huon has proactively taken steps to identify those risks and then work to manage and mitigate the impact of climate change on our operations. The key risks that Huon has identified to our operations are:

— higher ocean temperatures; warm summer temperatures cause slower growth in salmon;
— increased extreme weather events, particularly storms impacting our high-energy marine environments increasing the risk for infrastructure damage; and
— lack of freshwater for nursery operations due to reduced or infrequent rainfall.

This is being managed by:

— a joint feed trial with BioMar to create an easily digestible summer diet;
— selective breeding programs for thermotolerant fish;
— continuous innovation in our farming infrastructure to withstand significant weather events; and
— continuous investment in water recycling activities.

For more information on these activities refer to our sustainability section on page 32 of this report.

Predator threats

Huon's operations attract wildlife that prey on salmon, particularly birds and seals. Huon's solution to this is good barrier technology to restrict access to the pens both below and above the water line.

When introduced, Huon's **in-house developed Fortress Pens** were a world first. Key elements of the design include a fully enclosed walkway; nets made from the same material used to make bullet proof vests to withstand the buffeting Tasmanian winds; and a design which minimises predation from seals and birds by restricting their access to the pens below and above the waterline.

Huon also utilises **in-situ net cleaners** to minimise the build-up of biofouling on the Fortress Pens, this removes excess weight and mitigates the risk of holes and tears which can result in wildlife incursion or fish escape. More detail on our wildlife interactions during the year can be found on page 36 of this report.

Social Risks

As a fully vertically-integrated company, Huon's compliance obligations span across all aspects of our operations. At the same time, Huon has a responsibility to ensure that our activities are understood by the communities in which we operate, and that our communication is transparent and authentic. Being part of any community brings with it a responsibility to do things that will help keep the community safe and connected, as such Huon undertakes a range of measures to proactively and successfully manage its social risks.

Stakeholder engagement and responding to misinformation

Huon encourages engagement with the community and others connected to, or invested in, activities associated with Huon's operational footprint. However, misinformation about our operations and the aquaculture industry is growing; risking increasing uncertainty within our communities.

Dedicated teams at Huon proactively manage relationships with all stakeholders including government, regulators, investors, suppliers, customers, and communities. We believe the best way to counter misinformation and educate our stakeholders about our sustainable farming practices is through transparent communication.

We manage this through:

— **transparent complaint management** with evidence-based data regularly published on our website in a bid to better inform stakeholders;
— **social media campaigns** including videos and facts about Huon's approach to fish farming;
— **engaging with education providers** to educate and attract the next generation of salmon farmers;
— **dedicated phone, email and web forms** for community feedback and questions;
— working with other Tasmanian salmon producers as **part of the Tasmanian Salmonid Growers Association (TSGA) to communicate an industry-wide information campaign** across various media platforms including print and online; and
— Huon are planning to **release our first Sustainability Report next year**, including specific targets and strategies to further increase the transparency of our operations, impacts and sustainable strategy.

For more information on our operations, we encourage you to visit Huon's Sustainability Dashboard at dashboard.huonaqua.com.au or our operational fact sheets at huonaqua.com.au/our-approach/fact-sheets.

Regulatory and permitting risk

Changes in government policy may affect Huon's business operations and financial position. The permits held by Huon to operate in the Tasmanian waterways are also subject to the granting and approval of relevant governing bodies and are subject to Huon remaining compliant with the permit terms and conditions.

Huon **monitors all changes in relevant regulations** and engages with regulators and governing bodies to ensure policy and law changes are understood. Huon also has **strict processes and standard operating procedures** regarding its operations (both owned and leased) in order to minimise the risk of losing tenure in these sites.

Animal welfare

Huon's approach to fish welfare is holistic and proactive; healthy fish are essential to producing the top-quality products associated with our brand. Key risk management processes include:

— very **low stocking densities**, with a maximum of 1% fish density;
— good **fallowing** practices to allow for benthic recovery;
— remotely operated underwater vehicle (ROV) **inspections every month** with results provided to the environmental regulator;
— development and use of national **award-winning pellet-recognition software** to ensure fish are only fed to-appetite. This reduces food waste and improves the health of the sea floor improving the health of the fish;
— our **own veterinary team** who maintain Huon's VHP and oversee fish welfare across both freshwater and marine operations;
— collaboration with DPIPWE to develop a **fish vaccination program** to control five serious disease pathogens;
— **remotely operated feeding** with feed spreader that ensures less dominant fish equal access to food, this replicates natural fish behaviour; and
— **lift-up systems** in Fortress Pens, automatically retrieving fish mortalities to reduce the risk of disease spread or wildlife attraction.

Additional detail on our animal welfare procedures is included on page 37 of this report.

Market and Economic Risks

The key market risks relate to the ability to maintain supply of product, market disruption factors, consumer confidence in the quality and safety of Huon's product, and regulatory and financial risks that could impact the viability of Huon's operations. This is successfully managed in a number of ways.

Market disruption due to COVID-19

The key risks posed to Huon from the ongoing global COVID-19 pandemic include operational, safety and market disruption. Huon has adhered to government guidelines with no disruptions to the ongoing operations of the business.

Huon's priority during this time was the safety and welfare of our people; we are pleased to confirm that there have been no confirmed cases of COVID-19 within our workforce.

The Australian food services sector of the wholesale market has been disrupted by the closure or severe restrictions placed on the operations of restaurants, clubs and the food catering industry, as a result of government-imposed lockdowns. Access to international salmon export markets was also interrupted due to the ongoing disruption to international air freight services. Huon's **diversified presence in both the domestic and international markets** has enabled it to react and adapt to the changing conditions with **growth in Huon's own e-commerce business** continuing to perform well. Huon will continue to monitor the on-going COVID-19 situation. As both national and global vaccination rates increase it is hoped that the likelihood and impact of future lockdowns will be minimised.

Pricing and demand

Huon's profitability and the market value of its biological assets are sensitive to salmon prices in both the domestic and international market. Prices are dependent on short- and long-term supply and demand variations, and market conditions. This risk is managed by:

— Huon's **diverse customer** channel through customer supply contracts and category marketing investment;

— **diversification of revenue channels** by selling into the wholesale market, the retail sector (both domestic and offshore via contracted sales), as well as the export channel; and

— **diversification of products** with Salmon to Go aimed at everyday affordable and convenient meals through to Chef Series, as well as the introduction of pet treats to our product range.

The quality of Huon Salmon is central to our brand and reputation. Huon mitigates the risk of quality control issues through the implementation of **rigorous quality assurance systems** and continuous product testing.

Cyber security risk

Cyber risk is increasing as technology becomes more embedded in our everyday operations and those of our customers.

Huon manages this risk by having a dedicated IT team who implement and maintain cyber security systems and provide training to our people on data security protocols.

Trade embargos affecting export markets

During the year, China has implemented trade blocking manoeuvres against a number of Australian industries. Whilst the salmon and trout industry has not yet been directly impacted by restrictions or tariffs this remains a risk to the industry.

Huon identified its overreliance on the China export market and diversified into a wider range of export countries including North America where market interest and volume growth was strong. Historically Huon's exports to China have averaged around 75% of exported volume, this has now reduced to 30%. Locally, Huon has also focused on driving the domestic consumption of salmon within Australia to boost demand from the domestic retail market.

Fuel and energy prices

Huon is exposed to energy price risk through the use of electricity at freshwater and processing operations as well as fuel for marine operations, particularly the vessel fleet.

There is a company wide focus to reduce the costs of energy from the supply side where possible; the **majority of electricity consumption is from the Tasmanian hydro-electric scheme**. Huon is also involved in the Blue Economy – Cooperative Research Centre, partnering with other research institutions to examine current and future renewable energy options.

Foreign exchange and interest rate risk

As Huon's operations in the export market increases, the Company is increasingly exposed to fluctuations in foreign exchange rates. Huon is also exposed to movements in interest rates as the long-term borrowings held by Huon are subject to floating interest rates.

Huon enters into **derivative arrangements to hedge the exposure** of changes in future exchange or interest rates and provide certainty on the future cash flows of the business. More detail on the nature of these transactions is in note 21.

Liquidity and funding

The aquaculture industry requires significant capital investment to build future production capacity and innovative aquaculture processes. Huon relies on cash flows from operating activities, long-term debt and offerings of equity securities to finance this investment.

Huon's Board has approved a **financial risk management policy** covering areas such as liquidity, investment management and debt management including the process for capex budget and spend approval.

Workplace Health and Safety

Providing a workplace that is safe and ensuring that staff return home un-injured each day is a fundamental duty of all employers. It is also essential for attracting and retaining staff and providing an environment which supports learning, team work and innovation. Across the business, strengthening automation and use of technology has helped manage our operational safety risks, we continue to invest in this going forward to make further improvements.

Equipment and work processes

Huon's approach to farming has developed, enabling us to provide safer operational environments as follows:

— **Fortress Pens protect staff** from interactions with seals by creating fully enclosed walkways;
— **remote net cleaning** and repair reduces the need for divers to spend time in the water reducing wildlife interactions;
— introduction of our **Hazard Reporting App** making it easier for our people to report incidents or hazards and improving the reporting and assessment of these incidents so we can continue to improve the way we operate;
— review of **OHS Policies, Procedures and SOP's** with a focus on High Risk Work in alignment with ISO45001:2018. These documents are made available to all employees via Huon's **OHS Portal** on the intranet;
— **onsite manual handing program** provided by an exercise physiologist to ensure that correct physical techniques are used when undertaking manual tasks;
— a review of **pre-employment medical assessments** to ensure potential employees are physical suited to the inherent role requirements;
— the introduction of unmanned feed barges moored onsite at leases together with **automated feeding** controlled from our Hobart control centre, reduces the number of vessel movements and time employees spend on water; and
— continuous modification to processes has included the **introduction of automation and robot packers** at our processing facilities, minimising manual handling.

Training, professional development and policies

Development of staff through training, increases productivity, reduces the risk of injury and accidents, and increases the rate of staff engagement and retention. Huon develops its workforce through:

— participation in **development programs** including undergoing VET sector training courses specific to their role;
— **Apprenticeship to Success** program to provide up-skilling of staff who wish to develop their industry knowledge and skills; and
— a **company-wide employee engagement surve**y was undertaken to gather feedback from our people on what they need from us.

In addition, general literacy, numeracy and digital literacy support is offered to all employees and Huon continues to engage with the tertiary education sector to identify future workforce development requirements.

In the next year, we will update our diversity and inclusion training and leadership courses for further development of our people.

Financial Report

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Consolidated income statement

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from operations	1	426,408	339,869
Other income	2	23,401	13,594
Expenses			
Fair value adjustment of biological assets	4	(15,959)	1,507
Changes in inventories of finished goods and work in progress		(28,390)	59,896
Raw materials and consumables used		(214,189)	(218,997)
Employee benefits expense	3	(102,081)	(80,764)
Depreciation and amortisation expense	3	(50,230)	(52,089)
Impairment losses	31	(113,958)	–
Finance costs	3	(12,667)	(8,370)
Freight & distribution expenses		(65,956)	(31,764)
Other expenses		(29,024)	(21,588)
Total expenses		**(632,454)**	**(352,169)**
(Loss)/profit before income tax expense		**(182,645)**	**1,294**
Income tax benefit	25	54,576	3,621
Net (loss)/profit for the period attributable to members of the Company		**(128,069)**	**4,915**

	Note	Cents per share 2021	Cents per share 2020
Earnings per ordinary share			
Basic (cents per share)	5	(120.79)	5.63
Diluted (cents per share)	5	(120.79)	5.63

The number of shares used to determine statutory and underlying earnings per ordinary share (EPS) is disclosed in note 5 to the accounts.

