



ANNUAL REPORT 2016



Company Directory

Directors

Allan McCallum, Dip.Ag Science, FAICD (Chairman)
Trevor Gerber, B.Acc CA (SA)
Christopher Leon, BScEng, MEngSci, FAICD
Mark Ryan, B.Com, CA, MAICD, FAIM (Managing Director)
Michael Carroll, BAgSc, MBA, FAICD
Raelene Murphy, BBus CA GAICD

Chief Executive Officer

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

Company Secretary

Monika Maedler, BEc, LLB, FCIS

Registered Office*

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1 Franklin Wharf
Hobart
Tasmania 7000
Telephone (03) 6244 9099
Facsimile (03) 6244 9002
E-mail tassal@tassal.com.au
Website www.tassal.com.au
ABN 15 106 067 270

(*Also principal administration office)

Auditors

Deloitte Touche Tohmatsu
Level 8
22 Elizabeth Street
Hobart
Tasmania 7000

Bankers

Westpac Banking Corporation
Level 7
150 Collins Street
Melbourne
Victoria 3000

BankWest
Level 6
600 Bourke Street
Melbourne
Victoria 3000

Stock Exchange Listing

Tassal Group Limited is listed on the Australian Securities Exchange.

The Home Exchange is Melbourne, Victoria.

ASX Code: TGR

Share Registry

Register of Securities is held at the following address:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Enquiries (within Australia) 1300 850 505
Enquiries (outside Australia) 61 3 9415 4000
Investor Enquiries Facsimile 61 3 9473 2555
Website www.computershare.com

Executive Directory

Mark Ryan	Managing Director and Chief Executive Officer
Mark Asman	Head of Aquaculture
Andrew Creswell	Chief Financial Officer
Ben Daley	Head of Supply Chain and Commercial Services
Caroline Hounsell	Senior Manager Marketing
Kaylene Little	Head of People, Culture and QA
Monika Maedler	General Counsel and Company Secretary
Ian Miles	Head of Safety
Justin O'Connor	Head of Engineering and Risk
Linda Sams	Head of Sustainability
Dale Williams	Head of Sales and Marketing

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Chairman's and Chief Executive Officer's Report

Review of Operations

The Directors of Tassal Group Limited (**Tassal**) are pleased to present the Company's Full Year Report to 30 June 2016 (**FY2016**).

The overarching strategic focus for Tassal is to deliver sustainable global best practice returns from an operational, financial and environmental perspective – while operating at a zero harm safety level.

The key strategic focus for FY2016 was to maintain Tassal's global best practice financial and environmental returns, while moving closer to global best practice operational returns. Pleasingly, the Directors believe that this was achieved.

Tassal acquired De Costi Seafoods Pty Limited (**De Costi Seafoods**) on 1 July 2015 and has now successfully integrated this business. Tassal is now Australia's leader in the \$4.3 billion Salmon and Seafood market, selling recognised ethical brands to Australian consumers and retailers.

Moving forward, Tassal aims to maintain its global best practice financial and environmental returns, while also unlocking cost and supply chain efficiencies for both Salmon and Seafood to deliver leading operational returns.

Overall, we believe that we are well placed to deliver on this strategic imperative.

FY2016: Continued growth in operational earnings in a challenging market environment reflects Tassal's resilient business model

Tassal's performance and returns over FY2016 were in-line with the Company's expectations. Revenue and operational earnings continued to increase reflecting Tassal's resilient business model. During FY2016, Tassal was able to grow earnings despite higher costs and less than optimal supply for both Salmon and Seafood, together with a high percentage of retail sales volume and pricing locked in.

Salmon

Tassal's Salmon product and sales initiatives, assisted in delivering ongoing growth in domestic market per capita consumption and underpinned the Company's result. Overall, the underlying Salmon market in Australia has continued to expand with strong growth in both the retail and wholesale markets.

Tassal's Salmon business was faced with an extremely challenging operating environment. Summer 2015/16 presented the warmest seawater temperature profile on record and the water temperature remained at levels above optimal Salmon growing temperatures for a lengthy period of time. This resulted in higher operating costs and lower growth in overall biomass.

Even with higher fish costs for the Salmon harvested during FY2016 and a high level of retail sales locked in, Tassal was able to maintain its returns due to operational efficiencies and sustainable contribution margins and has progressively toward a more optimal sales mix.

Seafood

We have successfully aligned De Costi Seafoods' business to provide an efficient and scalable platform to support Tassal's growth. De Costi Seafoods generated the results we anticipated in FY2016. We believe that we now have the right foundations in place to pursue our Salmon and Seafood strategy. Directors are confident that Tassal can continue to grow returns from its sales initiatives.

Financial results

The key financial results for FY2016 included:

Full Year ended 30 June 2016	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$430,924	\$0	\$430,924	\$0	\$430,924
EBITDA	\$97,294	\$0	\$97,294	(\$15,111)	\$82,183
EBIT	\$76,284	\$0	\$76,284	(\$15,111)	\$61,173
Profit before income tax expense	\$68,910	\$0	\$68,910	(\$15,111)	\$53,799
Income tax expense	(\$20,417)	\$0	(\$20,417)	\$4,533	(\$15,884)
NPAT	\$48,493	\$0	\$48,493	(\$10,578)	\$37,915

This compares to the following FY2015 results

Full Year ended 30 June 2015	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$309,790	\$0	\$309,790	\$0	\$309,790
EBITDA	\$93,965	\$0	\$93,965	(\$21,378)	\$72,587
EBIT	\$75,597	\$0	\$75,597	(\$21,378)	\$54,219
Profit before income tax expense	\$70,875	\$0	\$70,875	(\$21,378)	\$49,497
Income tax expense	(\$20,883)	\$0	(\$20,883)	\$6,413	(\$14,470)
NPAT	\$49,992	\$0	\$49,992	(\$14,965)	\$35,027

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'.

