



11 February 2016

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

**Via e-lodgement**

Dear Sir

**Tassal Group Limited (TGR): Market Release**  
**Results for the Half-Year Ended 31 December 2015**

We attach the following:

1. Results Announcement for the Half-Year Ended 31 December 2015.
2. Appendix 4D – "Half-Year Report" incorporating the consolidated financial report and the Directors' Report.
3. Media Release.
4. Investor Presentation – Results for the six months ended 31 December 2015.

Please release this information to the market.

Yours faithfully

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

Monika Maedler  
Company Secretary  
Tassal Group Limited



## **TASSAL GROUP LIMITED**

**ABN 15 106 067 270**

### **APPENDIX 4D**

### **HALF-YEAR REPORT**

**for the Half-Year ended 31 December 2015**

**(previous corresponding period: Half-Year ended 31 December 2014)**

---

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

#### **Compliance Statement**

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

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

A. McCallum  
Chairman  
Tassal Group Limited  
Hobart, 11 February 2016



# TASSAL GROUP LIMITED

ABN 15 106 067 270

## APPENDIX 4D HALF-YEAR REPORT for the Half-Year ended 31 December 2015 (previous corresponding period: Half-Year ended 31 December 2014)

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-Year ended 31 December 2015 \$'000	Half-Year ended 31 December 2014 \$'000	Period Movement up / (down) \$'000	Period Movement up / (down) %
Revenue (from all sources)	226,822	150,946	75,876	50.27
EBITDA	49,856	54,103	(4,247)	(7.85)
EBIT	39,411	45,093	(5,682)	(12.60)
Profit before income tax expense attributable to members	35,777	42,879	(7,102)	(16.56)
Income tax expense	(10,492)	(12,584)	(2,092)	(16.62)
Net profit after income tax expense attributable to members	25,285	30,295	(5,010)	(16.54)
Basic EPS – cents per share	17.19cps	20.64cps		

Note: Overall, the AASB 141 'Agriculture' was lower for the period to 31 December 2015 (1H16). Albeit Salmon biomass volume was up from the position at 30 June 2015 - the reduction in the increment was due to a reduction in Salmon finished goods on hand, combined with a reduction in sales price underpinning the net market value for future sales. EBITDA for 1H16 included \$8.559 million SGARA adjustment, compared to \$16.993 million for 1H15. Likewise, NPAT for 1H16 included \$6.019 million SGARA adjustment compared to \$11.895 million in 1H15. Further information is included in Table A over the page, and on Page 3 of the Director's Report.

Dividends (Ordinary Shares)	Amount per security	Franked amount per security
Final dividend: - Previous financial year – payment date 30 September 2015	7.00c	3.50c
Interim dividend: - Current reporting period * - payment date 30 March 2016 - Previous corresponding period – payment date 31 March 2015	7.50c 7.00c	5.62c 3.50c

\*The financial effect of the Interim Dividend in respect of the current reporting period will be recognised in the next reporting period because it has been declared subsequent to 31 December 2015

Record date for determining entitlements to the Interim Dividend	16 March 2016
Date of payment of Interim Dividend	30 March 2016

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

Refer to the "Review of Operations" section at Item 4 in the accompanying Directors' Report which forms part of the Appendix 4D Half-Year Report, together with the Company's H1 2016 results media release.



# TASSAL GROUP LIMITED

ABN 15 106 067 270

## APPENDIX 4D HALF-YEAR REPORT

for the Half-Year ended 31 December 2015  
(previous corresponding period: Half-Year ended 31 December 2014)

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reported Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS – cents per share	17.19	20.64
Diluted EPS – cents per share	17.10	20.51
NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$1.92	\$2.21

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

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

Half-year ended 31 December 2015	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$8,599
EBIT	\$8,599
Profit before income tax expense	\$8,599
Income tax expense	\$(2,580)
Net profit after income tax expense	\$6,019

Half-year ended 31 December 2014	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$16,993
EBIT	\$16,993
Profit before income tax expense	\$16,993
Income tax expense	\$(5,098)
Net profit after income tax expense	\$11,895

Monika Maedler  
Company Secretary  
Tassal Group Limited  
11<sup>th</sup> February 2016



# **Tassal Group Limited**

**and its Controlled Entities**

**ABN 15 106 067 270**

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

**Financial Report for the Half-Year Ended  
31 December 2015**

(The Half-Year financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that the Half-Year Report is read in conjunction with the Annual Financial Report of Tassal Group Limited for the Financial Year ended 30 June 2015 together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2015 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange).

# CONTENTS

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

<b>DIRECTORS' REPORT</b>	<b>3-11</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>12</b>
<b>CONDENSED CONSOLIDATED INCOME STATEMENT</b>	<b>13</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>14</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>15</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>16</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS</b>	<b>17</b>
<b>NOTES TO THE CONDENSED FINANCIAL STATEMENTS</b>	<b>18-28</b>
<b>DIRECTORS' DECLARATION</b>	<b>29</b>
<b>INDEPENDENT REVIEW REPORT</b>	<b>30</b>

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

The Directors of Tassal Group Limited ("Tassal" or "the Company") submit the financial report for the half-year ended 31 December 2015 of the consolidated entity, being the Company and its controlled entities.

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

## 1. DIRECTORS

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

**Name:**

Mr Allan McCallum (Chairman)  
Mr Mark Ryan (Managing Director and Chief Executive Officer)  
Mr Trevor Gerber  
Mr Christopher Leon  
Mr John Watson (resigned 28 October 2015)  
Mr Michael Carroll  
Ms Raelene Murphy (appointed 9 September 2015)

## 2. PRINCIPAL ACTIVITIES

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

De Costi Seafoods were acquired which expanded the activities to include processing and marketing of Seafood.

## 3. REVIEW OF OPERATIONS

The Directors of Tassal Group Limited (**Tassal**) are pleased to present the Company's Appendix 4D: Half Year Report to 31 December 2015 (1H16).

The overarching strategic focus for Tassal is to deliver sustainable long-term returns to shareholders as the leader in Salmon and Seafood in Australia, selling highly recognised ethical valued brands and products to Australian consumers and retailers – while operating in a zero harm environment.