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

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Consolidated 2021 $'000	Consolidated 2020 $'000
(Loss)/profit for the period	(128,069)	4,915
Other comprehensive income	–	–
Total comprehensive (loss)/income for the period (net of tax)	**(128,069)**	**4,915**
Total comprehensive (loss)/income attributable to:		
Owners of Huon Aquaculture Group Limited	(128,069)	4,915
	(128,069)	**4,915**

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

Consolidated balance sheet

As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	10	5,877	5,934
Trade and other receivables	11	39,951	24,472
Inventories	12	20,741	19,321
Biological assets	4	218,252	264,021
Derivative assets	20	–	2,255
Current tax receivable	25	3	382
Other assets	13	13,554	12,844
Total current assets		**298,378**	**329,229**
Non-current assets			
Investments in financial assets	19	1,996	1,342
Property, plant and equipment	7	229,800	305,581
Right of use assets	9	97,799	162,590
Other non-current assets	8	7,969	8,411
Intangible assets	30,32	–	3,325
Deferred tax assets	25	1,957	–
Total non-current assets		**339,521**	**481,249**
Total assets		**637,899**	**810,478**
Liabilities			
Current liabilities			
Trade and other payables	14	71,080	82,865
Borrowings	15	12,469	23,413
Lease liabilities	9	16,691	16,777
Derivative liabilities	34	2,585	3,025
Current tax liabilities	25	–	–
Provisions	35	10,878	8,688
Other current liabilities	36	1,017	3,534
Total current liabilities		**114,720**	**138,302**
Non-current liabilities			
Borrowings	15	126,680	149,772
Lease liabilities	9	143,153	152,459
Deferred tax liabilities	25	–	53,186
Provisions	35	6,008	5,506
Other non-current liabilities	36	1,621	3,022
Total non-current liabilities		**277,462**	**363,945**
Total liabilities		**392,182**	**502,247**
Net assets		**245,717**	**308,231**
Equity			
Contributed equity	16	230,607	164,999
Other reserves	17	757	810
Profit distribution reserve		192,805	–
Retained earnings		(178,452)	142,422
Total equity		**245,717**	**308,231**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Contributed Equity $'000	Retained Earnings $'000	Profit Distribution Reserve $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2019		**164,302**	**148,494**	**–**	**1,324**	**314,120**
Adjustment on adoption of AASB 16 (net of tax)		–	8,367	–	–	8,367
Restated total equity at beginning of period		164,302	140,127	–	1,324	305,753
Profit for the period		–	4,915	–	–	4,915
Total comprehensive income for the year, net of tax		–	4,915	–	–	4,915
Contributions of equity, net of transactions costs		–	–	–	–	–
Issue of shares pursuant to executive long-term incentive plan	17	697	–	–	(697)	–
Share-based payment expense	3(b)	–	–	–	183	183
Dividends paid or provided for	6	–	(2,620)	–	–	(2,620)
Balance at 30 June 2020		**164,999**	**142,422**	**–**	**810**	**308,231**

	Note	Contributed Equity $'000	Retained Earnings $'000	Profit Distribution Reserve $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2020		**164,999**	**142,422**	**–**	**810**	**308,231**
Transfer to profit distribution reserve	18	–	(192,805)	192,805	–	–
(Loss)/profit for the period		–	(128,069)	–	–	(128,069)
Total comprehensive income for the year, net of tax		–	(128,069)	–	–	(128,069)
Contributions of equity, net of transactions costs	16	64,680	–	–	–	64,680
Issue of shares pursuant to executive long-term incentive plan	17	–	–	–	(46)	(46)
Issue of shares under Huon Employee Share Scheme	16(b)	928	–	–	–	928
Share-based payment reversal	3(b)	–	–	–	(7)	(7)
Dividends paid or provided for	6	–	–	–	–	–
Balance at 30 June 2021		**230,607**	**(178,452)**	**192,805**	**757**	**245,717**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cashflows

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers		432,220	362,080
Payments to suppliers and employees		(422,481)	(344,709)
		9,739	17,371
Interest received		7	115
Interest and other costs of finance paid		(4,825)	(6,626)
Interest on lease liabilities		(8,273)	(5,883)
Income tax (paid)/refunded		378	3,399
Net cash inflow/(outflow) from operating activities	10	**(2,974)**	**8,376**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25	–
Payments for property, plant and equipment		(9,062)	(21,554)
Payments for other assets		(654)	–
Net cash inflow/(outflow) from investing activities		**(9,691)**	**(21,554)**
Cash flows from financing activities			
Proceeds from issues of shares		66,000	–
Payment for share issue costs		(1,886)	–
Proceeds from borrowings		17,522	37,834
Repayment of borrowings		(51,558)	(6,043)
Payment of lease liabilities		(17,424)	(12,670)
Dividends paid to company's shareholders		–	(2,620)
Payment of shares for employee share plan		(46)	–
Net cash inflow/(outflow) from financing activities		**12,608**	**16,501**
Net increase/(decrease) in cash held		(57)	3,323
Cash and cash equivalents at beginning of financial year		5,934	2,611
Cash and cash equivalents at end of financial year	**10**	**5,877**	**5,934**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

About this report

These consolidated financial statements and notes represent those of Huon Aquaculture Group Limited and Controlled Entities (the 'Consolidated Group'). Huon Aquaculture Group Limited is a company incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange (ASX).

The separate financial statements and notes of Huon Aquaculture Group Limited have been presented within this financial report as an individual Parent Entity ('Parent Entity').

The financial statements were authorised for issue on 26 August 2021 by the Directors of the Company.

All press releases and other information are available on our website www.huonaqua.com.au.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Consolidated Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs (unless otherwise stated).

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

Critical estimates and judgements

The areas involving significant estimates or judgements are:

— Borrowings (forecast for compliance with covenants – note 15)
— Recognition of deferred tax asset and carried-forward tax losses (note 25)
— Estimation uncertainties and judgements made in relation to lease accounting (note 9)
— Impairment of assets (note 31)
— Fair value less costs to sell of biological assets (note 4)

The Group has prepared the financial statements for the year ended 30 June 2021 on a going concern basis, this assumes continuity of current business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group's business activities, together with factors which the Directors consider are likely to affect its development, financial performance and financial position are set out in the Chairman's and Managing Director's Review and the Review of Operations on pages 2 to 4 of this report. The key risks and the Group's risk management processes are also discussed on pages 69 to 72 of this report.

Specific consideration of the impact COVID-19 has had on the Group's accounting policies has been documented in the following notes:

— Government grants – note 2 (Other Income) and note 36 (Other liabilities)
— Credit risk – note 11 (Trade Receivables)
— Inventory valuation – note 12 (Inventories)
— Liquidity risk – note 15 (Borrowings) and note 22 (Financial Risk Management)
— Impairment assessment of non-financial assets – note 31 (Impairment)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Huon Aquaculture Group Limited (Parent Entity) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Huon Aquaculture Group Limited and its subsidiaries together are referred to in this financial report as the Consolidated Group.

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

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

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

Application of new and revised Accounting Standards

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

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

In the current year, the Consolidated Group has applied a number of amendments to AASB's and new Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2020, and therefore relevant for the current year end.

The Group adopted all of the following new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised Standards and Interpretations effective for the current year relevant to the Group include:

(i) AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

(ii) AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

(iii) AASB 2019-1 Amendments to Australian Accounting Standards – References to Conceptual Framework
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

(iv) AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

(v) AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

(vi) AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations
The adoption of this standard did not have any impact on the disclosures or the amounts recognised in the Group's annual financial report.

The standards did not require any retrospective adjustments.

Standards and Interpretations in issue not yet adopted:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-8 'Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2'	1 January 2021	30 June 2022
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2022	30 June 2023
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2022	30 June 2023
AASB 2017-5 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 Editorial Corrections'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-1 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current Deferred by – AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date	1 January 2023	30 June 2024
AASB 2020-5 'Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023	30 June 2024

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

Performance

1. Revenue

	Sale of Goods		
	Domestic $'000	Export $'000	Total $'000
2021			
Segment Revenue	265,823	160,585	426,408
Revenue from external customers	265,823	160,585	426,408
Timing of revenue recognition			
At a point in time	265,823	160,585	426,408
	265,823	160,585	426,408
2020			
Segment Revenue	225,657	114,212	339,869
Revenue from external customers	225,657	114,212	339,869
Timing of revenue recognition			
At a point in time	225,657	114,212	339,869
	225,657	114,212	339,869

Revenue recognition and measurement

Sale of goods

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

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

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Amounts relating to future performance obligations under Huon's loyalty program are deferred and recognised when the obligation is performed (i.e. at a point in time). Amounts are estimated using judgement, historical experience and the specific terms of the agreement with the customer to determine the amount and timing of revenue recognised.

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

2. Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Interest income	7	115
Supplier rebates and freight income	6,948	5,423
Government grants	11,378	4,181
Lease concessions	2,492	–
Other	2,576	3,875
	23,401	**13,594**

Revenue recognition and measurement

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Rebates and freight income

Rebates and freight income are recognised as income when the right to receive the payment has been established. This is generally when the Company has satisfied the necessary regulatory requirements. Rebates received that are recognised as Other Income do not relate to the purchase of inventory; inventory-related rebates are recognised as a reduction in the Group's cost of raw materials and consumables used.

2. Other income (continued)

Government grants

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

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Consolidated Group with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned. Refer to note 36 for the impact of Government grants on the Group's financial position. The amounts recognised in the profit and loss statement in relation to JobKeeper are disclosed in note 3.

3. Profit for the year before tax

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Significant income and expenses		
The following significant income and expense items are relevant in explaining the financial performance:		
Income:		
— JobKeeper wage subsidy	10,250	2,709
— Supplier rebates and claims	1,765	543
— Insurance and supplier claims	227	2,846
Expense:		
— Impairment of non-current assets	113,958	–
— Legal fees	54	396
— Costs associated with strategic review	919	–
(b) Expenses		
Gross Depreciation of non-current assets	32,518	36,359
Gross Depreciation of right of use assets	17,270	15,288
Gross Amortisation of non-current assets	442	442
Total Gross depreciation and amortisation	**50,230**	**52,089**
Depreciation – net impact recognised in changes in inventories of finished goods and work in progress	6,530	(12,938)
Net depreciation and amortisation	**56,760**	**39,151**
Interest & fees	2,531	3,815
Interest rate swap	2,294	3,025
Lease interest	8,273	5,883
Total Gross finance costs	**13,098**	**12,723**
Lease interest – net impact recognised in changes in inventories of finished goods and work in progress	(431)	(4,353)
Net finance costs	**12,667**	**8,370**
Employee benefits expense	102,081	80,581
Share-based payment expense	(7)	183
Total employee benefits costs	**102,074**	**80,764**
Net (gain)/loss on disposal of property, plant and equipment	**41**	**–**

4. Biological assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Biological assets at fair value[i]		
Opening balance	264,021	209,129
Increase due to production	341,749	350,407
Decrease due to sales/harvest/mortality	(371,559)	(297,022)
Movement in fair value of biological assets	(15,959)	1,507
	218,252	**264,021**
Closing fair value adjustment on biological assets	12,106	28,065
Total weight of live finfish at sea (kg 000's)	20,336	26,429

(i) Members of the Consolidated Group, Huon Aquaculture Company Pty Ltd and Springfield Hatcheries Pty Ltd grow fish from juveniles through to harvest.