Statutory results

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

The SGARA uplift for FY2016 was lower than that for FY2015, reflecting management's initiatives in reducing the volume of Salmon product finished goods on hand, coupled with lower live Salmon standing biomass volume at 30 June 2016 as a consequence of summer 2015/16 environmental conditions. This lower volume impact has been offset to a large degree with higher forecast future sales and sales margins (i.e. net market value).

Reflecting the lower uplift in FY2016 relative to FY2015, key statutory earnings were:

- **EBITDA** up 3.5% to \$97.3 million (FY2015: \$94.0 million)
- **EBIT** up 0.9% to \$76.3 million (FY2015: \$75.6 million)
- **NPAT** down 3.0% to \$48.5 million (FY2015: \$50.0 million).

Underlying results

There were no non-recurring items recorded for FY2016. However, \$1.1 million of compliance, restructure, alignment and integration costs were incurred in FY2016 integrating De Costi Seafoods' business platform into Tassal's operational structure and enhancing operational efficiencies.

Operational results

Reflecting the underlying performance of the business, the key FY2016 operational results (vs FY2015) were:

- **Revenue up 39.1% to \$430.9 million** – despite lower biomass growth (i.e. supply) in our Salmon, Salmon sales were strong due to contracted supply obligations to retail. Further, with our Seafood sales we had a full twelve months' of operating De Costi Seafoods.
- **EBITDA up 13.2% to \$82.2 million** – due to additional earnings from De Costi Seafoods, and operational efficiencies and sustainable contribution margins from rebalancing the domestic Salmon sales and product mix.

The 13.2% growth in EBITDA demonstrates the resilience of the business model when confronted with an overall higher cost of fish due to the higher cost of feed for fish harvested in FY2016, and circa \$1.1 million of compliance, restructuring, alignment and integration costs for De Costi Seafoods.

- EBIT up 12.8% to \$61.2 million (FY2015: \$54.2 million).
- NPAT up 8.2% to \$37.9 million (FY2015: \$35.0 million).

Operational 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.

Chairman's and Chief Executive Officer's Report (continued)

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.

Tassal's safety performance improved over FY2016. From an external perspective, Tassal's safety achievements would be considered satisfactory. However, until the Company delivers its core value of Zero Harm, Tassal will rank itself as operating at an **unacceptable level**. Moving forward the focus is to drive TRIFR below 20.

Key developments over FY2016 from a Zero Harm perspective include:

- Achieving AS 18001 & 4801 certification across all our operating sites.
- Lead and lag indicators from a safety perspective trending in the right direction.

KPIs	FY15	FY16
LTIFR	0.6	0.00
MTIFR	29.6	24.5
TRIFR	30.2	24.5
Scorecard measure	95.0%	96.4%

Please note that the above table reflects Tassal results only for comparative purposes

Definitions:

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

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

TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR

2. Optimise the business

Salmon

Management's focus on growing domestic per capita consumption continues to maximise domestic market opportunities. Financial returns from the domestic market are more sustainable and higher (on average) than the export market. As opportunities emerge in the export market due to global conditions Tassal is well placed to grow its export presence in a sustainable way.

From a Salmon perspective, operational costs were higher in FY2016 due to the impact of Summer 2015/16. From FY2017 onwards, Tassal is focussed on delivering strong gains in biomass growth (size and survival), feed conversion and reductions in bathing for AGD, which in turn will drive operating cost efficiencies and a move closer to achieving global best practice operational returns from a fish performance perspective.

Seafood

Tassal is also focussed on growing domestic Seafood consumption.

The first 12 months of ownership of De Costi Seafoods has seen a concerted restructuring and alignment of the De Costi

Seafoods' business to ensure it provides a solid operating platform aligned to Tassal's strategic growth initiatives. Capacity and capability has been increased, while further automating and driving operational efficiencies. Tassal's best practice supply value chain learnings will continue to be integrated and opportunities will emerge that will provide further synergies to this business.

The restructure and realignment process successfully implemented during FY2016 has addressed inefficiencies within the Seafood supply chain. The benefits from the initiatives successfully implemented are expected to flow to De Costi Seafoods' performance from FY2017.

3. Maximise cashflow

Positively, Tassal's operating cashflow over FY2016 increased to \$50.2 million (FY2015: \$42.7 million). Reflecting the strength of Tassal's business model, sustainable contribution margins continued to be generated in FY2016 despite a difficult operating environment with lower pricing in the first half being offset somewhat by higher wholesale pricing during the second half and a reduction in retail sales promotional spend.

The business is prudently utilising its cashflows and funding to invest appropriately in revenue growth, capacity expansion and operational efficiency initiatives in a balanced way.

Prior to the end of FY2016, Tassal successfully renegotiated its existing banking arrangements with Westpac Banking Corporation and Bankwest providing Tassal with a 5 year tenor of core debt facilities at appropriate pricing.

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 acquisition of De Costi Seafoods in FY2016 had a material impact on our balance sheet and underpinned the following key balance sheet outcomes for FY2016:

- Net debt increased by \$69.6 million, with \$48.9 million used to fund the De Costi Seafoods acquisition.
- Gearing ratio, as represented by net debt to equity, increased to 33.5% (30 June 2015: 17.6%) due to the acquisition of De Costi Seafoods.
- In line with the increase in Gearing ratio, the funding ratio, as represented by net debt + receivable purchase facility to equity, increased to 44.6% (30 June 2015: 34.9%).

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. The Company has in place a Strategic Plan out to FY2030 to ensure this focus is maintained and monitored.

Reflecting the Company's continued strong cashflows, strong balance sheet and attractive growth outlook, the Directors have increased the Company's dividend. The total dividend for FY2016 is up 7.1% to 15.0 cents per share, with the final dividend declared of 7.5 cents per share fully franked (interim dividend at 75% franked). This compares to a total dividend for FY2015 of 14.0 cents per share, 50% franked.

The record and payment dates for the FY2016 final dividend are 9 and 29 September, respectively. Tassal is reintroducing a

dividend reinvestment plan (**DRP**) for the final dividend, with a 2% discount rate. It will not be underwritten.

Business fundamentals

In FY2016 Tassal 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.