With the strategic acquisition of De Costi Seafoods Pty Limited (**De Costi Seafoods**) effective 1 July 2015, this is the first reporting period for Tassal with De Costi Seafoods' financial results included. Following this successful acquisition, Tassal is now the leader in Australia's \$4.3 billion annual Salmon and Seafood market.

### 1H16 key operational financial highlights

Overall, Tassal's financial and operational performance over 1H16 was generally in-line with the company's expectations.

The key financial highlights from 1H16 vs. 1H15 include:

- **Growth in revenue** – up 50.3% to \$226.822 million; with continued growth in Salmon and a full six months' inclusion of De Costi Seafoods
- **Growth in operating earnings** – while statutory earnings were down due to a lower statutory valuation movement of closing biological assets and stock in line with AASB 141, operational earnings (EBITDA and NPAT) continued to grow due to:
  - additional earnings from De Costi Seafoods, which is performing to both earnings and operational expectations and shareholder value accretive
  - operational efficiencies and sustainable contribution margins generated from an increase in volume of domestic market Salmon sales. Offsetting these gains were lower Salmon pricing (particularly fresh Salmon hog pricing) and higher fish costs for the 14YC fish being harvested. Overall, the Salmon business was flat from an earnings perspective
  - commencement of the integration of the De Costi Seafoods acquisition with integration costs of \$0.753 million

# DIRECTORS' REPORT

## Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

- **Growth in operating cashflow** – up 34.9% to \$25.53 million; with an improved working capital cycle in the Seafood business positively influencing this. Operating cashflow prudently invested in infrastructure and working capital assets
- **Growth in interim dividend** – up 7.1% to 7.5 cents per share, 75% franked (1H15: 7.0 cents per share, 50% franked); reflecting strong cashflows, strong balance sheet and attractive growth outlook. The record and payment dates for the FY2016 interim dividend are 16 March 2016 and 30 March 2016, respectively

The focus for 1H16 was to ensure growth of sales in the domestic market was maintained so that with a restructured and realigned De Costi Seafoods business, Tassal had the product volume and sales momentum to optimise returns from the business from 2H16 onwards.

### Strategy expands addressable market to underpin growing sustainable long term returns

The core focus for Tassal is to further improve customer value and build stronger strategic relationships through:

- Optimising the supply value chain through scale and national coordination of procurement, processing and distribution = improved availability
- Insights led Seafood marketing, innovation and category management = increased domestic Seafood consumption.

Tassal's strategic focus will position the company for growing returns from its sales initiatives and assets, equity and capital employed. Tassal will ensure that an appropriate capital and operational investment programme is in place that allows the Company over time to maximise domestic market per capita consumption for Salmon and Seafood. This strategy will drive the next phase of Tassal's earnings growth and maximise shareholder value.

De Costi Seafoods will underpin additional growth for Tassal. Following the acquisition, Tassal's total addressable market opportunity has grown from \$700 million to \$4.3 billion annually. Over 1H16, Tassal has successfully integrated and realised a number of operational and supply chain opportunities identified prior to the acquisition of De Costi Seafoods. The cost of this integration was \$0.753 million. Following the realignment and restructure initiatives, De Costi Seafoods now has a sustainable platform to drive future growth that is aligned with Tassal's business. The De Costi Seafoods acquisition is shareholder value accretive.

While Tassal remains extremely focussed on progressing towards more acceptable return levels from its sales initiatives and assets, equity and capital employed, the company is also focused on ensuring it has in place a capital investment programme and growth in underlying fish biomass (Salmon) and supply (Seafood) that will allow it to over time maximise domestic market per capita consumption and meet growing domestic demand – both for Salmon and Seafood.

## Financial results

### Statutory, Underlying and Operational Financial Performance

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

The key financial results for 1H16 included:

Half Year ended 31 December 2015	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$226,822	\$0	\$226,822	\$0	\$226,822
EBITDA	\$49,856	\$0	\$49,856	(\$8,599)	\$41,257
EBIT	\$39,411	\$0	\$39,411	(\$8,599)	\$30,812
Profit before income tax expense	\$35,777	\$0	\$35,777	(\$8,599)	\$27,178
Income tax expense	(\$10,492)	\$0	(\$10,492)	\$2,580	(\$7,912)
<b>Net profit after income tax expense</b>	<b>\$25,285</b>	<b>\$0</b>	<b>\$25,285</b>	<b>(\$6,019)</b>	<b>\$19,266</b>

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

Half Year ended 31 December 2014	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$150,946	\$0	\$150,946	\$0	\$150,946
EBITDA	\$54,103	\$0	\$54,103	(\$16,993)	\$37,110
EBIT	\$45,093	\$0	\$45,093	(\$16,993)	\$28,100
Profit before income tax expense	\$42,879	\$0	\$42,879	(\$16,993)	\$25,886
Income tax expense	(\$12,584)	\$0	(\$12,584)	\$5,098	(\$7,486)
<b>Net profit after income tax expense</b>	<b>\$30,295</b>	<b>\$0</b>	<b>\$30,295</b>	<b>(\$11,895)</b>	<b>\$18,400</b>

## Statutory results

The key 1H16 statutory financial results were:

- The accounting standard AASB 141 '*Agriculture*' is adjusted on a period end by period end basis, i.e. 31 December 2015 as compared to 30 June 2015 (not 31 December 2015 vs. 31 December 2014) – with the adjustment either an uplift or decrement in the future value of biological assets. AASB 141 is only applied to Tassal's biological assets – i.e. its Salmon stock – both in the water and processed and on hand.

The biggest sensitivity underpinning the value for AASB141 is the assessment of future sales price and ultimately, net market value. With the reduction in sales price in 1H16, the net market value for future sales was less than it was at 30 June 2015. The other sensitivity is volume of Salmon stock on hand at the end of the period. Overall, the volume of Salmon stock had increased over the period at 30 June 2015.

Overall, the above factors combined with a reduced amount of finished goods on hand (which in itself reduced the Agriculture value by \$2.993 million), has led to a reduction in the uplift to AASB 141 component to Tassal's statutory result. The AASB 141 '*Agriculture*' uplift decreased by 50.1% to \$8.599 million before tax (1H15: uplift of \$16.993 million) – but was still a significant uplift nonetheless;

- Earnings before interest, tax, depreciation and amortisation (EBITDA) down 7.8% to \$49.856 million (1H15: \$54.103 million) reflecting the lower AASB 141 Agriculture adjustment;
- Likewise, earnings before interest and tax (EBIT) was down 12.6% to \$39.411 million (1H15: \$45.093 million); and
- Net profit after tax (NPAT) was also down 16.5% to \$25.285 million (1H15: \$30.295 million) reflecting the lower AASB 141 adjustment.