Fair value measurement

	30 June 2021			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Biological Assets	–	–	218,252	218,252
Total financial assets recognised at fair value	–	–	218,252	218,252

	30 June 2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Biological Assets	–	–	264,021	264,021
Total financial assets recognised at fair value	–	–	264,021	264,021

Fair value measurements using significant unobservable input

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	30 June 2021	30 June 2020
Biological assets at fair value ($'000)	218,252	264,021
Unobservable Inputs	Adjusted weight of live finfish for fair value measurement: 18,161 tonne Price per HOG kg $12.83 to $13.33	Adjusted weight of live finfish for fair value measurement: 23,361 tonne Price per HOG kg $12.57 to $13.07
Relationship of Unobservable Inputs to Fair value	Increase in price would increase fair value	Increase in price would increase fair value

4. Biological assets (continued)

Recognition and measurement

Biological assets include broodstock, eggs, juveniles, smolt and live finfish. Biological assets are measured at fair value less costs to sell in accordance with AASB 141. Where fair value cannot be reliably measured biological assets are measured at cost less impairment losses.

For broodstock, eggs, juveniles, smolt and live finfish below 1kg, these biological assets are measured at cost, as the fair value cannot be measured reliably. Live finfish between 1kg and 4kg are measured at fair value less cost to sell, including a proportionate expected net profit at harvest. Live finfish above 4kg are measured at fair value less cost to sell.

The valuation is completed for each year class of finfish, for each species and, each significant location and takes into consideration input based on biomass in sea, estimated growth rate and mortality. The market prices are derived from observable market prices (when available), achieved prices and estimated future prices for harvest finfish. The prices are reduced for harvesting costs and freight costs to market, to arrive at a net fair value at farm gate.

The change in estimated fair value is charged to the income statement on a separate line as fair value adjustment of biological assets.

Sensitivity analysis – Biological assets

Based on the market prices and weights utilised at 30 June 2021, with all other variables held constant, the consolidated group's pre-tax profit for the period would have been impacted as follows:

— A pricing increase/decrease of $0.10 would have been a change of $1,206,274 higher/lower (2020: $1,993,164)
— A weight increase/decrease of 5% would have been a change of $605,292 higher/lower (2020: $1,403,239)

Critical accounting estimates

Biological assets are measured at fair value less costs to sell in accordance with AASB 141. Broodstock, eggs, juveniles, smolt and live fish below 1kg are measured at cost, as the fair value cannot be measured reliably. Biomass beyond this is measured at fair value in accordance with AASB 141, and the measurement is categorised into Level 3 in the fair value hierarchy, as the input is an unobservable input. Live fish over 4kg are measured to fair value less cost to sell, while a proportionate expected net profit at harvest is incorporated for live fish between 1kg and 4kg. The valuation is completed for each year class of finfish, for each species and, each significant location.

The valuation is based on a market approach and takes into consideration inputs based on biomass in sea for each significant location, estimated growth rates, mortality and market price. There is no effective market for live finfish produced by the Consolidated Group so market price is determined on a model based on market prices for both salmon and trout, derived from observable market prices (when available), achieved prices and estimated future prices for harvest finfish.

5. Earnings per share (EPS)

	Consolidated 2021 cents per share	Consolidated 2020 cents per share
Statutory earnings per ordinary share		
Basic (cents per share)[(i)]	(120.79)	5.63
Diluted (cents per share)[(ii)]	(120.79)	5.63
Underlying earnings per ordinary share (non-IFRS measure)		
Basic (cents per share)[(iii)]	(13.31)	5.63
Diluted (cents per share)[(iv)]	(13.31)	5.63

(i) Basic statutory earnings per share is calculated by dividing the (loss)/profit attributable to owners of the company by the weighted average number of ordinary shares of the company

(ii) Diluted statutory earnings per share is calculated by dividing the (loss)/profit attributable to owners of the company by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

(iii) Basic underlying earnings per share is calculated by dividing the (loss)/profit attributable to owners of the company, adjusted to remove the impairment expense incurred in the period, by the weighted average number of ordinary shares of the company

(iv) Diluted underlying earnings per share is calculated by dividing the (loss)/profit attributable to owners of the company, adjusted to remove the impairment expense incurred in the period, by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

Weighted average number of ordinary shares used as the denominator in the calculation of EPS

	2021	2020
Number for basic EPS	106,030,126	87,372,077
Number for diluted EPS	106,030,126	87,372,077

Earnings used as the numerator in the calculation of EPS

	2021 $'000	2020 $'000
Earnings for basic EPS[(i)]	(128,069)	4,915
Earnings for diluted EPS[(i)]	(128,069)	4,915
Earnings for underlying basic EPS[(ii)]	(14,111)	4,915
Earnings for underlying diluted EPS[(ii)]	(14,111)	4,915

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

(ii) Earnings used in the calculation of underlying basic and diluted earnings per share is as per net (loss)/profit in the consolidated income statement adjusted to exclude the impact of the non-cash impairment.

6. Dividends

	Consolidated 2021 $'000	Consolidated 2020 $'000
Fully paid ordinary shares		
Final dividend for the year ended 30 June 2020 of 0 cents (2019 – 3 cents) per fully paid share	–	2,620
Interim dividend for the year ended 30 June 2021 of 0 cents (2020 – 0 cents) per fully paid share	–	–
Total dividends provided for or paid	–	2,620

The Directors have not recommended the payment of a final ordinary dividend for the year ending 30 June 2021.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)	5,992	5,989
	5,992	5,989

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax or the receivable of income tax refund after the end of year,

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the Parent Entity if distributable profits of subsidiaries were paid as dividends.

Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Consolidated Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Investment in growth strategy

7. Property, plant and equipment

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Land and buildings			
Freehold land			
Cost		5,294	5,294
Total land		**5,294**	**5,294**
Buildings			
Cost		68,682	67,552
Accumulated depreciation		(15,666)	(12,346)
Accumulated impairment losses	31	(649)	–
Total buildings		**52,367**	**55,206**
Total land and buildings		**57,661**	**60,500**
Plant and equipment			
Plant and equipment			
Cost		435,747	422,640
Accumulated depreciation		(217,237)	(188,272)
Accumulated impairment losses	31	(51,613)	–
Total plant and equipment		**166,897**	**234,368**
Capital work in progress			
Cost		5,242	10,713
Total capital work in progress		**5,242**	**10,713**
Total plant and equipment		**172,139**	**245,081**
Total property, plant and equipment		**229,800**	**305,581**

7. Property, plant and equipment (continued)

Consolidated	Land and Buildings Freehold $'000	Land and Buildings Buildings $'000	Plant and Equipment Plant and equipment $'000	Plant and Equipment Capital work in progress $'000	Total $'000
Year ended 30 June 2021					
Cost	5,294	68,682	435,747	5,242	514,965
Accumulated depreciation	–	(15,666)	(217,237)	–	(232,903)
Accumulated impairment losses	–	(649)	(51,613)	–	(52,262)
Net carrying amount	**5,294**	**52,367**	**166,897**	**5,242**	**229,800**
Movement					
Net carrying amount at the beginning of the year	5,294	55,206	234,368	10,713	305,581
Additions	–	–	663	–	663
Disposals and write-offs	–	–	(64)	–	(64)
Work in Progress Additions	–	–	–	8,399	8,399
Depreciation and amortisation	–	(3,321)	(29,197)	–	(32,518)
Acquisition in business combination	–	–	–	–	–
Capitalisation to asset categories	–	–	–	–	–
Transfers between classes	–	1,131	12,740	(13,870)	–
Impairment losses	–	(649)	(51,613)	–	(52,262)
Net carrying amount at the end of the year	**5,294**	**52,367**	**166,897**	**5,242**	**229,800**

Consolidated	Land and Buildings Freehold $'000	Land and Buildings Buildings $'000	Plant and Equipment Plant and equipment $'000	Plant and Equipment Capital work in progress $'000	Total $'000
Year ended 30 June 2020					
Cost	5,294	67,552	422,640	10,713	506,199
Accumulated depreciation	–	(12,346)	(188,272)	–	(200,618)
Net carrying amount	**5,294**	**55,206**	**234,368**	**10,713**	**305,581**
Movement					
Net carrying amount at the beginning of the year	5,294	58,044	237,312	19,736	320,386
Additions	–	–	598	–	598
Disposals and write-offs	–	–	–	–	–
Work in Progress Additions	–	–	–	20,956	20,956
Depreciation and amortisation	–	(3,307)	(33,052)	–	(36,359)
Acquisition in business combination	–	–	–	–	–
Capitalisation to asset categories	–	469	29,510	(29,979)	–
Transfers between classes	–	–	–	–	–
Net carrying amount at the end of the year	**5,294**	**55,206**	**234,368**	**10,713**	**305,581**

7. Property, plant and equipment (continued)

Capital expenditure commitment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Capital expenditure commitments		
Plant and equipment	–	–
Capital expenditure projects	–	–
	–	**–**
Payable:		
Not longer than 1 year	–	–
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	–	**–**

Recognition and measurement

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

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

Assets are depreciated on a straight line basis.

Land is not depreciated. The following estimated useful lives are used in the calculation of depreciation:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to note 31 (Impairment) for more information on the impairment loss recognised in the current financial year.

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

8. Other non-current assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Marine farming sites		
Cost	16,244	16,244
Accumulated amortisation	(8,275)	(7,833)
	7,969	**8,411**

Recognition and measurement

Marine farming sites are recorded at cost. Amortisation is based on the term of the lease and the expense is charged through the consolidated income statement. All marine sites are held for a term of 15–30 years.

9. Leases

The Group has leases primarily in relation to buildings, marine leases and equipment including boats, motor vehicles and office equipment.

Set out below are the carrying amounts of the right-of-use assets and movements during the financial year.

	Right-of-use assets			
	Buildings $'000	Plant and Equipment $'000	Marine Leases $'000	Total $'000
Year ended 30 June 2021				
Cost	30,277	149,456	5,630	185,363
Accumulated depreciation	(2,666)	(25,946)	(581)	(29,193)
Accumulated impairment losses	(7,655)	(48,814)	(1,902)	(58,371)
Net carrying amount	19,956	74,696	3,147	97,799
Movement				
At 1 July 2020	21,587	135,395	5,608	162,590
Additions	7,458	3,724	21	11,203
Disposals	(14)	–	(339)	(353)
Depreciation and amortisation	(1,420)	(15,609)	(241)	(17,270)
Impairment losses	(7,655)	(48,814)	(1,902)	(58,371)
Net carrying amount at the end of the year	19,956	74,696	3,147	97,799

	Right-of-use assets			
	Buildings $'000	Plant and Equipment $'000	Marine Leases $'000	Total $'000
Year ended 30 June 2020				
Cost	22,943	148,640	5,949	177,532
Accumulated depreciation	(1,356)	(13,245)	(341)	(14,942)
Net carrying amount	21,587	135,395	5,608	162,590
Movement				
At 1 July 2019 (restated)	20,738	62,348	5,720	88,806
Additions	2,205	86,638	229	89,072
Depreciation and amortisation	(1,356)	(13,591)	(341)	(15,288)
Net carrying amount at the end of the year	21,587	135,395	5,608	162,590

Set out below are the carrying amounts of the lease liabilities and the movements during the year.