Tassal's risk mitigation strategies counter factors external to management's control. Summer 2015/16 proved to be a challenging period from a water temperature perspective – albeit the Selective Breeding Program (**SBP**) fish, fish input strategy and improved feed formulation enabled Tassal to progress through summer in a controlled and risk mitigated position.

Tassal must ensure it achieves an optimal balance between sales and marketing, and production and processing while also ensuring it has a social licence. This balancing of Tassal's fish supply is crucial to ensuring that short and long term strategic, operational and financial growth is maximised to enable sustainable earnings growth.

Like other aquaculture and agriculture businesses, Salmon farming is a capital-intensive industry. Salmon farming is a rolling process with a 3 year working capital and 5 year capital cycle. 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.

It is not enough for Tassal to be profitable. Tassal is an accredited sustainable aquaculture company from an environmental, operational and financial perspective. Investors, customers, consumers and the public expect Tassal to be socially and environmentally responsible.

Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal.

The key and associated mitigation strategies Tassal has put in place include:

- Summer and autumn water temperatures and the impact on the rate of fish growth and survival – Tassal has an advanced SBP in place and is focused on growing a fish that is more resilient to higher water temperatures.
- Amoebic Gill Disease (**AGD**) remains a significant issue – the introduction of the harvest strategy, together with additional fish now grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SPB have greatly assisted in mitigating this risk.
- Seals remain a significant challenge and are attracted to Salmon farms – Tassal monitors seals and seal interactions extremely closely, and has an evolving strategy to minimise seal interaction with the Company's pens.

De Costi Seafoods' contingent acquisition consideration

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

- Up-front Consideration: \$50 million cash on completion; and
- Contingent Consideration: earn-out consideration with a maximum nominal amount of \$30 million, to be paid, under certain conditions, over the three-year period comprising FY2016, FY2017 and FY2018 and settled via the issue of new shares in Tassal.

Based on the results for De Costi Seafoods in FY2016, Tassal will issue 2.1 million shares under the provisions of the Contingent Consideration following the release of the results. The issue of the shares under the earn-out equates to 65.6% of the maximum possible earn-out for FY2016. This is year one of a three year earn-out.

Positive outlook for FY2017

Tassal's strategic shift from a purely vertically integrated Salmon company to a Salmon and Seafood company has opened up strong growth opportunities. The successful acquisition of De Costi Seafoods positions Tassal as the market leader in Australia's \$4.3 billion Seafood Industry.

In line with Tassal's Strategic Plan, the overarching focus for FY2017 is to continue to increase domestic Salmon and Seafood consumption while maximising returns. Moving into FY2017, we will have more flexibility to evolve Tassal's Salmon supply and sales channel mix to maximise overall returns.

We are focused on optimising farming, processing, and sales returns, and ultimately achieving global best practice operational, financial and environmental performance through:

- The operational program and refocussed sales mix now in place, which will allow Salmon stock to recover and build up standing biomass and fish size to a point that will allow the Company to optimise farming, processing, and sales.
 - Sales initiatives will focus on maximising the opportunities to grow Salmon and Seafood across the domestic market – both retail and wholesale – as well as export.
 - Operational initiatives will focus on further optimising the supply value chain via:
 - maximising Salmon growth efficiencies – utilising SBP to deliver on fish growth, improved survival, lower feed conversion ratios and reduced bathing;
 - reducing operational costs and moving closer to global best practice from an operational perspective – cost of growing, cost of processing, cost of supply and logistics;
 - further optimising supply chain to reduce Seafood procurement costs and complexities; and
 - further mitigating agricultural risk.
- Capitalising on the successful De Costi Seafoods acquisition and driving Seafood sales and category growth:
 - Strategically important in stabilising short term profits during times of higher fish costs with production efficiency measures.
 - Over the medium term, Seafood sales are forecast to become a material share of overall sales. These Seafood sales will in turn underpin a successful domestic Salmon strategy and drive improved cashflows and asset returns.

Chairman's and Chief Executive Officer's Report (continued)

- Maintaining sustainability and environmental initiatives given Tassal's already strong sustainability credentials.

Current favourable Salmon pricing in wholesale and export markets are forecast to continue in FY2017. This is not without risk, with both domestic and global pricing at their highest points for a considerable period of time. However, with greater ability to flex Tassal's supply and sales mix, we are well placed to offset increased Salmon and Seafood costs. As a result, the Board expects that Tassal will be able to continue its growth trajectory and generate increased revenues and operational earnings in FY2017.

Support

On behalf of the Board, once again, we thank our employees, customers, suppliers and shareholders who have continually believed in and supported Tassal's vision and strategy.

During FY2016, we saw the retirement of Mr. John Watson, a foundation director of Tassal, but also welcomed the appointment of Ms. Raelene Murphy to the Board.

FY2017 looms as an exciting year and we believe that we are well positioned to continue our growth trajectory and generate increased earnings.

Ultimately we look forward to delivering global best practice operational, financial and environmental returns.

On behalf of the Directors.



A. D. McCallum
Chairman



M. A. Ryan
Managing Director & Chief Executive Officer
Hobart, this 19th day of August 2016

Directors' Report

The Directors present their report together with the Annual Financial Report of Tassal Group Limited (the Company) and the consolidated Annual Financial Report of the consolidated entity, being the Company and its controlled entities (the Group), for the year ended 30 June 2016.

1. DIRECTORS

At the date of this report, the Directors of the Company who held office at any time during or since the end of the financial year are:

Name:

Mr Allan McCallum

(Director since 7 October 2003)

(Chairman since 27 June 2005)

Mr Mark Ryan – Chief Executive Officer

(Director since 21 December 2005)

Mr Trevor Gerber

(Director since 4 April 2012)

Mr John Watson

(Director since 7 October 2003 - resigned 28 October 2015)

Mr Christopher Leon

(Director since 31 October 2012)

Mr Michael Carroll

(Director since 4 June 2014)

Ms Raelene Murphy

(Director since 9 September 2015)

2. PRINCIPAL ACTIVITIES

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

The significant change of activities of the consolidated entity during the year was the acquisition of De Costi Seafoods Pty Ltd. De Costi Seafoods Pty Ltd is a Seafood processor, seller and marketer.