## Underlying results

There were no non-recurring items reported – albeit we note that there were significant compliance, restructure, realignment and integration costs totaling \$0.753 million associated with successfully delivering the De Costi Seafoods business platform into Tassal's operational structure.

## Operational results

Reflecting the underlying performance of the business while still including the restructure and realignment costs associated with integrating De Costi Seafoods, the key 1H16 operating results were:

- EBITDA up 11.2% to \$41.257 million (1H15: \$37.110 million);
- EBIT up 9.6% to \$30.812 million (1H15: \$28.100 million); and
- NPAT up 4.7% to \$19.266 million (1H15: \$18.400 million).

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## Operating & Financial Performance

Underpinning Tassal's overarching strategic focus are four strategic priorities. They are the building blocks of the company's Strategic Plan and provide the sustainable base required to pursue Tassal's next phase of growth:

1. Zero Harm for Everyone, Everywhere
2. Optimise the business
3. Maximise cashflow
4. Deliver acceptable returns

Tassal's operational and financial performance, as assessed against the Company's four strategic priorities, is outlined below.

### 1. Zero harm

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

In terms of Tassal's existing business (i.e. not including De Costi Seafoods operations), key developments over 1H16 from a Zero Harm perspective include:

- Satisfactory results (see below) achieved on all previously established lead & lag indicators from a safety perspective. All indicators are trending in the right direction
- The cultural program progress is supported via external survey, which confirms the company's journey to "interdependence" is on track - but not complete. Interdependence is about engendering a "I take care" and "I care for" approach
- AS 18001 & 4801 accreditation was maintained
- 15 of Tassal's 15 legacy operational sites (100%) achieved Zero Harm targets.

KPIs	1H15	1H16	FY16 Target	Zero Harm
LTIFR	0.64	0.00	0	0
Incident rate	0.12	0.00	0	0
ATLR	1	0	0	0
MTIFR	35.2	25.58	20	30
Scorecard measure	94.4%	96.58%	95%	92%

#### 1. Definitions:

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

Incident Rate: (Number of Lost Time Injuries/Number of Employees) X 100

ATLR – Average Time Lost Rate: Number of Working Days Lost/Number of Lost Time Injuries)

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

While Tassal's safety performance improved over 1H16, until the company delivers its core value of Zero Harm Tassal will rank itself at an **unacceptable level**.

Having recently acquired De Costi Seafoods - that business is yet to be incorporated into the Zero Harm targets above. While De Costi Seafoods is not yet achieving Tassal's Zero Harm targets, this is a significant focus for the second half of this financial year, with the aim of getting De Costi Seafood's processing facility in Lidcombe to Zero Harm by FY2017.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 2. Optimise the business

### Operating results

From an operating results perspective, Tassal's performance reflected the company's continued focus on delivering its overall Strategic Plan priorities and targets.

The first 6 months of ownership of De Costi Seafoods has seen a concerted restructuring and realignment of the De Costi Seafoods' business to ensure it provides a solid growth platform aligned to Tassal's strategic growth initiatives. Capacity and capability has been increased, while further automating and driving operational efficiencies. The Seafood margins within this business – i.e. as a procurer, processor and sales and marketer - are not at the same level as the Salmon vertically integrated business that Tassal has grown and optimised.

### Salmon

Management's relentless focus on growing domestic per capita consumption has clearly been shown to be the right strategy. It is important that Tassal continues to drive domestic per capita consumption to maximise the opportunities in the domestic market.

In parallel with Tassal's focus on growing domestic per capita consumption, Tassal continues to focus on and achieve strong fish performance. This has delivered strong gains in biomass growth, feed conversion and survival, which in turn have driven operating cost efficiencies and a move closer to global operational best practice from a fish performance perspective.

### Seafood

Having successfully grown domestic market salmon consumption, Tassal is now focussed on growing domestic Seafood consumption.

From a Seafood perspective, general volumes of catch was low in 1H16 and accordingly, prices higher in the market. De Costi Seafoods was run on a lower margin basis due to inefficiencies in the Seafood supply chain and its own operations. The restructure and realignment process implemented during 1H16 has addressed this, and the benefits to De Costi Seafoods' performance will be seen from 2H16 onwards.

### Overall

Sales revenue was up 50.1% to \$226.822 million as Tassal benefited from sales from Seafood and further increasing per capita consumption in Salmon.

Further, Operational EBITDA was up 11.2% to \$41.257 million (1H15: \$37.110 million), reflecting additional earnings from Seafood and operational efficiencies and sustainable contribution margins generated from domestic market Salmon sales. This growth was achieved even though:

- o additional earnings from De Costi Seafoods, which is performing to both earnings and operational expectations and shareholder value accretive
- o operational efficiencies and sustainable contribution margins generated from an increase in volume of domestic market Salmon sales. Offsetting these gains were lower Salmon pricing (particularly fresh Salmon hog pricing) and higher fish costs for the 14YC fish being harvested. Overall, the Salmon business was flat from an earnings perspective
- o integration costs for the De Costi Seafoods acquisition were \$0.753 million

It is important that Tassal continues to drive domestic per capita consumption for both Salmon and Seafood to maximise all its sales and earnings opportunities.

Tassal will continue to implement a more efficient operational performance right across its supply value chain – from growing and processing to logistics and distribution. Tassal has been effective in streamlining its supply value chain, and we are now using this intelligence to optimise the Seafood supply chain and grow Seafood sales.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 3. Maximise cashflow

Tassal continued to generate strong operating cashflows over 1H16, increasing 34.9% to \$25.522 million (1H15: \$18.928 million). Overall, sustainable contribution margins continue to be generated from domestic market sales.

Investing cashflow increased substantially to \$83.667 million due in the main part by the \$48.941 million for the acquisition of De Costi Seafood. Financing activities provided cashflow of \$61.180 million.

The Directors believe that it is important to reinvest cashflow to make Tassal's business more sustainable, scalable and move closer to global best practice from an operational, financial and strategic perspective. To achieve this, the business is utilising its cashflows and funding to invest appropriately in revenue growth, capacity expansion and operational efficiency initiatives in a balanced way.