	2021 $'000	2020 $'000
Consolidated		
At 1 July	169,236	99,429
Additions	8,032	82,477
Accretion of interest	8,273	5,883
Lease payments	(25,697)	(18,553)
Carrying amount at 30 June	159,844	169,236
Current	16,691	16,777
Non-current	143,153	152,459
	159,844	**169,236**

9. Leases (continued)

There were no amounts recognised in profit or loss during the period in relation to leased assets and liabilities other than depreciation, impairment and interest as disclosed above.

Recognition and Measurement

The Group leases various assets. Rental contracts are typically made for fixed periods, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— Fixed payments (including in-substance fixed payments), less any lease incentives receivable
— Variable lease payment that are based on an index or a rate
— Amounts expected to the payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right of use assets are measured at cost compromising the following:

— The amount of the initial measurement of lease liability
— Any lease payments made at or before the commencement date, less any lease incentives received
— Any initial direct costs, and
— Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension Options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical Estimates

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to note 31 (Impairment) for more information on the impairment loss recognised in the current financial year.

Net debt and working capital

10. Notes to the statement of cashflows

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Cash and cash equivalents as at the end of the financial year as shown in the consolidated statement of cashflows is reconciled to the related items in the consolidated balance sheet as follows:		
Cash and cash equivalents	5,877	5,934
	5,877	5,934
(b) Reconciliation of (loss)/profit for the period to net cash inflow from operating activities:		
(Loss)/profit for the period	(128,069)	4,915
Non-cash items		
Depreciation and amortisation	50,229	52,089
Net (gain)/loss on disposal of non-current assets	41	–
Share-based payment expense	921	183
Impairment of non-current assets	113,958	–
(Increase)/decrease in assets		
Trade and other receivables	(13,273)	3,797
Biological assets and inventories	44,349	(61,403)
Current tax receivable	379	1,196
Deferred tax assets	(1,391)	–
Prepayments	(710)	(3,676)
Increase/(decrease) in liabilities		
Trade and other payables	(14,996)	7,187
Current tax liabilities	–	–
Deferred tax liabilities	(53,186)	(1,418)
Provisions	2,692	1,374
Other liabilities	(3,918)	4,132
Net cash inflow from operations	**(2,974)**	**8,376**

Recognition and measurement

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Trade receivables	37,231	22,168
Loss allowance	(285)	(237)
Goods and services tax (GST) receivable	2,900	2,266
Other receivables	105	275
	39,951	**24,472**

Recognition and measurement

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any loss allowance.

The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided below.

Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount approximates to fair value.

Credit risk

The Consolidated Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned above. The main source of credit risk to the Consolidated Group is considered to relate to the class of assets described as 'trade and other receivables'.

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

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical loss rates, adjusted to reflect current information and credit quality of the customer.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. COVID-19 related business closures, particularly in the hospitality sector, prompted the Group to review the key factors impacting the credit risk of its customer base throughout the year and at the balance sheet date. The Group's reassessment of credit risk for existing and new customers included the following procedures:

— reassessment of approved trade credit terms of customers trading in perceived high risk and high COVID-19 impacted industries such as hospitality and catering;
— review of standard payment terms for all customers;
— review of payment patterns of all customers to assess whether there was a material change in payment behaviour across the customer base; and
— where increased risk was identified for customers, move to higher monitoring by credit team to ensure payments were received in line with the credit terms.

No change in the payment capabilities or behaviours of our customers has been identified during the financial year that would indicate the current expected credit loss methodology is insufficient, as such the ECL rates remain materially in line with the prior comparative period. Management will continue to monitor customer behaviour and risk to ensure this assessment remains relevant.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments in line with agreed terms.

11. Trade and other receivables (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

On this basis, the loss allowance as at 30 June 2021 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	Total
30 June 2021				
Expected loss rate	0.28%	6.24%	48.6%	
Gross carrying amount – Trade and other receivables	36,272	673	286	37,231
Loss allowance	104	42	139	285
30 June 2020				
Expected loss rate	0.43%	6.58%	80%	
Gross carrying amount – Trade and other receivables	20,454	76	180	20,710
Loss allowance	88	5	144	237

The closing loss allowances for trade receivables as at 30 June 2021 reconcile to the opening loss allowances as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Loss allowance	(237)	(304)
Increase in loss allowance recognised in profit or loss during the year	(48)	(48)
Receivables written off as uncollectable	–	115
Loss allowance at year end	(285)	(237)

12. Inventories

	Consolidated 2021 $'000	Consolidated 2020 $'000
Processed fish & finished goods	10,258	9,129
Feed and packaging	11,171	10,499
Inventory provisions	(688)	(307)
	20,741	**19,321**

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

13. Other assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Prepayments	9,970	8,984
Rights to smolt[(i)]	3,584	3,860
	13,554	**12,844**

(i) Includes rights to selective breeding program with Saltas.

14. Trade and other payables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Trade payables	64,490	71,141
Other payables	6,304	11,724
Contract liabilities	286	–
Goods and services tax (GST) payable	–	–
	71,080	**82,865**

Recognition and measurement

Trade and other payables represent the liabilities for goods and services received by the Consolidated Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

Contract liabilities represent deferred revenue under the Group's rewards scheme; Fresher Rewards. Assumptions have been made regarding redemption behaviours and breakage based on historical experience and contractual terms.

Fair values of trade and other payables

Due to the short-term nature of trade and other payables, their carrying amount approximates to fair value.

15. Borrowings

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current		
Secured		
Bank Loans	8,836	19,404
Other Loans	3,633	4,009
Unsecured		
Other loans	–	–
	12,469	**23,413**
Non-current		
Secured		
Bank Loans	126,634	149,726
Other Loans	–	–
Unsecured		
Other loans	46	46
	126,680	**149,772**
	139,149	**173,185**

The weighted average effective interest rate on the bank loans is 1.51% per annum (2020: 2.45% per annum).

	2021 $'000		2020 $'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Amortising Term Loan	40,000	–	45,000	–
Term Loan	110,000	18,000	110,000	–
Term Loan (expires October 2021)[(i)]	20,000	20,000	20,000	15,000
Working Capital	15,000	11,000	15,000	5,500
Bank Guarantee	7,500	6,889	7,500	7,500
Uncommitted foreign exchange contracts	–	Discretionary	–	Discretionary
Uncommitted interest rate swaps	–	Discretionary	–	Discretionary
Aggregate Facility Limit	192,500	–	197,500	–
Aggregate Undrawn Balance	–	55,889	–	28,000

(i) The term loan, which expires on 31 October 2021, is available to the Consolidated Group under certain terms and conditions and consent from the lenders.

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

The Consolidated Group has facility agreements ("Facilities") in place with its key banking partners to source debt and working capital funding. The Facilities are reviewed periodically to maintain an optimal capital structure consistent with the Consolidated Group's Capital Management strategy.

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

15. Borrowings (continued)

Facility Renewal:

The Consolidated Group entered into an agreement to refinance its debt facilities in October 2018 for a maximum of five years.

Loan covenants:

Under the terms of the Facilities, the Group was required to comply with the following financial covenants up to 31 December 2020:

- Equity Ratio (Tangible Net Worth/Total Tangible Assets) greater than 50% (measured annually on 30 June);
- Leverage Ratio (Net Debt/Operating EBITDA) less than 6.50 times at 31 December 2020 (measured quarterly on a rolling 12 month basis);
- Interest Cover Ratio (Operating EBITDA/Total Finance Costs) greater than 3.5 times at 31 December 2020 (measured quarterly on a rolling 12 month basis); and
- Actual capital expenditure not more than 110% of the annual capital expenditure budget approved by financiers.

Revised banking agreement – February 2021:

In February 2021, the Group agreed to revised terms for its banking Facilities for the period 31 March to 31 December 2021. Under these revised terms the loan covenants described above were suspended and replaced with a liquidity covenant to be measured monthly.

Compliance with loan covenants:

The Group complied with the loan covenants throughout the reporting period.

Revised banking agreement – August 2021:

Subsequent to year end the revised terms for its banking Facilities were extended to 30 June 2022. Under these revised terms the loan covenants described above were suspended and replaced with a liquidity covenant to be measured monthly for the period 31 March 2021 to 30 June 2022.

Under the revised Facility agreement the headroom, based upon the Group's cash flow forecasts over the required Liquidity covenant, for the forecast period is a minimum of $15 million in any one month.

Under the revised terms of the Facilities the loan covenants described above will be reapplied on and from 30 September 2022 as follows:

- Equity Ratio (Tangible Net Worth/Total Tangible Assets) greater than 50% (measured annually on 30 June);
- Leverage Ratio (Net Debt/Operating EBITDA) less than 2.75 times (measured quarterly on a rolling 12 month basis);
- Interest Cover Ratio (Operating EBITDA/Total Finance Costs) greater than 3.5 times (measured quarterly on a rolling 12 month basis); and
- Actual capital expenditure not more than 110% of the annual capital expenditure budget approved by financiers.

Recognition and measurement

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Consolidated Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

15. Borrowings (continued)

Critical accounting estimates

The ability for the Consolidated Group to operate within the revised terms of the banking Facilities is based on the Group's forecast cash flow over the period. The Group's forecast cash flows include assumptions relating to harvest volumes, sales channel mix, price and freight costs. The cash flow forecast does not include any unforeseen impact on the biomass and harvest volumes over the forecast period. A critical assumption is the ability to meet operating cash flow forecasts, which include assumptions for channel mix and assumptions for price per kg for the domestic and export sales. If net sales price per HOG kg or channel mix was to adversely impact cash flows, the Group has other cash flow initiatives to ensure headroom in the net debt facilities is maintained.

Based on the forecast the Directors and management believe the Group will continue to trade within the limits of the available Facilities and comply with the Group's loan covenants.

16. Issued capital

	Consolidated 2021		Consolidated 2020	
	Number	$'000	Number	$'000
(a) Ordinary share capital (fully paid):				
Ordinary shares	109,872,959	230,607	87,545,281	164,999

The Company has authorised share capital amounting to 109,872,959 ordinary shares of no par value.

	Note	2021		2020	
		Number	$'000	Number	$'000
(b) Movements in ordinary share capital					
At the beginning of the reporting period	(i)	87,545,281	164,999	87,337,207	164,302
Issue of shares pursuant to executive long-term incentive plan		–	–	208,074	697
Issue of shares to trustee of employee share plan	(ii)	309,348	928	–	–
Proceeds from contribution of equity (net of tax)		22,018,330	64,680	–	–
At the end of the reporting period		**109,872,959**	**230,607**	**87,545,281**	**164,999**

(i) Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.

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

There are no unquoted equity securities on issue.

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

(ii) In August 2020, all employees (excluding those under award schemes) were asked to take any agreed increase in their annual remuneration in the form of shares in the Company instead of cash payments, with a total value of $928 thousand.