3. DIVIDENDS

Since the end of the 2015 financial year the following dividends have been paid or declared:

- a. On 20 August 2015, the Directors declared a final 50% franked dividend of 7.00 cents per ordinary share amounting to \$10.304 million in respect of the financial year ended 30 June 2015. The record date for determining entitlements to this dividend was 11 September 2015. The final dividend was paid on 30 September 2015.
- b. On 11 February 2016 the Directors declared an interim 75% franked dividend of 7.50 cents per ordinary share amounting to \$11.040 million in respect of the half year ended 31 December 2015. The record date for determining entitlements to this dividend was 16 March 2016 with a payment date of 30 March 2016.
- c. On 19 August 2016, the Directors declared a final 100% franked dividend of 7.50 cents per ordinary share amounting to \$11.040 million in respect of the financial year ended 30 June 2016. The record date for determining entitlements

to this dividend is 9 September 2016. The final dividend will be paid on 29 September 2016. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 2% has been determined by the Directors.

The final dividend for the year ended 30 June 2016 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2016.

4. REVIEW OF OPERATIONS

The consolidated net profit after tax for the financial year was \$48.493 million. (For the financial year ended 30 June 2015: \$49.992 million).

The consolidated entity's revenue was \$425.416 million compared with \$304.405 million for the financial year to 30 June 2015.

Earnings before interest and tax (**EBIT**) was \$76.284 million compared with \$75.597 million for the financial year to 30 June 2015.

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

Earnings per share (**EPS**) on a weighted average basis was 32.95 cents per share compared with 34.05 cents per share for the financial year to 30 June 2015.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 to 6 of this Annual Report.

5. CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this Directors' Report or the Annual Report.

6. FUTURE DEVELOPMENTS

Likely developments in the consolidated entity's operations have been commented on in a general nature in the Annual Financial Report. In particular, reference should be made to the joint Chairman's and CEO's Report.

7. DIRECTORS, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS

The names of the Directors who held office during the financial year and details of current Directors' qualifications, Directors' interests in the Company, experience and special responsibilities and directorships of other listed entities are set out in sections 16 and 17 of this Directors' Report.

Details of Directors' meetings and meetings of Committees of Directors including attendances are set out in section 18 of this Directors' Report.

8. EVENTS SUBSEQUENT TO BALANCE DATE

Dividend declared after year end (refer to section 3 of Directors Report and also to note 2 to the financial statements).

9. INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company

Directors' Report (continued)

(as named above), the Company Secretary, and all officers of the Company against a liability incurred as such a Director, Secretary or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

10. ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to Commonwealth and State regulations governing marine and hatchery operations, processing, land tenure and use, environmental requirements, including site specific environmental licences, permits, and statutory authorisations, workplace health and safety and trade and export.

The consolidated entity's management regularly and routinely monitor compliance with the relevant environmental regulations and compliance is regularly reported to the Board.

The consolidated entity has well established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The consolidated entity employs a Head of Sustainability whose role is to ensure compliance with the regulatory framework and implement processes of continuous improvement with respect to environmental management.

Further details with respect to the consolidated entity's sustainability credentials and environmental management policies are outlined in the Chairman's and CEO's Report on pages 2 - 6 of the Annual Report.

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

11. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance.

The consolidated entity's statement on the main corporate governance practices in place during the year is set out on the Company's website at <http://www.tassal.com.au/governance-policies/>

The Chief Executive Officer and Chief Financial Officer have declared, in writing to the Board, that the Company's Annual Report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Company's Head of Risk has also provided a letter of assurance confirming that:

- the Company's risk management system is supported by a well-structured framework and policy, which is established based on the guidelines from AS/NZS ISO 31000:2009 Risk Management and ASX Corporate Governance Principles and Recommendations;
- appropriate and adequate risk management and control monitoring and reporting mechanisms are in place; and

- the Company's risk management and internal compliance and risk related control systems are operating efficiently and effectively in all material respects.

12. AUDITOR'S INDEPENDENCE DECLARATION

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

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 25 and forms part of this Directors' Report.

13. NON-AUDIT SERVICES

During the year Deloitte Touche Tohmatsu, the Company's auditor, has performed certain "non-audit services" for the consolidated entity in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice endorsed by unanimous resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- a. Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- b. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Details of the amounts paid to Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out in note 6 to the financial statements.

14. PROCEEDINGS ON BEHALF OF THE COMPANY

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

15. SHARE OPTIONS AND PERFORMANCE RIGHTS

There were no options granted to Directors or any of the Senior Executives during or since the end of the financial year.

No options were exercised during or since the end of the financial year.

During the year 355,460 (2015: 256,234) performance rights were granted to the Chief Executive Officer and other members of the Company's Executive Group pursuant to the Company's Long-term Incentive Plan.

139,534 (2015: 306,417) performance rights vested on 30 June 2016.