Tassal is an agricultural stock and accordingly, the Directors are focussed on ensuring sufficient headroom in facilities to allow Tassal to absorb / risk mitigate the agricultural risk and consider growth opportunities. The key balance sheet outcomes for 1H16 reflected this focus, including the acquisition of De Costi Seafoods:

- Net debt increased by \$68.45 million
- Gearing ratio, as represented by net debt to equity, increased to 34.5% (31 December 2014: 16.8%); and
- Funding ratio, as represented by net debt + receivable purchase facility to equity, increased to 50.6% (31 December 2014: 32.8%).

Given the Company's strong cashflows, strong balance sheet and attractive growth outlook, the Directors of Tassal increased the company's interim dividend by 7.1% to 7.50 cents per share, 75% franked (1H15: 7.00 cents per share, 50% franked).

## 4. Deliver acceptable returns

The overarching strategic focus for Tassal is to deliver sustainable long-term shareholder returns. This focus ensures the efficient use of Tassal's underlying asset base for earnings growth. Significant focus was spent in 1H16 in working through the Salmon and Seafood Strategy, Strategic Priorities and Strategic Enablers out to FY2030 to ensure this focus is maintained.

Tassal has successfully mitigated (where possible) risk at both the sales/marketing and Salmon growing ends of its business. However, Tassal is still an agricultural stock and continues to focus on further risk mitigation in the hatching and growing ends of its business.

Summer 2015/16 is proving to be a challenging period from a water temperature perspective – albeit the SBP, fish input strategy and improved feed formulation has seen Tassal progress through summer to date in a reasonable position. Certainly, the previous effect of warmer water saw significantly more volatility and disruptiveness to the business, so effective risk mitigation strategies does deliver and further implementation is still required.

### Business fundamentals

The Directors believe that it is important to acknowledge the following fundamentals as they apply to Tassal:

- Tassal's strategy has evolved to include both Salmon and Seafood with the aim of delivering sustainable long term returns to shareholders as the leader in Salmon and Seafood in Australia, selling highly recognised, ethical, valued brands and products to Australian consumers and retailers – while operating in a zero harm environment.

The core focus for Tassal is to further improve customer value and build stronger strategic relationships through:

- Optimising the supply value chain through scale and national coordination of procurement, processing and distribution = improved availability
- Insights led Seafood marketing, innovation and category management = increased domestic Seafood consumption.
- Tassal's strategic focus is to maximise shareholder value by growing Australian per capita Seafood consumption to ensure the optimal balance between sales and marketing and production and processing. This balancing of Tassal's fish supply is considered critical to ensure that short and long term strategic, operational and financial growth is maximised to enable sustainable earnings growth;

## DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

- Like other aquaculture and agriculture businesses, Salmon farming is a capital-intensive industry. Salmon farming is a rolling process and in a steady state of production, there will be at least three concurrent Year Class generations at different points in their lifecycle, together with a minimum level of capital expenditure required. With Tassal in a growth mode executing its Strategic Plan, funding has been required not only for the growth of the current production of fish and replacement capital expenditure, but also to fund expansionary fish production and capital expenditure on infrastructure assets;
- Given the production lifecycle of fish, there is a fundamental gap in the capital expenditure, working capital and profit cycles. Accordingly, it is important to apply Accounting Standard AASB 141 *'Agriculture'* in understanding Tassal's financial results and to ensure consistency in financial comparison and measurement with global aquaculture companies; and
- The Board considers Tassal to be a sustainable aquaculture company from an environmental, operational and financial perspective. Tassal believes that part of its role is as a custodian of the environment – particularly the marine environment. Tassal has achieved ASC certification for all of its farm sites – a global first. Tassal has maintained its industry leading position in implementing a sustainability focus throughout the Company. Key to this focus is meaningful communication with all stakeholders, including customers. Tassal's goal is to develop significant environmental and social initiatives led by stakeholder input.
- It is not enough for Tassal to be profitable. Investors, customers, consumers and the public expect Tassal to be socially and environmentally responsible. Tassal understands that community and environmental values are important. Tassal clearly understands that we can and do make a difference. Overall, Tassal is mitigating risk via a focus on sustainability by:
  - implementing best practice infrastructure and fish health capacity;
  - focusing on impact mitigation and stakeholder engagement;
  - forming collaborative, forward focussed research partnerships; and
  - implementing and resourcing compliance, communication, stakeholder, and seal management plans – together with transparency in reporting.
- Tassal has robust **risk mitigation strategies** in place to manage risks in an operational and financial context; however, it is still faced with agricultural risk. Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal, with mitigation planning focussed on both the consequence and likelihood of risks. The key risks are as follows:
  - Summer remains a challenging period in terms of fish growth and survival, particularly with Tassal's South East Tasmanian sea sites. To further risk mitigate summer water temperatures, the focus has been to implement a harvest strategy in South East Tasmania that allows us to harvest fish at a quicker rate and therefore maximise survival of fish and accordingly, maximise fish biomass;
  - Amoebic Gill Disease (AGD) remains a significant issue. The introduction of the harvest strategy, together with additional fish now grown in Macquarie Harbour (where there is no AGD) and with 100% of the fish now from the Selective Breeding Program (SBP) – all these measures will greatly assist in mitigating this risk. Specifically the SBP is designed to breed a more robust Salmon and remove the requirement of one bath per fish growing cycle; and
  - Seals remain a significant challenge, and are an extremely important environmental and social issue for Tassal and our stakeholders. Seal interactions are increasing year on year. Australian and New Zealand fur seals are protected wildlife and are the natural and rightful inhabitants of the marine environment. Seals are attracted to Salmon farms because of food availability and commonly directly interact with our farms by chewing through nets, jumping over handrails and entering the sea pens. Managing seal interactions is a complex, costly and ever changing challenge with no easy answer. We continue to monitor seals and seal interactions extremely closely as effective management of this issue is a matter of critical importance to Tassal, as seal interactions have the potential to impact on employee safety, environmental management practices and fish welfare.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## Outlook for the Full Year to 30 June 2016