(c) Capital Management

Management controls the capital of the Consolidated Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Group can fund its operations and continue as a going concern.

The Consolidated Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Consolidated Group's capital by assessing the Consolidated Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Group since the prior year.

16. Issued capital (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Total borrowings	139,149	173,185
Less cash and cash equivalents	(5,877)	(5,934)
Net debt	**133,272**	167,251
Total equity	**245,717**	308,231
Gearing ratio	**54.2%**	54.3%

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Huon Aquaculture Group Limited as ordinary share capital until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Huon Aquaculture Group Limited.

17. Share-based payment reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Balance at the beginning of financial year	810	1,324
Shares issued under employee share plan	(46)	(697)
Share-based payment expense	(7)	183
Balance at the end of financial year	**757**	**810**

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

The performance rights are issued to the Chief Executive Officer and Management as part of the LTI plan. Refer to note 27 for further details.

18. Profit distribution reserve

	Consolidated 2021 $'000	Consolidated 2020 $'000
Balance at the beginning of financial year	–	–
Dividends paid	–	–
Transfer from retained earnings	192,805	–
Balance at the end of financial year	**192,805**	**–**

The profit distribution reserve consists of $2,256 thousand in Huon Aquaculture Group Limited and $190,549 thousand in Huon Aquaculture Company Pty Ltd. The profit distribution reserve represents retained earnings preserved for future dividend payments and not the amount of actual dividends that could be paid by the Parent entity.

Other

19. Investments in financial assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Investment in Salmon Enterprises of Tasmania Pty Ltd ("Saltas")(i)	1,995	1,341
Investment in Commercial Fishermans Co-operative	1	1
	1,996	**1,342**

(i) The Consolidated Group holds ordinary share capital of Salmon Enterprises of Tasmania Pty Ltd ("Saltas").

The Directors of Huon Aquaculture Group Limited do not believe that the Consolidated Group is able to exert significant influence over Saltas.

Recognition and Measurement

Investments in financial assets are classified as financial assets at fair value through other comprehensive income (FVOCI).

The investments are not held for trading, and which the Consolidated Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Consolidated Group considers this classification to be more relevant.

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

On disposal of these investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

20. Derivative assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Derivatives carried at fair value:		
Foreign currency forward contracts	–	2,255
Commodity forward contract	–	–
	–	**2,255**

Refer to note 21 for fair value measurement and hierarchy.

21. Fair value measurements

The Consolidated Group measures and recognises the following assets at fair value on a recurring basis after initial recognition:

— Biological assets (refer to note 4)
— Derivative assets (refer to note 20)
— Investments in financial assets (refer to note 19)
— Derivative liabilities (refer to note 34)

The Consolidated Group does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Consolidated Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

There has been no transfers between the fair value measurement levels during the financial year.

Recognition and measurement

Financial instruments

The Consolidated Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts. The derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of the derivative financial instruments are recognised immediately in consolidated income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. In accordance with Level 2 of the fair value hierarchy.

The Consolidated Group classifies its financial assets in the following measurement categories:

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

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

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

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

21. Fair value measurements (continued)

Recognition and derecognition

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

Measurement

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

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

Debt instruments

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

— Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

— FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

— FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

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

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

22. Financial risk management

The Consolidated Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Consolidated Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Group. The Consolidated Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain risk exposures. i.e. not used as trading or other speculative instruments. The Consolidated Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk. Risk management is carried out under policies approved by the Board. The Consolidated Group holds the following financial instruments:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Financial Assets		
Cash and cash equivalents	5,877	5,934
Trade and other receivables	39,951	24,472
Investments in financial assets	1,996	1,342
Derivative assets	–	2,255
Total Financial Assets	**47,824**	**34,003**
Financial Liabilities		
Trade and other payables	71,080	82,865
Borrowings	139,149	173,185
Lease liabilities	159,844	169,236
Derivative liabilities	2,585	3,025
Total Financial Liabilities	**372,658**	**428,311**

(a) Credit risk

Credit risk is managed on a Consolidated Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks exposures to wholesale, commercial and retail customers, including outstanding receivables and committed transactions.

Credit risk also arises in relation to financial guarantees given to certain parties (see notes 24 and 28(c)(ii) for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

The most material source of credit risk for the Group is through trade receivable balances from commercial and retail customers. Refer to note 11 for an assessment of the impact of COVID-19 on the Group's expected credit losses from customers.

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due. The Group manages liquidity risk by Management monitoring rolling forecasts of the Consolidated Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 10) on the basis of expected cash flows. The Group seeks to mitigate its exposure to liquidity risk by the early refinancing of debt facilities to ensure continued access to capital over the medium term.

During the period, the Group lowered projections for operating EBITDA for FY2021 due to the decline in salmon prices, high freight costs and global economic uncertainty, all driven by the COVID-19 pandemic. As a result, the Group agreed to revise the terms for its banking facilities with its banking partners for the period until 31 March 2022. Under the revised terms, the financial covenants have been waived for the period 31 March to 31 December 2021 and have been replaced with a Liquidity covenant to be measured monthly, this liquidity covenant has been set based on financial forecasts for net debt approved by the Board. If the group does not meet agreed liquidity levels the borrowings may become immediately repayable. Refer to note 15 for further details on the new Liquidity covenant.

The Directors and management have considered and assessed reasonably possible changes in key assumptions and has other cash flow initiatives to effectively manage the Group's liquidity risk during this period of economic uncertainty.

22. Financial risk management (continued)

Financing arrangements

The Consolidated Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Floating rate		
Expiring within one year (bank loans)	31,000	20,500
Expiring beyond one year (bank loans)	18,000	–
	49,000	**20,500**

Maturities of financial liabilities

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

(a) based on their contractual maturities:

(i) all non derivative financial liabilities

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

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

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

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

Contractual maturities of financial liabilities	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Carrying Amount $'000
At 30 June 2021					
NON DERIVATIVES					
Borrowings	14,796	129,614	–	144,410	139,149
Lease liabilities	24,326	88,607	96,392	209,325	159,844
Trade and other payables	71,080	–	–	71,080	71,080
Total expected outflows	**110,202**	**218,221**	**96,392**	**424,815**	**370,073**
DERIVATIVES					
Net settled (forward foreign exchange contracts and interest rate swaps)					
– (inflow)	–	–	–	–	–
– outflow	1,115	849	–	1,964	1,964
Total expected outflows	**1,115**	**849**	**–**	**1,964**	**1,964**

22. Financial risk management (continued)

Contractual maturities of financial liabilities	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Carrying Amount $'000
At 30 June 2020					
NON DERIVATIVES					
Borrowings	26,187	155,595	–	181,782	173,555
Lease liabilities	24,929	130,214	68,307	223,450	164,236
Trade and other payables	82,865	–	–	82,865	82,865
Total expected outflows	**133,981**	**285,809**	**68,307**	**488,097**	**420,656**
DERIVATIVES					
Net settled (forward foreign exchange contracts and interest rate swaps)					
– (inflow)	–	–	–	–	–
– outflow	1,115	1,910	–	3,025	3,025
Total expected outflows	**1,115**	**1,910**	**–**	**3,025**	**3,025**

(c) Market risk management

(i) INTEREST RATE RISK MANAGEMENT

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

At 30 June 2021: 97% (2020: 98%) of Consolidated Group debt is floating. The Consolidated Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The net effective variable interest rate borrowings (i.e. unhedged debt) expose the Consolidated Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

The following table details the notional principle amounts at the end of the reporting period.

	Weighted average interest rate		Consolidated notional principal value	
	2021 %	2020 %	2021 $'000	2020 $'000
Floating rate instruments				
Bank Loans	1.51%	2.45%	136,000	169,500
			136,000	**169,500**

Interest rate sensitivity analysis

Profit or loss is sensitive to higher/ lower interest income from cash and cash equivalents, and higher/ lower interest expense on variable rate borrowings as a result of changes in interest rates.

	Impact on post-tax profit	
	2021 $'000	2020 $'000
Interest rates – increase by 50 basis points	(211)	(638)
Interest rates – decrease by 50 basis points	211	(707)

22. Financial risk management (continued)

(ii) FOREIGN EXCHANGE RISK

The Consolidated Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, predominantly with respect to the US Dollar and Euro.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Group hedges its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts. The Consolidated Group's risk management policy is to hedge between 75% – 125% of cash flows arising from known inventory purchase commitments, mainly denominated in US dollars for the subsequent six months.

The Consolidated Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Trade payables (import creditors)	240	12,521
Trade receivable (import debtors)	10,246	4,408
Forward exchange contracts		
Buy foreign currency	12,396	6,903
Sell foreign currency	6,797	30,017

Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2021, had the Australian dollar weakened/strengthened by 10% against the US dollar and the Japanese Yen with all other variables held constant, the Consolidated Group's pre-tax profit for the period would have been $2,077,370 higher /$1,785,659 lower (2020: $6,160,804 higher /$1,515,777 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar and JPY Yen denominated financial instruments as detailed in the above table.

Recognition and measurement

Foreign Currency Transactions and Balances

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in consolidated income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in consolidated income statement.

23. Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Statement of financial position		
Assets		
Current assets	3	382
Non-current assets	233,622	170,766
Total assets	**233,625**	**171,148**
Liabilities		
Current liabilities	–	–
Total liabilities	**–**	**–**
Equity		
Issued capital	230,607	164,999
Share-based payment reserve	757	810
Retained earnings	2,261	7,959
Dividends provided for or paid	–	(2,620)
Total equity	**233,625**	**171,148**
Financial performance		
Profit for the period	5	10,298
Total comprehensive income	**5**	**10,298**

Parent Entity financial information

The financial information for the Parent Entity, Huon Aquaculture Group Limited, disclosed above has been prepared on the same basis as the consolidated financial statements, except as set out below. Huon Aquaculture Group Limited is the ultimate parent entity.

Transactions with related entities

Investments in subsidiaries, associates, and joint venture entities are accounted for at cost in the financial statements of Huon Aquaculture Group Limited. Dividends received from associates are recognised in the Parent Entity's consolidated income statement when its right to receive the dividend is established.

23. Parent information (continued)

Tax consolidation legislation

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

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

In addition to its own current and deferred tax amounts, Huon Aquaculture Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax Consolidated Group. In the current year tax losses of $8,425,087 (tax effected at 30%) (2020: $15,226,061 (tax effected at 30%)) have been assumed from controlled entities in the tax Consolidated Group.

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

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

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

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

24. Deed of cross guarantee

The wholly-owned subsidiaries disclosed in note 33 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The closed group financial information for 2020 and 2021 is identical to the financial information included in the consolidated financial statements. The wholly-owned subsidiaries became a party to the deed of cross guarantee dated 28 June 2016.

The companies disclosed in note 33 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Huon Aquaculture Group Limited, they also represent the 'extended closed group'.