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

16. INFORMATION ON DIRECTORS

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
ALLAN McCALLUM (Chairman) Dip. Ag Science, FAICD	<p>Allan is a Non-Executive Director of Medical Developments International Limited.</p> <p>Allan is a member of the Rabobank Advisory Board.</p> <p>Allan is a former Chairman of Vicgrain Limited and CRF Group Ltd and Deputy Chairman of Graincorp Limited. He was also a Non-Executive Director of Incitec Pivot Limited for 16 years.</p> <p>Allan has extensive experience in the agribusiness sector across production, processing, logistics and marketing.</p>	<p>Chairman of the Board of Directors</p> <p>Independent Non-executive Director</p> <p>Chairman of the Remuneration and Nominations Committee</p>	300,809 Ordinary Shares
TREVOR GERBER B.Acc, CA(SA)	<p>Trevor has extensive board experience spanning property, funds management, tourism, infrastructure and aquaculture. He currently holds directorships at CIMIC Group, Vicinity Shopping Centres, Regis Healthcare and is Chairman of Sydney Airport Holdings.</p> <p>Prior to becoming a professional director in 2000, Trevor was an executive at Westfield Holdings Limited for 14 years during which time he held senior executive positions including Group Treasurer and Director of Funds Management responsible for the Westfield Trust and Westfield America Trust</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee</p> <p>Member of the Remuneration and Nominations Committee</p>	15,000 Shares
JOHN WATSON AM, MAICD (Resigned 28 October 2015)	<p>John has had extensive experience in the food production and processing industries as a producer and Non-executive Director. In his time as a Non-executive Director, John has been on many boards of listed and unlisted companies in Australia and New Zealand and has served on numerous advisory boards to State and Commonwealth governments.</p> <p>John was a Non-executive Director and Chairman of Incitec Pivot Limited from December 1997 to 30 June 2012.</p>	<p>Independent Non-executive Director</p> <p>Chairman of the Audit and Risk Committee</p> <p>Member of the Remuneration and Nominations Committee</p>	88,230 Ordinary Shares
CHRISTOPHER (CHRIS) LEON BScEng, MEngSci, FAICD	<p>Chris is a past CEO/MD of Cement Australia and Pivot Ltd, York International Australia Pty Ltd and Thai Industrial Gases PLC.</p> <p>He is a former director of Queensland Sugar Limited and Chairman of Sun Engineering (Qld) Pty Ltd.</p> <p>Chris is a seasoned Director with 2 decades of experience as a Board member of private, public unlisted and public listed companies. He has a wide range of experience in Agribusiness, Logistics, Manufacturing and Mining.</p> <p>He is currently a Non-executive Director of International House Limited and River Sands Ltd</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee (until 28/10/15)</p> <p>Member of the Remuneration and Nominations Committee (as from 28/10/15)</p>	30,000 Ordinary Shares
MICHAEL CARROLL BAgSc, MBA, FAICD	<p>Michael has worked for a range of food and agricultural businesses in a board, advisory and executive capacity. He is a director of Sunny Queen Pty Ltd, Rural Funds Management Ltd, Select Harvests Limited, Paraway Pastoral Company and the Geoffrey Gardiner Dairy Foundation Ltd.</p> <p>Former board positions include Queensland Sugar Limited, Warrnambool Cheese and Butter, the Australian Farm Institute and Meat & livestock Australia. Executive experience includes establishing and leading National Australia Bank's Agribusiness division, a senior role in NAB's Investments and Advisory unit and marketing roles with international animal health and crop care companies.</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee</p>	15,004 shares

Directors' Report (continued)

MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, MAICD, FAIM	<p>Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited, a position that he has held since November 2003. Mark holds a Bachelor of Commerce from the University of Tasmania, is a Chartered Accountant, a fellow of Australia Institute of Management and a Member of Australian Institute of Company Directors. Mark holds Board positions with the Tasmanian Development Board, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), Chairman of Juicy Isle Pty Limited and Chairman of the Macquarie Point Development Corporation.</p> <p>Mark has extensive experience in the finance and turnaround management sector, with experience gained through PriceWaterhouseCoopers, Arthur Andersen and KordaMentha. Mark was previously a partner with KordaMentha.</p>	Managing Director and Chief Executive Officer	486,367 Ordinary Shares 168,244 Performance Rights
RAELENE MURPHY BBus CA GAICD (Appointed 9 September 2015)	<p>Raelene Murphy was formerly a Managing Director of 333 Management, a leading specialist consulting firm which provides strategic, financial and operational advisory services.</p> <p>She has over 30 years' experience in strategic, financial and operational roles in both industry and in professional services as a Partner and Managing Director.</p> <p>Her Industry experience includes FMCG, supply chain, logistics and construction. While in her professional service career she specialised in restructuring and Merger and Acquisition integration.</p> <p>Raelene was the CEO of the Delta Group and has had various senior executive roles in the Mars Group.</p> <p>Raelene is currently a Non - executive Director of Bega Cheese Limited, Service Stream Limited, Stillwell Motor Group and Deputy Chairman of DOXA Youth Foundation</p>	Independent Non-executive Director Chair of the Audit and Risk Committee (as from 28/10/15)	Nil shares

The particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares disclosed above are as at the date of this Directors' Report and as notified by Directors to Australian Stock Exchange Limited in accordance with the S205G(1) of the *Corporations Act 2001*.

17. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the Directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship (last 3 years)
A. McCallum	Medical Developments International Limited Incitec Pivot Limited	Throughout Throughout until 19 December 2013
T. Gerber	Sydney Airport Holdings Limited Vicinity Shopping Centres CIMIC Group Regis Healthcare	Throughout As from April 2014 As from 11 June 2014 As from October 2014
M. Ryan	-	None held
J. Watson (resigned 28/10/15)	-	None held
C. Leon	-	None Held
M. Carroll	Rural Funds Group (Director of Rural Funds Management, the responsible entity for Rural Funds Group) Select Harvests Limited Warmambool Cheese & Butter Factory Co. Hold. Ltd	Throughout Throughout From 6 August 2009 to 9 May 2014
R. Murphy (appointed 09/09/15)	EVZ Limited Bega Cheese Limited Service Stream Limited	As from September 2012 to March 2016 As from June 2015 As from November 2015

18. DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year, 9 Board meetings, 3 Remuneration and Nominations Committee meetings and 4 Audit and Risk Committee meetings were held.

Director	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
T. Gerber	9	8	4	4	3	3
A. McCallum	9	9	*	*	3	3
M. Ryan	9	9	*	*	*	*
J. Watson (Resigned 28/10/15)	3	3	1	1	1	1
C. Leon ¹	9	9	1	1	2	2
M. Carroll	9	9	4	4	*	*
R. Murphy (Appointed 09/09/15)	8	8	2	2	*	*

(* not a committee member)

1. C. Leon was member of the Audit and Risk Committee until 28/10/15. He became a member of the Remuneration and Nominations Committee as from 28/10/15

19. COMPANY SECRETARY

Monika Sylvia Maedler BEc, LLB, FCIS. Ms Maedler is a senior legal executive with experience across a number of organisations including Kodak (Australasia) Pty Ltd, Philip Morris Ltd, SPC Ardmona Ltd and Adecco Group Australia and New Zealand.