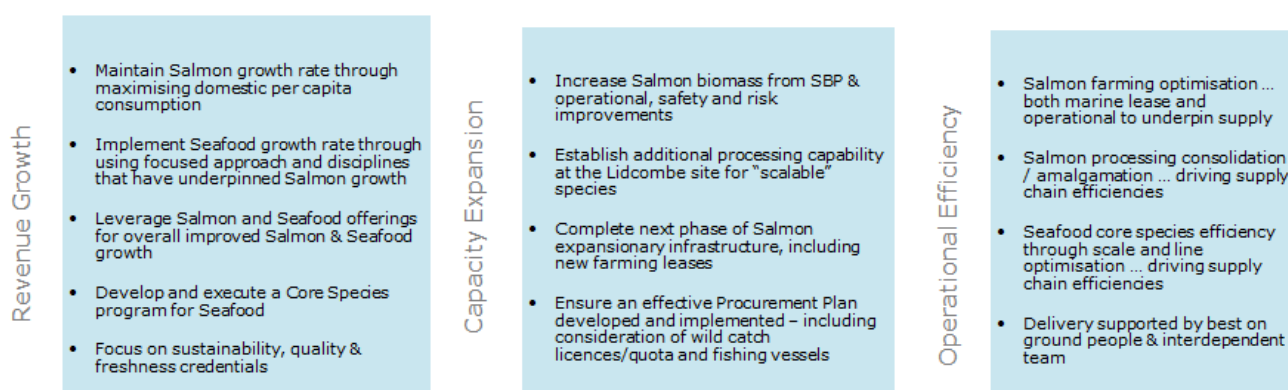
The key financial focus for 2H16 includes:

- **Growth in revenue** – capitalising on the growth in 1H16 with continued growth in Salmon and Seafood
- **Growth in operating earnings** – operational EBITDA and NPAT earnings are expected grow:
  - additional sustainable earnings from De Costi Seafoods
  - operational efficiencies and sustainable contribution margins generated from both Salmon sales – both from a domestic market and supported with favourable export market conditions ... and Salmon supply - with the focus on harvesting our new 15 Year Class.

The overarching focus for FY2016 and beyond is to increase domestic Salmon and Seafood consumption whilst ensuring that operational and asset returns are maximised. Specifically:

- Sales initiatives will focus on maximising the opportunities to grow Salmon and Seafood across the domestic market – retail, wholesale and foodservice:
  - improving market share within the overall Seafood market; and
  - growing the overall Seafood market in Australia.
- Operational initiatives will focus on further optimising the supply value chain:
  - maximising Salmon growth efficiencies – utilising Selective Breeding Program to deliver on fish growth, lower feed conversion ratios and reduced bathing;
  - reducing operational costs – move closer to global best practice from operational perspective – i.e. cost of growing, cost of processing, cost of supply and logistics;
  - reducing Seafood procurement costs and complexities – implementing an optimised supply chain; and
  - continuing to mitigate agricultural risk.
- Ensuring sales and operational initiatives also contribute strongly to Tassal's objectives to:
  - Deliver earnings growth
  - Optimise efficiencies in both Salmon and Seafood production
  - Use sustainable species
  - Strengthen the Tassal, Superior Gold, De Costi Seafoods and other proprietary brands.
- Implementing further sustainability and environmental initiatives leveraging Tassal's already strong sustainability credentials.

From a strategic enabler perspective, Tassal's immediate focus is to grow Salmon and Seafood sales by leveraging retail relationships and delivering an efficient and scalable platform for future growth... ensuring that Salmon and Seafood returns are growing and sustainable.



The strategic shift from a purely vertically integrated Salmon company to a Salmon and Seafood company has opened up opportunities for Tassal. The acquisition of De Costi Seafoods positions Tassal as the market leader in Seafood in Australia – whatever measure you apply – together with a market leader in sustainability globally. From 2H16, the De Costi acquisition will clearly illustrate an accelerated Tassal Salmon & Seafood strategy with the benefits flowing from another full six months of De Costi Seafoods' revenues and synergies arising as a result of the integration of De Costi Seafoods onto Tassal's platform.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 4. SUBSEQUENT EVENTS

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

## 5. BUSINESS DEVELOPMENT

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

## 6. INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 12 and forms part of this Directors' Report for the half-year ended 31 December 2015.

## 7. ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors made pursuant to Section 306 (3) of the Corporations Act 2001.

On behalf of the Directors



A. McCallum  
Chairman  
Hobart, 11 February 2016

# AUDITOR'S INDEPENDENCE DECLARATION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015



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

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Level 8  
22 Elizabeth Street  
Hobart Tas 7000  
GPO Box 777  
Hobart Tas 7001 Australia

Tel: +61 3 6237 7000  
Fax: +61 3 6237 7001  
www.deloitte.com.au

11 February 2016

Dear Board Members

## **Tassal Group Limited**

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

As lead audit partner for the review of the financial statements of Tassal Group Limited for the half-year ended 31 December 2015 I declare that to the best of my knowledge and belief, the only contravention of:

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

is set out below:

During the current review period, Deloitte Touche Tohmatsu's quality control system identified that the previous lead auditor for Tassal Group Limited was participating in the review of the financial statements for the half-year ended 31 December 2015 and was not eligible to do so. On becoming aware, all reasonable steps were taken to ensure compliance with the auditor rotation requirements and the individual played no further role in relation to the review of Tassal Group Limited for the half-year ended 31 December 2015. Accordingly I consider that this matter has not compromised my or Deloitte Touche Tohmatsu's objectivity with respect to the review of the financial statements of Tassal Group Limited for the half-year ended 31 December 2015.

Yours sincerely

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

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be "Chris Biermann".