25. Income tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	3	382
Adjustments for current tax of prior periods	(16)	3,543
Increase in deferred tax assets	8,584	17,164
Decrease/(increase) in deferred tax liabilities	46,005	(17,468)
Total tax benefit/(expense)	**54,576**	**3,621**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit from continuing operations before income tax expense	**(182,645)**	**1,294**
Prima facie tax receivable/(payable) on profit from ordinary activities before income tax at 30% (2020: 30%) for the Consolidated Group.	54,794	(389)
Adjustment recognised in the current year in relation to prior years:		
Research and development tax credit	–	4,007
Other	(12)	7
Non-tax deductible items		
Goodwill impairment	(209)	–
Other	3	(4)
Income tax benefit	**54,576**	**3,621**
The applicable weighted average effective tax rates are as follows:	(29.9%)	(279.8%)
(b) Income tax recognised directly in equity:		
Deferred tax:		
Share issue costs	566	–
(c) Current tax balances:		
Current tax receivables comprise:		
Income tax receivable attributable to:		
Entities in the tax-Consolidated Group	3	382
Net current tax balance	**3**	**382**
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-Consolidated Group	–	–
Net current tax balance	**–**	**–**

25. Income tax (continued)

(d) Deferred tax balances:

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

2021	Opening balance $'000	Adjustments for current tax of prior periods $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:					
Biological assets	(72,215)	–	15,026	–	(57,189)
Property, plant and equipment	(62,627)	(481)	32,871	–	(30,237)
Trade and other receivables	(85)	–	53	–	(32)
Other non-current assets	(3,355)	–	871	–	(2,484)
Other financial assets	(107)	–	2	–	(105)
Lease liabilities	50,771	–	(2,818)	–	47,953
	(87,618)	**(481)**	**46,005**	**–**	**(42,094)**
Gross deferred tax assets:					
Provisions	3,096	–	1,970	–	5,066
Other financial assets	–	–	–	–	–
Trade and other receivables	(605)	–	691	–	86
Property, plant and equipment	152	–	108	–	260
Other intangibles	3	–	4	–	7
Share issue expenses	67	–	(135)	566	498
Tax Losses	25,399	469	8,425	–	34,293
Research and development	1,804	–	–	–	1,804
Borrowing costs	–	–	–	–	–
Share-based payments	243	–	(16)	–	227
Deferred Revenue	1,967	–	(1,175)	–	792
Trade and other payables	2,306	–	(1,288)	–	1,018
	34,432	**469**	**8,584**	**566**	**44,051**
Net deferred tax asset/(liability)	**(53,186)**	**(12)**	**54,589**	**566**	**1,957**

2020	Opening balance $'000	Adjustments for current tax of prior periods $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:					
Biological assets	(56,746)	–	(15,469)	–	(72,215)
Property, plant and equipment	(14,686)	(24,688)	(23,253)	–	(62,627)
Trade and other receivables	(85)	–	–	–	(85)
Other non-current assets	(1,804)	(1,716)	165	–	(3,355)
Other financial assets	(254)	–	147	–	(107)
Lease liabilities	–	29,829	20,942	–	50,771
	(73,575)	**3,425**	**(17,468)**	**–**	**(87,618)**
Gross deferred tax assets:					
Provisions	2,684	–	412	–	3,096
Other financial assets	–	–	–	–	–
Trade and other receivables	92	–	(697)	–	(605)
Property, plant and equipment	166	–	(14)	–	152
Other intangibles	3	–	–	–	3
Blackhole expenditure	–	–	67	–	67
Tax Losses	10,493	(320)	15,226	–	25,399
Research and development	–	1,804	–	–	1,804
Borrowing costs	–	–	–	–	–
Share-based payments	397	–	(154)	–	243
Deferred Revenue	727	–	1,240	–	1,967
Trade and other payables	823	399	1,084	–	2,306
	15,385	**1,883**	**17,164**	**–**	**34,432**
Net deferred tax asset/(liability)	**(58,190)**	**5,308**	**(304)**	**–**	**(53,186)**

25. Income tax (continued)

Recognition and measurement

(Refer to note 23 for Tax Consolidation legislation)

The income tax expense/income for the year comprises current income tax expense/income and deferred tax expense/income.

Current income tax expense charged to the consolidated income statement is the tax payable on taxable income. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Huon Aquaculture Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable consolidated income statement.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and marine leases, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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

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

Critical accounting estimates

Based on the Group's forecast taxable profit the Directors and management believe that sufficient future taxable profit will be available to utilise the deferred tax assets relating to temporary differences and unused tax losses.

26. Key management personnel compensation

The totals of remuneration for key management personnel (KMP) of the Consolidated Group during the year are as follows:

	Consolidated 2021 $	Consolidated 2020 $
Short-term employee benefits	3,223,406	2,959,948
Post-employment benefits	231,327	218,726
Long-term benefits	–	–
Termination benefits	–	–
Share-based payments	6,382	151,590
	3,461,115	**3,330,264**

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

27. Share-based payment

(a) Share-based payment arrangements

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

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

Performance period

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

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

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

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

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

27. Share-based payment (continued)

Number of Shares to be Allocated

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

Earnings Per Share (EPS) – 50% of LTI

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

Return On Assets (ROA) – 50% of LTI

ROA (return for the reporting period)	Vesting outcome
Less than 9% return	Nil
9% return	50%
Above 9% return but below 11% return	Pro-rata from 50-99%
11% return or greater	100%

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

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

As noted in the FY2020 remuneration report, the performance measures for the STI and LTI had not been amended to account for the impact of the adoption of AASB16. During the year, the Board has revised the performance hurdles for the Return on Assets measure to appropriately reflect the AASB16 impact on the earnings and assets of the Group. It was deemed appropriate to change the lower bound hurdle to 9% (previously 10%) and the upper bound hurdle to 11% (previously 15%). Refer to the Remuneration Report starting on page 41 of this Annual Report for additional detail on this change.

(b) Performance rights granted

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

2021	Performance Period		Balance at Start of Year	Other	Granted During Year	Forfeited	Vested	Balance at End of Year	FV per Share
Grant Date	From	To							
30 Nov 17	1 Jul 17	30 Jun 20	18,941	–	–	–	(18,941)	–	$4.01
31 Oct 18	1 Jul 18	30 Jun 21	237,360	–	–	(237,360)	–	–	$4.26
23 Oct 19	1 Jul 19	30 Jun 22	263,502	–	–	(12,368)	–	251,134	$4.30
30 Oct 20	1 Jul 20	30 Jun 23	–	–	409,966	(18,552)	–	391,414	$2.47

2020	Performance Period		Balance at Start of Year	Other	Granted During Year	Forfeited	Vested	Balance at End of Year	FV per Share
Grant Date	From	To							
30 Nov 16	1 Jul 16	30 Jun 18	110,424	–	–	–	(110,424)	–	$3.71
30 Nov 16	1 Jul 16	30 Jun 19	97,650	–	–	–	(97,650)	–	$3.71
30 Nov 17	1 Jul 17	30 Jun 20	210,429	–	–	(191,488)	–	18,941	$4.01
31 Oct 18	1 Jul 18	30 Jun 21	237,360	–	–	–	–	237,360	$4.26
23 Oct 19	1 Jul 19	30 Jun 22	–	–	263,502	–	–	263,502	$4.30

27. Share-based payment (continued)

(c) Fair value of performance rights granted

For the performance rights granted during the current financial year, the fair values were measured at the grant date of 30 October 2020 for those granted to the Chief Executive Officer and to management.

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

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

	Chief Executive Officer	Senior Management
Share price at grant date	$2.65	$2.65
Dividend yield (per annum effective)	2.30%	2.30%
Risk free discount rate (per annum)	1.14%	1.14%
Expected price volatility	61.15%	61.15%
Term of performance right	3 years	3 years
Fair value of performance right	$2.47	$2.47

The expense recognised in relation to performance rights applicable to the Chief Executive Officer and management for the year ended 30 June 2021 is ($6,787) (2020: $182,742).

Recognition and measurement

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

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

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

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

28. Related party transactions

Identity of related parties

The following persons and entities are regarded as related parties:

(a) Controlled entities:

Refer to note 33 for details of equity interests in entities controlled by Huon Aquaculture Group Limited.

(b) Key Management Personnel:

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

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

All transactions entered into during the year were on normal commercial terms and conditions no more favourable than those if the entity was dealing with an unrelated party at on an arm's length basis.

	Consolidated 2021 $	Consolidated 2020 $
(i) Compensation of KMP		
Details of KMP compensation are disclosed in the Remuneration Report and in note 26 to the financial statements.		
(ii) Compensation of close family members		
Other transactions		
Short-term employee benefits	335,205	331,433
Superannuation Contributions		
Contributions to superannuation funds on behalf of employees	29,840	28,995
(iii) Dividend revenue		
Key Management Personnel	–	–
(iv) Purchases from entities controlled by Key Management Personnel		
The group acquired the following goods and services from entities that are controlled by members of the group's Key Management Personnel:		
Land, Buildings and Property, Plant and Equipment	–	–
Leases of assets	752,982	693,416
	752,982	693,416
(v) Outstanding balances arising from sales/purchases of goods and services		
Current Payables:		
Entities controlled by close family members	215,280	233,393
Entities controlled by key management personnel	–	–
	215,280	233,393

(c) Investments

(i) Purchase (sales) of goods and services

The Consolidated Group entered into transactions with Salmon Enterprises of Tasmania Pty Ltd for the supply of smolt (juvenile salmon) and the sale of other goods and services. These transactions were conducted on normal commercial terms and conditions.

	Consolidated 2021 $	Consolidated 2020 $
Salmon Enterprises of Tasmania Pty Ltd	2,673,256	3,394,611

(ii) Financial guarantee contract

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

29. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

	Consolidated 2021 $	Consolidated 2020 $
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	376,888	223,500
Other assurance services	–	–
Total remuneration for audit and other assurance services	376,888	223,500
(ii) Taxation & other advisory services		
Taxation advisory services	34,680	149,518
Other advisory services	52,380	19,026
Total remuneration for taxation and other advisory services	87,060	168,544
Total remuneration of PricewaterhouseCoopers Australia	**463,948**	**392,044**
(b) Non PricewaterhouseCoopers firms		
(i) Audit and other assurance services		
Other	–	–
Total remuneration for audit and other assurance services	–	–
(ii) Taxation and other advisory services		
Taxation advisory services	31,670	70,580
Other advisory services	18,704	87,110
Total remuneration for taxation services	50,374	157,690
(iii) Other services		
Legal services	–	–
Total remuneration for other services	–	–
Total remuneration of non-PricewaterhouseCoopers firms	**50,374**	**157,690**

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

30. Goodwill

	Consolidated 2021 $'000	Consolidated 2020 $'000
Gross carrying amount		
Balance at the beginning of financial year	4,496	4,496
Additions	–	–
Balance at the end of financial year	**4,496**	**4,496**
Accumulated impairment losses		
Balance at the beginning of financial year	(1,601)	(1,601)
Impairment losses for the year	(2,895)	–
Balance at the end of financial year	**(4,496)**	**(1,601)**
Net book value		
Balance at the beginning of financial year	2,895	2,895
Balance at the end of financial year	**–**	**2,895**

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

Recognition and measurement

Goodwill

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

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

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

Impairment tests for goodwill

During the year the Consolidated Group identified indicators of impairment and performed an impairment assessment.

The recoverable amount of the cash generating unit was determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the Board, over a 5 year period, before any fair value adjustment of biological assets. The key assumptions regarding volumes, price and discount rates applicable to the CGU and the critical accounting estimates and judgements are included in note 31.

An impairment loss was recognised in the period that reduced the carrying value of the Group's goodwill to nil.