20. REMUNERATION REPORT - AUDITED

(a) Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2016 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company including the Managing Director and Chief Executive Officer and other Key Management Personnel. Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the Company for the year ended 30 June 2016.

The Remuneration Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Tassal's Remuneration Policy may be amended from time to time and is reviewed at least once a year. This may result in changes being made to the Policy for the year ending 30 June 2017.

(b) Remuneration Philosophy

The Remuneration and Nominations Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Directors, the Managing Director and Chief Executive Officer and the Senior Executives. The primary objectives of the Remuneration Policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice, is tailored to the specific circumstances of the Company and which reflects the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

Remuneration levels are competitively set to attract appropriately qualified and experienced Directors and executives. The Remuneration and Nominations Committee obtains market data on remuneration quantum. The remuneration packages of the Managing Director and Chief Executive Officer and Senior Executives may include a short-term incentive component that is linked to the overall financial and operational performance of the Company and based on the achievement of specific Company and individual / team goals. The Managing Director and Chief Executive Officer and the Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan (**LTI Plan**). The long-term benefits of the LTI Plan are conditional upon the Company achieving certain performance criteria, details of which are outlined below.

(c) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from executive remuneration.

Directors' Report (continued)

(d) Relationship Between the Remuneration Policy and Company Performance

The Consolidated entity's key operations performance indicators in the financial year ended 30 June 2016 and the previous four financial years are summarised below.

	30-June 2016 \$'000	30-June 2015 \$'000	30-June 2014 \$'000	30-June 2013 \$'000	30-June 2012 \$'000
Revenue (from all sources)	\$430,924	\$309,790	\$266,331	\$272,805	\$262,683
Net profit before tax	\$68,910	\$70,875	\$58,061	\$47,502	\$38,705
Net profit after tax	\$48,493	\$49,992	\$41,061	\$33,457	\$28,087

	30-June 2016 \$'000	30-June 2015 \$'000	30-June 2014 \$'000	30-June 2013 \$'000	30-June 2012 \$'000
Share price:					
Share price at the start of the year	\$3.33	\$3.86	\$2.45	\$1.33	\$1.41
Share price at the end of the year	\$3.98	\$3.33	\$3.86	\$2.45	\$1.33
Dividend per share:					
Interim dividend	\$0.0750	\$0.0700	\$0.0550	\$0.0450	\$0.0400
Final dividend	\$0.0750	\$0.0700	\$0.0600	\$0.0500	\$0.0400
	\$0.1500	\$0.1400	\$0.1150	\$0.0950	\$0.0800
Earnings per share:					
Basic	\$0.3295	\$0.3405	\$0.2803	\$0.2287	\$0.1920
Diluted	\$0.3278	\$0.3383	\$0.2782	\$0.2270	\$0.1911

The consolidated entity ultimately assesses its performance from increases in earnings and shareholder value. The performance measures for both the Company's Short-term Incentive Plan (**STI Plan**) and LTI Plan have been tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of financial and operational objectives and sustained shareholder value growth.

Over the past 5 years the consolidated entity has achieved the following compound annual growth rates:

- Revenue (from all sources) - 13.81%
- Net profit after tax - 9.88%
- Basic earnings per share - 9.66%

(e) Components of Compensation – Non-executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. Currently, the aggregate remuneration threshold is set at \$900,000 per annum as approved by shareholders at the AGM on 29 October 2014. Legislated superannuation contributions made in respect of non-executive Directors are included in determining this shareholder approved maximum aggregate annual pool limit.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board reviews its fees to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role, and to have in place a fee scale which enables the Company to attract and retain talented non-executive Directors. In conducting a review, the Board may take advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies.

Non-executive Directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are not subject to a minimum shareholding requirement, but are encouraged to acquire a number of shares whose value is at least equal to their annual fees as a Director of the Company.

Each non-executive Director receives a fee for being a Director of the Company. An additional fee is also paid for being a member of the Board's Remuneration and Nominations Committee and Audit and Risk Committee. The payment of an additional fee recognises the additional time commitment required by Directors who serve on those committees.

Fees payable to the non-executive Directors of the Company for the period 1 July 2015 – 31 December 2015 (inclusive of legislated superannuation contributions) were as follows:

Per annum	Base	Remuneration and Nominations Committee	Audit and Risk Committee
Chairman of the Board	\$190,307	N/A	N/A
Each other non-executive Director	\$84,715	\$6,966	\$10,109

The Chair of the Audit and Risk Committee received an additional \$10,109 for chairing that Committee.

Fees payable to the non-executive Directors of the Company for the period 1 January 2016 – 30 June 2016 (inclusive of legislated superannuation contributions) were as follows:

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

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

(f) Components of Compensation – Chief Executive Officer and Other Senior Executives

(i) Structure

The Company aims to reward the Chief Executive Officer and Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- reward them for Company, business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align their interests with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component consists of the STI Plan and the LTI Plan.

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) is established for the Chief Executive Officer by the Board and for each Senior Executive by the Board following recommendations from the Chief Executive Officer and the Remuneration and Nominations Committee.

The Chief Executive Officer's and Senior Executives' remuneration packages are all respectively subject to Board approval.

(ii) Fixed annual remuneration

Remuneration levels are reviewed annually to ensure that they are appropriate for the responsibility, qualifications and experience of the Chief Executive Officer and each Senior Executive and are competitive with the market.

The Chief Executive Officer and Senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as a motor vehicle and car parking. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

(iii) Variable remuneration – STI Plan

The objective of the STI Plan is to link the achievement of the annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets such that the cost to the Company is reasonable in the circumstances.

Actual STI payments granted to the Chief Executive Officer and each Senior Executive depend on the extent to which specific operational targets, set at the beginning of the year, are met. The operational targets may include a weighted combination of:

- meeting a pre-determined growth target in consolidated entity net profit after tax over the prior year;
- meeting strategic objectives; and
- assessed personal effort and contribution.