Chris Biermann  
Partner  
Chartered Accountants

# CONDENSED CONSOLIDATED INCOME STATEMENT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014
		\$'000	\$'000
Revenue	3 (a)	224,218	148,163
Other income	3 (b)	2,816	2,475
Fair value adjustment of biological assets		11,592	14,498
Fair value adjustment of biological assets at point of harvest		(2,993)	2,495
Share of profits / (losses) of associates and jointly controlled entities accounted for using the equity method	6	(212)	308
Changes in inventories of finished goods and work in progress		652	2,383
Raw materials and consumables used		(136,743)	(78,880)
Employee benefits expense		(39,426)	(28,228)
Depreciation and amortisation expense	3 (c)	(10,445)	(9,010)
Finance costs	3 (c)	(3,634)	(2,214)
Other expenses		(10,048)	(9,111)
<b>Profit before income tax expense</b>		<b>35,777</b>	<b>42,879</b>
Income tax expense		(10,492)	(12,584)
<b>Profit for the period</b>		<b>25,285</b>	<b>30,295</b>

	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014
<b>Net tangible asset backing per ordinary share (cents per share)</b>	191.95	221.19
<b>Earnings per ordinary share(EPS) *</b>		
Basic (cents per share)	17.19	20.64
Diluted (cents per share)	17.10	20.51
<b>* Weighted average numbers of ordinary shares on issue used as the denominator in the calculation of EPS</b>		
Number for Basic EPS	147,110,275	146,778,393
Number for Diluted EPS	147,869,124	147,723,766

Notes to the condensed financial statements are included on pages 18 to 28.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	Half-Year Ended 31 Dec 2015 \$'000	Half-Year Ended 31 Dec 2014 \$'000
Profit for the period		25,285	30,295
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Gain/(loss) on revaluation of property		-	-
Income tax relating to items that will not be reclassified subsequently		-	-
<b>Items that may be reclassified subsequently to profit or loss :</b>			
Gain/(loss) on cashflow hedges		54	(2)
Income tax relating to items that may be reclassified subsequently		(16)	(4)
Other comprehensive income for the period (net of tax)		38	(6)
<b>Total comprehensive income for the period attributed to owners of the parent</b>		<b>25,323</b>	<b>30,289</b>

Notes to the condensed financial statements are included on pages 18 to 28.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	As at 31 Dec 2015	As at 30 June 2015	As at 31 Dec 2014
		\$'000	\$'000	\$'000
<b>Current Assets</b>				
Cash and cash equivalents		16,359	13,324	14,847
Trade and other receivables		27,042	14,034	14,473
Inventories		57,810	60,151	58,285
Biological assets		241,447	222,906	215,380
Other financial assets		448	448	448
Other		3,341	2,740	3,258
<b>Total Current Assets</b>		<b>346,447</b>	<b>313,603</b>	<b>306,691</b>
<b>Non-Current Assets</b>				
Investments accounted for using the equity method	6	8,458	8,670	8,588
Other financial assets		55	60	65
Property, plant and equipment		269,753	247,174	233,795
Goodwill		82,145	14,851	14,851
Other intangible assets		24,184	24,184	24,184
Other		4,207	4,385	3,585
<b>Total Non-Current Assets</b>		<b>388,802</b>	<b>299,324</b>	<b>285,068</b>
<b>Total Assets</b>		<b>735,249</b>	<b>612,927</b>	<b>591,759</b>
<b>Current Liabilities</b>				
Trade and other payables		69,923	58,257	55,318
Borrowings		21,955	17,765	25,255
Current tax liabilities		3,588	1,930	1,109
Provisions		6,691	5,384	5,177
Other financial liabilities		177	232	262
Other		-	14	34
<b>Total Current Liabilities</b>		<b>102,334</b>	<b>83,582</b>	<b>87,155</b>
<b>Non-Current Liabilities</b>				
Borrowings		128,568	61,273	50,506
Deferred tax liabilities		97,089	93,508	88,987
Deferred and contingent consideration		16,787	-	-
Provisions		1,587	1,231	1,160
<b>Total Non-Current Liabilities</b>		<b>244,031</b>	<b>156,012</b>	<b>140,653</b>
<b>Total Liabilities</b>		<b>346,365</b>	<b>239,594</b>	<b>227,808</b>
<b>Net Assets</b>		<b>388,884</b>	<b>373,333</b>	<b>363,951</b>
<b>Equity</b>				
Issued capital	7	154,983	154,647	154,647
Reserves		10,229	9,995	10,027
Retained Earnings	8	223,672	208,691	199,277
<b>Total Equity</b>		<b>388,884</b>	<b>373,333</b>	<b>363,951</b>

Notes to the condensed financial statements are included on pages 18 to 28.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Ordinary shares	Asset revaluation reserve	Hedging reserve	Equity- settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the parent
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2014</b>	<b>154,213</b>	<b>8,615</b>	<b>(182)</b>	<b>1,481</b>	<b>177,796</b>	<b>341,923</b>
Profit for the period	-	-	-	-	30,295	30,295
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	(6)	-	-	(6)
Total comprehensive income for the period	-	-	(6)	-	30,295	30,289
Payment of dividends	-	-	-	-	(8,814)	(8,814)
Issue of shares pursuant to Executive Long Term Incentive Plan	434	-	-	(434)	-	-
Recognition of share-based payments	-	-	-	553	-	553
<b>Balance as at 31 December 2014</b>	<b>154,647</b>	<b>8,615</b>	<b>(188)</b>	<b>1,600</b>	<b>199,277</b>	<b>363,951</b>
<b>Balance as at 1 July 2015</b>	<b>154,647</b>	<b>8,615</b>	<b>(162)</b>	<b>1,542</b>	<b>208,691</b>	<b>373,333</b>
Profit for the period	-	-	-	-	25,285	25,285
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	38	-	-	38
Total comprehensive income for the period	-	-	38	-	25,285	25,323
Payment of dividends	-	-	-	-	(10,304)	(10,304)
Issue of shares pursuant to Executive Long Term Incentive Plan	336	-	-	(336)	-	-
Recognition of share-based payments	-	-	-	532	-	532
<b>Balance as at 31 December 2015</b>	<b>154,983</b>	<b>8,615</b>	<b>(124)</b>	<b>1,738</b>	<b>223,672</b>	<b>388,884</b>

Notes to the condensed financial statements are included on pages 18 to 28.

# CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014
		\$'000	\$'000
<b>Cashflows from Operating Activities</b>			
Receipts from customers		230,535	157,860
Receipts from government grants		-	-
Payments to suppliers and employees		(197,483)	(134,499)
Interest received		123	152
Interest and other costs of finance paid		(3,605)	(2,357)
Income taxes paid		(4,048)	(2,228)
<b>Net cash (used in) / provided by operating activities</b>		<b>25,522</b>	<b>18,928</b>
<b>Cashflows from Investing Activities</b>			
Payment for property, plant and equipment		(34,726)	(18,381)
Proceeds from sale of property, plant and equipment		-	26
Payment for business	4 (c)	(48,941)	-
<b>Net cash (used in) investing activities</b>		<b>(83,667)</b>	<b>(18,355)</b>
<b>Cashflows from Financing Activities</b>			
Proceeds from borrowings		76,581	23,145
Repayment of borrowings		(5,097)	(7,713)
Dividends paid to members of the parent entity		(10,304)	(8,814)
<b>Net cash (used in) / provided by financing activities</b>		<b>61,180</b>	<b>6,618</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,035</b>	<b>7,191</b>
Cash and cash equivalents at the beginning of the Half-Year		13,324	7,656
<b>Cash and cash equivalents at the end of the Half-Year</b>	<b>9</b>	<b>16,359</b>	<b>14,847</b>

Notes to the condensed financial statements are included on pages 18 to 28.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 1. Summary of accounting policies

### a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the financial year ended 30 June 2015, together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2015, in accordance with the continuous disclosure requirement of the Listing Rules of the Australian Securities Exchange.

The half-year financial report was authorised for issue by the Directors on 11 February 2016.

### b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except if relevant, for the revaluation of certain non-current assets, biological assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### c) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, other than as detailed below. Where appropriate figures for the comparative period have been restated to make them comparable with the disclosures adopted for the half-year ended 31 December 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

- Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 2. Subsequent events

### Interim dividend declared

On 11 February 2016 the Directors declared an interim dividend of \$11.040 million (7.50 cents per ordinary share) in respect of the half-year ended 31 December 2015. The interim dividend will be 75% franked. The interim dividend has not been recognised in this half-year report because the interim dividend was declared subsequent to 31 December 2015. The record date for determining entitlements to this interim dividend is 16 March 2016. The interim dividend will be paid on 30 March 2016.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014
		\$'000	\$'000
<b>3. Profit from operations</b>			
<b>Profit from operations before income tax expense includes the following items of revenue and expense:</b>			
<b>(a) Revenue</b>			
Revenue from the sale of goods		224,094	148,006
Interest revenue		124	152
Rental revenue		-	5
<b>Total revenue</b>		<b>224,218</b>	<b>148,163</b>
<b>(b) Other Income</b>			
Gain/(loss) on disposal of property, plant and equipment		24	36
Government grants received		1,302	967
Other		1,490	1,472
<b>Total other income</b>		<b>2,816</b>	<b>2,475</b>
<b>(c) Expenses</b>			
Depreciation of non-current assets		10,430	8,995
Amortisation of non-current assets		15	15
<b>Total depreciation and amortisation</b>		<b>10,445</b>	<b>9,010</b>
Interest – other entities		2,832	1,421
Finance lease charges		802	793
<b>Total finance costs</b>		<b>3,634</b>	<b>2,214</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 4. Acquisition of business

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

### (a) Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred \$'000
De Costi Seafoods Pty Ltd	Seafood Processor	01/07/15	100	66,787
				<b>66,787</b>

De Costi Seafoods Pty Ltd was acquired to accelerate Tassal Group Ltd's Seafood Strategy and deliver synergies as follows:

- Leverage Tassal and De Costi relationships in all channels
- Strategic alignment in retail capability
- Enhance seafood procurement relationships and capabilities
- Processing and location diversification
- Scale benefits to deliver processing efficiencies in Tasmania and New South Wales
- Maximise national distribution capabilities

### (b) Consideration paid or payable

De Costi Seafoods Pty Ltd
\$'000
Cash
Contingent consideration
<b>Total consideration</b>
50,000
16,787
<b>66,787</b>

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

The maximum nominal earn-out amount of \$30 million equates to a fixed maximum of 9,208,668 Tassal Group Ltd shares (or 3,069,556 shares per annum)

### Valuation approach

Under AASB 3 and AASB 13, the fair value of the contingent consideration is required to be assessed as at the acquisition date of 1 July 2015. Because any earn-out payment under the scheme will ultimately be satisfied by the issue of new TGR shares, the valuation has been undertaken with reference to the value of TGR shares as at 1 July 2015.

However, under the fair value definition set out in AASB 3 and AASB 13, it is unlikely that a third party purchaser would be prepared to pay an amount for the transfer of the contingent consideration equivalent to the market price of the maximum number of TGR shares for two reasons:

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 4. Acquisition of business (con't)

- there is less than 100% certainty that the full potential value of the contingent consideration will be realised, because issue of the shares is contingent upon reaching certain performance hurdles; and
- the contingent consideration cannot be immediately realised because there are effective escrow periods in place of 1, 2 and 3 years.

Therefore in arriving at a valuation outcome, the following steps have been taken in order to determine a fair value for the contingent consideration:

- Performance of a Monte Carlo simulation of plausible future gross profit outcomes for De Costi in order to compute the mean nominal earn-out value
- Converted the nominal earn-out value from step 1 to a number of shares, by dividing by the fixed (contractual) share price
- Determined the present value of this number of shares, as at the acquisition date, by multiplying the number of shares from step 2 by an assumed acquisition date share price
- Applied an escrow discount to the assessed present value of the shares

After completing all of these steps, the fair value of the contingent consideration has been assessed at \$16,787,340.

<b>(c) Net cash outflow on acquisition of subsidiary</b>	<b>Half-Year Ended 31 Dec 2015 \$'000</b>
Cash applied from proceeds of borrowings	50,000
Add: costs incidental to the acquisition	508
Less: cash and cash equivalent balances acquired	(1,567)
<b>Net Cash outflow on acquisition</b>	<b>48,941</b>

Acquisition related costs amounting to \$507,910 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

<b>(d) Fair value of assets acquired</b>	<b>De Costi Seafoods Pty Ltd \$'000</b>
<b>Current assets:</b>	
Cash and cash equivalents	1,567
Trade and other receivables	8,311
Inventories	4,426
<b>Non-current assets:</b>	
Plant and equipment	4,478
Deferred tax assets	294
<b>Current Liabilities:</b>	
Trade and other payables	(16,534)
Provisions	(992)
<b>Non-Current Liabilities:</b>	
Borrowings	(2,197)
<b>Net liabilities acquired</b>	<b>(647)</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

### 4. Acquisition of business (con't)

The initial accounting for this acquisition has only been provisionally determined as at 31 December 2015 as the company is yet to complete its identification and commence its determination of the value of any identifiable intangible assets acquired.