31. Impairment

Impairment of assets

At the end of each reporting period, the Consolidated Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the consolidated income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The Consolidated Group identified one CGU representing the activities of generating its revenue output of aquaculture (Atlantic salmon and ocean trout).

At the interim reporting period (for the six months ended 31 December 2020), the Consolidated Group identified indicators of impairment and performed an impairment assessment.

The recoverable amount of the CGU was determined using a value-in-use calculation. The calculation used cash flow projections based on financial budgets approved by the Board, over a 5-year period, before any fair value adjustments of biological assets.

The following table sets out the key assumptions used in the calculation:

Volume	Volume growth over the five-year forecast period has been set at 7.8% average annual growth, consisting of industry recognised growth rates plus growth based on resources available to the Group to allow expansion of production at a rate greater than the industry average.
Price	Pricing growth over the five-year forecast period has been set at 2.2% average annual growth, recognising a period of lower average prices in FY2021 and progressive increase as markets recover from COVID-19 restrictions and the underlying improvement driven by more favourable channel mix for the Group.
Freight & distribution expense	The five-year forecast period has reflected material variations in Freight & Distribution costs in line with the Groups assumptions on COVID-19 disruptions to the international airfreight market. International airfreight costs are expected to remain at elevated levels until FY2023, after which they are expected to progressively reduce and return to pre-COVID-19 levels during FY2024.
Production costs	Production costs per hog kg are expected to remain stable. Following the completion of Huon's two-year program of investing in infrastructure to drive the expansion of its production capacity, drive biological performance improvements and reduce production risk. Production costs are expected to remain stable as the rate of average annual volume growth eases from 11.0% to 7.8%.
Annual Capital Expenditure	Capital expenditure requirements estimated to maintain the current production assets which are in operation and able to meet forecast volume projections.
Long-term growth rate	The weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with economic forecast growth rates published by the Reserve Bank of Australia.
Post-tax discount rates	Discount rates represent the current market assessment of the risks relating to the CGU. In performing the value-in-use calculations for the CGU, the Consolidated Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed in the table below.

	2021	2020
Long-term growth rate	2.00%	1.75%
Post-tax discount rate	8.37%	8.44%
Pre-tax discount rate	12.0%	12.1%

31. Impairment (continued)

The Group had substantially lowered projections for operating earnings (EBITDA) for FY2021, due to the decline in salmon prices, high freight costs and uncertainty around the global economy as well as expected uncertainty in the international salmon market and international air freight market having an adverse impact on future cash flows. Consequently, the annual average volume growth assumption was downgraded, and production and freight & distribution cost assumptions were increased and reflected in management's expectations of future cash flows. At 31 December 2020, this resulted in the carrying amount of the CGU exceeding the estimated recoverable amount by $113.9 million and an impairment loss was recognised as follows:

	$'000
Goodwill	2,895
Other intangible assets	430
Property, plant & equipment	51,613
Buildings	649
Right-of-use assets	58,371
Total impairment loss	**113,958**
Impact on deferred taxes	(34,187)
Net impairment loss	**79,771**

As a consequence of the impairment loss recognised at the interim reporting period, the carrying value of the Group's indefinite life intangible assets has been reduced to nil.

At 30 June 2021, the Directors and management are required to consider if there are any indicators of impairment that could signal the carrying value of the Group's assets may be in excess of their value in use.

The Directors and management have considered whether there are any indicators of impairment that necessitate additional impairment testing; no such indicators existed.

Critical accounting estimate

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of impairment. Management is required to make judgements concerning future cash flows, including volume and price assumptions. Inputs into the valuation require assumptions to be made about forecast earnings before interest and tax and related future cash flows, growth rates and the discount rate.

32. Other Intangible Assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Gross carrying amount		
Balance at the beginning of financial year	430	100
Additions	–	330
Balance at the end of financial year	**430**	**430**
Accumulated impairment losses		
Balance at the beginning of financial year	–	–
Impairment losses for the year	(430)	–
Balance at the end of financial year	(430)	–
Net book value		
Balance at the beginning of financial year	430	100
Balance at the end of financial year	–	430

Other intangible assets relate to hatchery establishment costs and trademarks.

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

Refer to note 31 for impairment tests for other intangible assets.

33. Interests in subsidiaries

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

			Ownership interest held by the Consolidated Group	
Name of subsidiary	**Principal place of business**	**Note**	**2021 %**	**2020 %**
Huon Aquaculture Company Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117		100%	100%
Springs Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Springfield Hatcheries Pty Ltd	32-36 Headquarters Road, South Springfield, TAS, 7260	(i)	100%	100%
Huon Ocean Trout Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Shellfish Co Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Tasmanian Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Springs Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Southern Ocean Trout Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%
Morrison's Seafood Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%
Meadowbank Hatchery Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%

Significant restrictions

There are no significant restrictions over the Consolidated Group's ability to access or use assets, and settle liabilities, of the Consolidated Group.

The wholly-owned subsidiaries above are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports. Refer to note 23 for further details.

(i) Subsidiary became a party to the deed of cross guarantee on 28 June 2016.

34. Derivative Liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Derivatives carried at fair value:		
Foreign currency forward contracts	621	–
Interest rate swap	1,964	3,025
	2,585	**3,025**

Refer to note 21 for fair value measurement and hierarchy.

35. Provisions

	2021 Current $'000	2021 Non-current $'000	2021 Total $'000	2020 Current $'000	2020 Non-current $'000	2020 Total $'000
Annual Leave	7,197	–	7,197	6,257	–	6,257
Long-Service Leave	2,745	1,810	4,555	2,431	1,633	4,064
Make good provision(i)	936	4,198	5,134	–	3,873	3,873
	10,878	6,008	16,886	8,688	5,506	14,194

(i) At the conclusion of the leases of both the Ronja Huon and Ronja Storm, the Consolidated Group is required to return the vessels to their original location. A provision has been recognised for the present value of the estimated expenditure required. These costs have been capitalised as part of the respective right of use assets, and are being amortised over the life of the related lease.

	Make good $'000	Annual leave $'000	Long-service leave $'000	Total $'000
Carrying amount at start of year	3,873	6,257	4,064	14,194
Additional provisions recognised	1,261	4,474	636	6,371
Amounts used during the year	–	(3,534)	(145)	(3,679)
Carrying amount at end of year	5,134	7,197	4,555	16,886

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision of $7,197.0 thousand (2020: $6,257.0 thousand) is presented as current, since the Consolidated Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Consolidated Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Leave obligations expected to be settled after 12 months	8,163	7,116

Recognition and measurement

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

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

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

35. Provisions (continued)

Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

36. Other liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred government grants		
Current	1,017	3,534
Non-Current	1,621	3,022
	2,638	**6,556**

During the 2015 financial year government grants of $5 million were received relating to the Parramatta Creek Smokehouse and Product Innovation Centre. The nature of the grants related to both income and to assets. During the financial year $464.0 thousand (2020: $464.0 thousand) was recognised in the income statement. Future compliance with certain conditions relating to jobs creation could impact $773.0 thousand of the deferred government grants amount.

There were no amounts included in the provision relating to JobKeeper grant income at year end (2020: $3,024.5 thousand).

37. Contingent liabilities and contingent assets

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

38. Segment information

The chief operating decision maker for the Consolidated Group is the Chief Executive Officer of the Parent Entity. The Parent Entity determines operating segments based on information provided to the Chief Executive Officer in assessing performance and determining the allocation of resources within the Consolidated Group. Consideration is given to the Consolidated Group's products, the manner in which they are sold, the organisational structure of the Consolidated Group and the nature of customers.

The Consolidated Group hatches, farms, processes, markets and sells Atlantic salmon and ocean trout. Revenue associated with exports meets the quantitative thresholds and management concludes that this segment is reportable.

The chief operating decision maker only reviews export market sales. The total of the reportable segments' results, profit, assets and liabilities is the same as that of the Consolidated Group as a whole and as disclosed in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet.

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

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from the sale of goods			
Domestic market		265,823	225,657
Export market		160,585	114,212
Total revenue from the sale of goods	1	**426,408**	**339,869**

39. Subsequent events

On 6 August 2021 Huon announced that it had entered into a Scheme Implementation Deed with JBS, a global producer of land based proteins with significant operations in Australia, to acquire 100% of Huon shares by way of two alternative Schemes of Arrangement (Schemes).

On 13 August 2021 Huon entered a process agreement with JBS to provide for the making of a recommended takeover bid (Offer). The Offer will be in parallel but not in substitution to the Scheme and will be subject to the Schemes not becoming effective (among other conditions). Huon shareholders are expected to have the opportunity to vote on the Scheme in October 2021.

40. Company details

The registered office of the company is:
Huon Aquaculture Group Limited
Level 13, 188 Collins Street
Hobart
Tasmania 7000

The principal place of business is:
Huon Aquaculture Group Limited
961 Esperance Coast Road
Dover
Tasmania 7109

Directors' Declaration

In the directors' opinion;

(a) The financial statements and notes set out on pages 73 to 125 are in accordance with the *Corporations Act 2001* including:

  a. Complying with Accounting Standards, the *Corporations Regulations 2001* and
  other mandatory professional reporting requirements; and

  b. Giving a true and fair view of the Consolidated Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed to cross guarantee described in note 23.

The Basis of Preparation note in the notes to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer, deputy chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Neil Kearney
Chairman
26 August 2021

Peter Bender
Managing Director and CEO
26 August 2021

Independent auditor's report

To the members of Huon Aquaculture Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Consolidated Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

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

What we have audited

The Consolidated Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

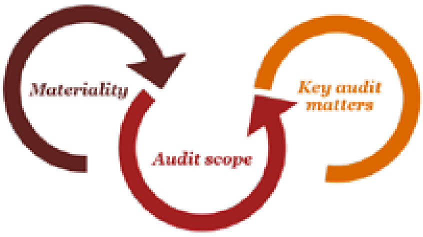
We are independent of the Consolidated Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Consolidated Group materiality of $770,000, which represents approximately 2.5% of the earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for impairment and the fair value adjustment for biological assets and averaged for the current and two previous financial years. The depreciation and amortisation used in our materiality calculation is as outlined in note 3(b) to the financial report.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA prior to any fair value adjustment for biological assets because, in our view, it is the metric against which the performance of the Consolidated Group is most commonly measured. An average was used due to fluctuations in EBITDA from year to year caused by a number of factors, which include (but are not limited to) environmental conditions and domestic and export pricing and demand. We also adjusted for impairment as it is an unusual or infrequently occurring item impacting profit and loss.
- We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Consolidated Group's accounting processes are performed by a central finance function at the corporate head office in Hobart

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Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Impairment of plant and equipment and right of use assets *Refer to note 31* The Consolidated Group has $229.8 million of plant and equipment and $97.8 million of right of use assets as at 30 June 2021. Australian Accounting Standards require the Consolidated Group to assess the carrying value of assets if impairment indicators exist. During the year the Consolidated Group identified indicators of impairment and therefore performed an impairment assessment by preparing a financial model to determine if the carrying value of the assets was supported by forecast future cash flows, discounted to present value (the "model"). As a result, the Consolidated Group recognised an impairment loss of $114 million as at 31 December 2020 as detailed in note 30. No additional indicators were subsequently identified by the Consolidated Group. This was a key audit matter due to the financial significance of the plant and equipment and the right of use asset balances and the significant judgements and assumptions applied in estimating future cash flows and the assessment of subsequent indicators for impairment.	We performed the following procedures amongst others: • Assessed whether the Consolidated Group's determination of Cash Generating Units (CGUs) was consistent with our knowledge of the nature of the Consolidated Group's operations and internal Group reporting. • Tested the mathematical accuracy, on a sample basis, of the calculations in the model. • Compared the forecast future cash flows used in the model with the forecasts formally approved by the Board. • Evaluated the Consolidated Group's ability to forecast future cash flows by comparing historical budgets with reported actual results for the past 3 years. • Assessed whether the forecast growth rate assumptions used in the model were appropriate with reference to our understanding of the key drivers, such as forecast harvest volumes and pricing. • Compared the terminal growth rate used in the models to historical growth rates achieved and external economic forecasts. • With the assistance of PwC valuation experts, assessed whether the discount rates used in the model were appropriate by comparing them to market data, comparable companies, and industry research. • Considered the allocation of the impairment loss recognised during the year to the Group's assets. • Evaluated the reasonableness of the disclosures made in note 31, including key assumptions, in light of the requirements of Australian Accounting Standards • Assessed the Consolidated Group's determination that there were no further indicators of impairment as at 30 June 2021, including comparing the actual results for 30 June 2021 to forecast results and comparing market capitalisation versus net assets at 30 June 2021.