The Remuneration and Nominations Committee consider the performance against targets, and determine the amount, if any, to be allocated to the Chief Executive Officer and each Senior Executive. STI payments are delivered as a cash bonus.

The target STI % range for the Chief Executive Officer and named Senior Executives and other Key Management Personnel in respect of the financial year ended 30 June 2016 is detailed below.

Executive	STI range calculated on fixed annual remuneration*
M. Ryan	30% - 60%
A. Creswell	15% - 30%
M. Maedler	15% - 30%
K. Little	15% - 30%
J. O'Connor	15% - 30%
L. Sams	15% - 30%
D. Williams	15% - 30%
B. Daley	15% - 30%
C. Hounsell	15% - 30%
I. Miles	15% - 30%

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

Directors' Report (continued)

Tassal's STI for FY2016 was directly linked to the Company's operating net profit after tax (**NPAT**) performance on the following basis:

30 June 2016		30 June 2015	
NPAT (i) Threshold \$'000	% of STI Triggered %	NPAT (i) Threshold \$'000	% of STI Triggered %
<\$44,020	Nil	<\$39,800	Nil
\$44,020	25%	\$39,800	25%
\$44,020 - \$48,420	25% - 100%	\$39,800 - \$45,400	25% - 100%
>\$48,420	100%	>\$45,400	100%

(i) (Derivation of NPAT for the purposes of calculating the STI payment is determined excluding the impact of applying AASB 141 'Agriculture').

The Chief Executive Officer and Senior Executives received 0.00% (2015: 0.00%) of their respective FY2016 maximum STI entitlements.

The Board considers the FY2016 NPAT thresholds represented significant and challenging targets having regard to the challenging market conditions faced by the Company in FY2016.

(iv) Variable remuneration – LTI Plan

The LTI Plan has been designed to link employee reward with key performance indicators that drive sustainable growth in shareholder value over the long term. The objectives of the LTI Plan are to:

- align the Chief Executive Officer's and Senior Executives' interests with those of shareholders;
- help provide a long term focus; and
- retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

Under the LTI Plan, the Chief Executive Officer and Senior Executives are granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer may be made under the LTI Plan to the Chief Executive Officer and Senior Executives each financial year and is based on individual performance as assessed by the annual appraisal process. If a Senior Executive does not sustain a consistent level of high performance they will not be nominated for LTI Plan participation. The Remuneration and Nominations Committee reviews all nominated Senior Executives, with participation subject to final Board approval. In accordance with the ASX Listing Rules approval from shareholders is obtained before participation in the LTI Plan commences for the Chief Executive Officer.

Each grant of performance rights is subject to specific performance hurdles. The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of a three year performance period.

The Board has retained the discretion to vary the performance hurdles and criteria for each offer under the LTI Plan. Once the Board has prescribed the performance hurdles for a specific offer under the LTI Plan, those

performance hurdles cannot be varied in respect of that offer.

If a change of control occurs during a performance period, the pro-rated number of performance rights held by a participant (calculated according to the part of the performance period elapsed prior to the change of control) is determined and to the extent the performance hurdles have been met those pro-rated performance rights will vest.

Performance rights granted for the financial year ended 30 June 2016:

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

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

"EPS" means earnings per share for a financial year which is calculated as operating reported net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 10% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 10% but less than 15%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal to or greater than 15%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ended 30 June 2016).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2018 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2018 is less than 12.5% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2018 is equal to or greater than 12.5% but less than 13%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2018 is equal to or greater than 13% all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2016 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
A. Creswell	7.5% - 30%
M. Maedler	7.5% - 30%
K. Little	7.5% - 30%
J. O'Connor	7.5% - 30%
L. Sams	7.5% - 30%
D. Williams	7.5% - 30%
B. Daley	7.5% - 30%
C. Hounsell	7.5% - 30%
I. Miles	7.5% - 30%

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

Performance rights granted during the financial year ended 30 June 2015:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2015 is based on the Company's EPS and ROA growth over the performance period of the three years from 30 June 2014 (being the **Base Year**) to 30 June 2017 (the **Performance Period**) and are summarised as follows.

Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ended 30 June 2015).

"EPS" means earnings per share for a financial year which is calculated as statutory reported net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 10% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 10% but less than 20%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal to or greater than 20%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ended 30 June 2015).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2017 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2017 is less than 15% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2017 is equal to or greater than 15% but less than 17%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2017 is equal to or greater than 17% all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2015 is detailed below.

Directors' Report (continued)

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
A. Creswell	7.5% - 30%
M. Maedler	7.5% - 30%
K. Little	7.5% - 30%
J. O'Connor	7.5% - 30%
L. Sams	7.5% - 30%
D. Williams	7.5% - 30%
B. Daley	7.5% - 30%
C. Hounsell	7.5% - 30%
I. Miles	7.5% - 30%

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

Performance rights to be granted for the financial year ended 30 June 2017:

Since the end of the financial year, the Board has approved the following LTI Plan dual performance hurdle structure for performance rights to be granted during the financial year ending 30 June 2017.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ending 30 June 2017 will be based on the Company's EPS (Earnings per Share) growth over the performance period of the three years from 30 June 2016 (being the Base Year) to 30 June 2019 (the Performance Period), and on the Company's ROA (Return on Assets) performance for the financial year ending 30 June 2019. Each performance condition is summarised as follows:

Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ending 30 June 2017).

"EPS" means earnings per share for a financial year which is calculated as operating net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 8% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 8% but less than 10%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal

or greater than 10%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ending 30 June 2017).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2019 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2019 is less than 10% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2019 is equal to 10% but less than 12%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2019 is equal to or greater than 12% all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights to be granted during the financial year ending 30 June 2017 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
M. Asman	7.5% - 30%
A. Creswell	7.5% - 30%
M. Maedler	7.5% - 30%
K. Little	7.5% - 30%
J. O'Connor	7.5% - 30%
L. Sams	7.5% - 30%
D. Williams	7.5% - 30%
B. Daley	7.5% - 30%
C. Hounsell	7.5% - 30%
I. Miles	7.5% - 30%

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

(v) Contract for services – Chief Executive Officer

The structure of the Chief Executive Officer's compensation is in accordance with his employment agreement. The Chief Executive Officer's employment agreement is for an indefinite term. The Company may terminate the agreement by providing six months' notice and the Chief Executive Officer may terminate the agreement by providing six months' notice to the Company. There are no termination benefits beyond statutory leave and superannuation obligations associated with the Chief Executive Officer's termination in accordance with these notice requirements or in circumstances where notice is not required pursuant to his employment agreement.