#### (e) Goodwill arising on acquisition

	<b>De Costi Seafoods Pty Ltd</b>
	<b>\$'000</b>
Consideration paid or payable	66,787
Less: fair value of net liabilities acquired	(647)
<b>Goodwill arising on acquisition</b>	<b>67,434</b>

Goodwill arose in the acquisition of De Costi Seafoods Pty Ltd because the underlying earnings multiple exceeded the fair value of the net assets acquired. In addition, the consideration paid for the combination includes amounts in relation to the benefit of expected synergies including improved business relationships in all channels, enhanced vertical integration opportunities, strategic alignment in retail capabilities, procurement relationship opportunities, category management, new product development, marketing and distribution capabilities and scale benefits associated with processing efficiencies.

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Half-Year Ended 31 December 2015		Financial Year Ended 30 June 2015		Half-Year Ended 31 December 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>5. Dividends</b>						
<b>(a) Recognised amounts</b>						
<b>Fully paid ordinary shares:</b>						
Interim dividend paid in respect of current financial year	-	-	7.00	10,283	-	-
Final dividend paid in respect of prior financial year	7.00	10,304	6.00	8,814	6.00	8,814
	<b>7.00</b>	<b>10,304</b>	<b>13.00</b>	<b>19,097</b>	<b>6.00</b>	<b>8,814</b>

On 20 August 2015, the Directors declared a final dividend of \$10.304 million (7.00 cents per ordinary share) in respect of the financial year ended 30 June 2015. The dividend was 50% franked and paid on 30 September 2015.

## (b) Unrecognised amounts

### Fully paid ordinary shares:

Interim dividend in respect of current financial year	7.50	11,040	-	-	7.00	10,283
Final dividend in respect of current financial year	-	-	7.00	10,304	-	-
	<b>7.50</b>	<b>11,040</b>	<b>7.00</b>	<b>10,304</b>	<b>7.00</b>	<b>10,283</b>

On 11 February 2016, the Directors declared an interim dividend of \$11.040 million (7.50 cents per ordinary share) in respect of the half-year ended 31 December 2015. The interim dividend will be 75% franked. The record date for determining entitlements to this dividend is 16 March 2016. The interim dividend will be paid on 30 March 2016.

The interim dividend in respect of ordinary shares for the half-year ended 31 December 2015 has not been recognised in this Half-Year report because the interim dividend was declared subsequent to 31 December 2015.

No portion of the interim dividend declared for the half-year ended 31 December 2015 constitutes Conduit Foreign Income.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

## 6. Investments accounted for using the equity method

Name of Entity	Principal activity	Ownership Interest		Contribution to Net Profit		Carrying Value of Investment	
		Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014	Half-Year Ended 31 Dec 2015	Half-Year Ended 31 Dec 2014
		%	%	\$'000	\$'000	\$'000	\$'000
<b>Associates:</b>							
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	68.94	68.94	(212)	308	8,458	8,588
				(212)	308	8,458	8,588

- (i) The Consolidated entity owns 68.94% (2014: 68.94%) of the issued capital and 61.22% (2014: 61.22%) of the voting shares of Salmon Enterprises of Tasmania Pty Ltd ("Saltas"). Saltas supplies smolt to the Tasmanian aquaculture industry.

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	As at 31 December 2015 Number	\$'000	As at 31 December 2014 Number	\$'000
<b>7. Issued capital</b>					
<b>(a) Ordinary share capital (fully paid)</b>					
Ordinary shares		147,203,532	154,983	146,897,115	154,647
<b>(b) Movements in ordinary share capital</b>					
Balance as at the beginning of the half-year		146,897,115	154,647	146,507,029	154,213
Issue of shares pursuant to Executive Long Term Incentive Plan	(i)	306,417	336	390,086	434
<b>Balance as at the end of the half-year</b>		<b>147,203,532</b>	<b>154,983</b>	<b>146,897,115</b>	<b>154,647</b>

- (i) Shares issued pursuant to the Company's Executive Long Term Incentive Plan

## Current Financial Year

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

## Previous Financial Year

On 26 August 2014, 390,086 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$1.1120 per share. There was no exercise price paid on this conversion.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

	Note	As at 31 December 2015 \$'000	As at 30 June 2015 \$'000	As at 31 December 2014 \$'000
<b>8. Retained earnings</b>				
Balance at the beginning of the period		208,691	177,796	177,796
Profit attributable to members of the parent entity		25,285	49,992	30,295
Dividends provided for or paid	5	(10,304)	(19,097)	(8,814)
<b>Balance at the end of the period</b>		<b>223,672</b>	<b>208,691</b>	<b>199,277</b>

## 9. Notes to the condensed consolidated statement of cashflows

### Reconciliation of cash

For the purposes of the Condensed Consolidated Statement of Cashflows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the period as shown in the Condensed Consolidated Statement of Cashflows is reconciled as follows:

	As at 31 December 2015 \$'000	As at 31 December 2014 \$'000
Cash	16,359	14,847
Bank overdrafts	-	-
	<b>16,359</b>	<b>14,847</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

### 10. Contingent liabilities and contingent assets

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

### 11. Seasonality

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

### 12. Segment information

AASB 8 '*Operating Segments*' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Tassal's system of internal reporting to key management personnel is such that there are two reportable segments as defined in AASB 8, these being the domestic and export markets for the sale of seafood.

	Note	Half-year ended 31 Dec 2015 \$'000	Half-year ended 31 Dec 2014 \$'000
Revenue from the sale of goods:			
Domestic market		219,704	143,131
Export market		4,390	4,875
<b>Total revenue from the sale of goods</b>	<b>3 (a)</b>	<b>224,094</b>	<b>148,006</b>

## DIRECTORS' DECLARATION

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015

The Directors declare on 11 February 2016 that:

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

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

On behalf of the Directors

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

A. McCallum  
Chairman  
Hobart, 11 February 2016

# INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2015



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Level 8  
22 Elizabeth Street  
Hobart TAS 7000  
GPO Box 777  
Hobart TAS 7001 Australia

Tel: +61 3 6237 7000  
Fax: +61 3 6237 7001  
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Tassal Group Limited, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cashflows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 13 to 29.

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

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tassal Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Auditor's Independence Declaration*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Hobart, 11 February 2016

Chris Biermann  
Partner  
Chartered Accountants

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