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Key audit matter	*How our audit addressed the key audit matter*
Borrowings *Refer to note 15* At 30 June 2021, the Consolidated Group held interest bearing debt of $12.5 million in current liabilities with $126.7 million classified as non-current liabilities. Borrowings represent the largest liability on the consolidated balance sheet. Borrowings is a key balance on the balance sheet and is an important funding mechanism. There is judgement in relation to the ongoing compliance with covenants as such compliance is based on financial budgets which include assumptions for forecast Operating EBITDA. As a result, we consider accounting for borrowings to be a key audit matter at 30 June 2021.	• Obtained confirmations directly from the Consolidated Group's financiers to confirm the borrowing's balance, tenure and conditions. • Read the borrowing agreements between the Consolidated Group and its financiers to develop an understanding of the terms associated with the facilities, including covenants. • Where debt was regarded as non-current, we evaluated the Consolidated Group's assessment that they had the unconditional right to defer payment such that there were no repayments required within 12 months from the balance date. • Evaluated the appropriateness of the Consolidated Group's assessment of compliance with covenants. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Fair value of biological assets *Refer to note 4* The Consolidated Group held biological assets of $218.3 million at 30 June 2021. The biological assets include broodstock, eggs, juveniles, smolt and live finfish. Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment. The Consolidated Group has valued each of the biological assets. We considered the valuation of live finfish above 1kg to be a key audit matter due to the significant judgement involved in estimating: • The total weight of live finfish at sea (based on number of fish and weight); • expected mortalities of finfish prior to harvesting; and • selling price per HOG/kg	Our procedures in relation to the Consolidated Group's fair value calculation of live finfish above 1kg, included, but were not limited to, the following procedures: • Considering the valuation methodology against the requirements of the relevant Australian Accounting Standard. • Testing the mathematical accuracy, on a sample basis, of the calculations. • Assessing the historical accuracy of forecasting and estimation by comparing the prior year estimate to actual performance. We performed the following procedures over specific valuation inputs, amongst others: Number and weight of live finfish at sea • We performed a reconciliation of the number of live finfish by obtaining the opening balance and comparing the known movements (fish intakes, harvest and mortalities for the year) to underlying documentation on a sample basis in order to assess the reasonableness of the number of live finfish at year end.

Key audit matter	How our audit addressed the key audit matter
	• We assessed the reasonableness of fish loss adjustments made to either the count or weight by comparing them to prior periods. • We assessed the weight assumption at 30 June 2021 based on actual weights of finfish harvested subsequent to the year end and bath weight data recorded during the year (independently of the finance function). • We assessed the sensitivity of the calculations to changes in the Consolidated Group's estimate of weight by applying other values within a reasonably possible range. Expected mortalities of finfish • We assessed the expected mortality rates applied at year-end by comparing them to actual mortality rates recorded by the Consolidated Group over the year and subsequent to year end. Selling price per HOG/kg • We agreed the sales included in the fair value calculation to the sales for the 12 months recorded by the Consolidated Group. • We compared the 12-month actual average selling price per HOG/kg for domestic and export sales to the price per HOG/kg included in the calculation of fair value of finfish and considered the impact of any post year end price changes.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 41 to 53 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Huon Aquaculture Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
26 August 2021

Shareholder information

The shareholder information set out below was applicable as at 20 August 2021.

Voting rights

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

Substantial shareholders

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

Ordinary shares	Number of shares	%
PETER JAMES BENDER	13,266,521	12.07%
FRANCES ROBYN BENDER (spouse of Peter Bender)	5,794	0.01%
SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179 (i)	44,527,252	40.53%
MR PETER BENDER & MRS FRANCES BENDER <PJ & FR BENDER FAMILY A/C>	60,000	0.05%
P & F BENDER SUPER PTY LTD <P & F BENDER S/F A/C>	22,000	0.02%
Australian Super Pty Ltd	13,868,563	12.62%
Tattarang Agrifood Pty Ltd ACN 651 126 153 (TAPL), Forrest & Forrest Pty Ltd ABN 38 088 052 180 (FFPL) and John Andrew Henry Forrest (AF)	20,334,166	18.51%
Total	92,084,296	83.81%
Balance of register	17,788,663	16.19%
Grand total	**109,872,959**	**100.00%**

(i) JBS Australia Pty Ltd ACN 011 062 338 (change in substantial holding notice 17/08/21)	44,527,252	40.53%

Distribution of securities

Range	Number of Holders	Securities	%
100,001 and Over	17	102,447,486	93.24%
10,001 to 100,000	131	3,262,250	2.97%
5,001 to 10,000	210	1,561,886	1.42%
1,001 to 5,000	823	1,966,961	1.79%
1 to 1,000	1,440	634,376	0.58%
Total	2,621	109,872,959	100.00%

The number of holders of less than a marketable parcel of ordinary shares, equivalent to 130 ordinary shares, was 144 and they held 6,833 shares (based on a market price of $3.82 at the close of trading on 20 August 2021).

Top 20 largest shareholders

Rank	Name	20 August 2021	%
1	SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179	44,527,252	40.53%
2	TATTARANG AGRIFOOD PTY LTD	20,339,729	18.51%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,163,222	12.89%
4	PETER JAMES BENDER	13,266,521	12.07%
5	UBS NOMINEES PTY LTD	2,368,600	2.16%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,119,467	1.93%
7	CITICORP NOMINEES PTY LIMITED	1,685,823	1.53%
8	NATIONAL NOMINEES LIMITED	1,284,085	1.17%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	790,461	0.72%
10	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	525,995	0.48%
11	MS DANIELLE SHARON TUDEHOPE	330,000	0.30%
12	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	319,220	0.29%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	271,738	0.25%
14	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	121,279	0.11%
15	MR ERNST KOHLER	117,383	0.11%
16	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	115,267	0.10%
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	101,444	0.09%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 5	98,727	0.09%
19	MATRAVILLE INVESTMENT CO PTY LIMITED	80,274	0.07%
20	MR MICHAEL GREGORY PETERSON & MS SAMANTHA ANNE WAKE <HAMMER FUND A/C>	80,200	0.07%
Total		102,706,687	93.48%
Balance of register		7,166,272	6.52%
Grand total		**109,872,959**	**100.00%**

Restricted equity securities

There are no equity securities subject to restriction.

Unquoted equity securities

There are no unquoted equity securities on issue.

On market buy-back

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

Managing shareholding online

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

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

Glossary of Terms

$	Australian dollars
AASB	Australian Accounting Standards Board
AASBs or Australian Accounting Standards or Accounting Standards	Australian Accounting Standards
AASB141	Relates to the fair value adjustment of biological assets required by AASB 141
ABS	Australian Bureau of Statistics
AGD	Amoebic Gill Disease, a fish disease that compromises gill function
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited
Atlantic salmon or salmon	A fish in the family Salmonidae, which is typically found in the northern Atlantic Ocean and in rivers that flow into the north Atlantic
Bender Family	Peter Bender and Frances Bender, the founders of Huon and (as applicable) Surveyors Investments Pty Ltd (an entity controlled by Peter and Frances Bender)
Biological assets	Farm animals that are classified as assets which, according to International Accounting Standards, must be recorded on balance sheets at their market value. Once the assets have either been slaughtered or harvested, then the assets will become agricultural produce
Bonus Plan	A component of the LTI plan whereby the Board may determine to offer KMP LTI plan performance rights in lieu of a bonus where the Employee agrees to contractually forgo part of their future pre-tax bonus.
British Retail Consortium (BRC)	BRC Global Standard A leading safety and quality certification program
Broodstock	A group of mature fish used in aquaculture for breeding purposes
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
Constitution	The constitution of the Company
Control event refers to:	(a) A Court orders a meeting to be convened in relation to a proposed compromise or arrangement for the purposes of, or in connection with: a. a scheme which would, if it becomes effective, result in any person (either alone or together with its related bodies corporate) owning all of the shares in the Company; or b. a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; (b) members of the Company approve any compromise or arrangement referred to in paragraph (a); (c) any person becomes bound or entitled to acquire shares in the Company under: a. any compromise or arrangement referred to in paragraph (a) which has been approved by the Court; b. section 414 of the Corporations Act; or c. Part 6A.1 or Part 6A.2 of the Corporations Act; (d) a resolution is proposed to be put to shareholders proposing a voluntary winding up; or (e) an order is sought for the compulsory winding up of the Company.
Controlled Growth Strategy	The strategy under which Huon planned to roll out a number of strategic capital projects across its operations which are intended to expand production, increase efficiency and maintain the consistency and high quality of fish produced
Corporations Act	*Corporations Act 2001* (Cth)
DPIPWE	Tasmanian Department of Primary Industries, Parks, Water and Environment
EBIT	Earnings before interest and tax. This is a non-IFRS measure
EBITDA	Earnings before interest, tax, depreciation and amortisation. This is a non-IFRS measure
FAO	Food and Agriculture Organisation is specialised agency of the United Nations
Fortress Pens	Fish pens which have been designed by Huon in order to be predator resistant and incorporate a patented stanchion design

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

Corporate Directory

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

Senior Executives
— Peter Bender, Managing Director and CEO
— Frances Bender, Executive Director
— Philip Wiese, Deputy CEO
— Thomas Haselgrove, CFO
— David Morehead, General Manager Marine Operations
— Charles Hughes, General Manager Commercial and Planning
— David Mitchell, General Manager Freshwater Operations
— Anthony Baker, General Manager People, Safety and Sustainability

Company Secretary
— Thomas Haselgrove

Registered Office
Huon Aquaculture Group Limited
Level 13, 188 Collins Street
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huonaqua@huonaqua.com.au
www.huonaqua.com.au

Principal Place of Business
Huon Aquaculture Group Limited
961 Esperance Coast Road
Dover TAS 7109

Auditor
PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

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

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

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

The Home Exchange is Melbourne, Victoria

ASX Code: HUO

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

Huon Ocean Trout,
Salmon and
Yellowtail Kingfish

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HUON AQUACULTURE GROUP LIMITED ANNUAL REPORT 2021