(vi) Contract for services – Senior Executives

The terms on which the majority of Senior Executives are engaged provide for termination by either the Executive or the Company on six months' notice. There are no termination benefits beyond statutory leave and superannuation obligations associated with these notice requirements.

(g) Key Management Personnel Compensation

(i) Identity of Key Management Personnel

The following were Key Management Personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were Key Management Personnel for the entire period.

Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber	Non-executive Director
J. Watson ¹	Non-executive Director
C. Leon	Non-executive Director
M. Carroll	Non-executive Director
R. Murphy ²	Non-executive Director

Notes:

1. To 28 October 2015
2. From 9 September 2015

Other Key Management Personnel:

Name	Title
A. Creswell	Chief Financial Officer
D. Kiemele ¹	Head of Farming
K. Little	Head of People, Culture and QA
M. Maedler	General Counsel and Company Secretary
M. Asman ²	Head of Aquaculture
J. O'Connor	Head of Engineering & Risk
L. Sams	Head of Sustainability
D. Williams	Head of Sales and Marketing
B. Daley	Head of Supply Chain and Commercial Services
C. Hounsell	Senior Manager Marketing
I. Miles	Head of Safety

Notes:

1. To 6 May 2016
2. From 9 March 2016

(ii) Compensation of Key Management Personnel and Executive Officers

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel and each of the named Executive Officers of the Company and the consolidated entity are set out below. The remuneration tables are calculated on an accrual basis and only include remuneration relating to the portion of the relevant periods that each individual was a Key Management Personnel or Executive Officer of the Company.

Directors' Report (continued)

		Short-term employment benefits			Post employment		Share-based Payment	Other	Total \$
		Salary & Fees ¹ \$	Bonus ² \$	Non-Monetary ³ \$	Super-annuation \$	Prescribed Benefits \$	Performance Rights ⁴ \$	Termination Benefits ⁵ \$	
Directors:									
M. Carroll	2016	94,988	-	-	9,024	-	-	-	104,011
	2015	79,609	-	-	7,563	-	-	-	87,172
T. Gerber	2016	105,646	-	-	10,036	-	-	-	115,682
	2015	90,037	-	-	8,554	-	-	-	98,591
N. Joo Thieng	2016	-	-	-	-	-	-	-	-
Resigned 25.07.14	2015	5,329	-	-	506	-	-	-	5,835
N. Joo Siang	2016	-	-	-	-	-	-	-	-
Resigned as alternate director on 25.07.14	2015	-	-	-	-	-	-	-	-
C. Leon	2016	94,988	-	-	9,024	-	-	-	104,011
	2015	79,609	-	-	7,563	-	-	-	87,172
R. Murphy	2016	85,808	-	-	8,152	-	-	-	93,959
Appointed 09.09.15	2015	-	-	-	-	-	-	-	-
A. McCallum (Chairman)	2016	189,736	-	-	17,795	-	-	-	207,532
	2015	166,275	-	-	15,455	-	-	-	181,730
M. Ryan - Chief Executive Officer	2016	711,447	-	1,184	19,417	-	22,130	-	754,179
	2015	578,600	-	12,660	18,210	-	61,156	-	670,625
J. Watson	2016	33,792	-	-	3,210	-	-	-	37,002
Resigned 28.10.15	2015	94,239	-	-	8,953	-	-	-	103,192
Other Key Management Personnel and Executive Officers:									
M. Asman *	2016	95,142	185,376	-	8,094	-	-	-	288,612
Appointed as Key Management on 09.03.16	2015	-	-	-	-	-	-	-	-
P. Bennett *	2016	-	-	-	-	-	-	-	-
Resigned as Key Management on 25.03.15	2015	127,030	-	5,155	12,583	-	-	-	144,768
A. Creswell *	2016	237,910	-	1,184	21,493	-	5,334	-	265,921
	2015	218,414	-	1,143	20,118	-	14,775	-	254,450
B. Daley *	2016	209,941	-	10,916	19,441	-	5,688	-	245,986
	2015	198,023	-	10,849	17,767	-	12,662	-	239,302
C. Hounsell *	2016	198,317	-	-	18,264	-	4,533	-	221,115
	2015	174,563	-	-	16,764	-	12,087	-	203,414
D. Kiemele *	2016	148,738	-	1,184	18,700	-	-	-	168,622
Resigned as Key Management on 06.05.16	2015	189,515	-	664	16,626	-	12,869	-	219,673
K. Little *	2016	209,853	-	9,231	18,590	-	4,798	-	242,472
	2015	156,285	-	8,157	14,235	-	13,291	-	191,968
M. Maedler *	2016	208,264	-	1,184	18,562	-	4,607	-	232,617
	2015	195,680	-	1,143	17,374	-	12,760	-	226,958
I. Miles *	2016	192,594	-	1,184	18,266	-	5,251	-	217,294
	2015	199,984	-	664	16,821	-	8,827	-	226,296
J. O'Connor *	2016	214,147	-	1,184	18,987	-	4,694	-	239,012
	2015	193,297	-	1,143	17,706	-	13,004	-	225,151
L. Sams *	2016	212,516	-	9,863	18,292	-	5,112	-	245,783
	2015	166,003	-	9,799	16,626	-	12,869	-	205,296
D. Williams *	2016	261,300	-	12,095	23,623	-	6,076	-	303,094
	2015	237,865	-	11,183	16,850	-	16,829	-	282,727
Total	2016	3,505,125	185,376	49,209	278,971	-	68,224	-	4,086,905
Total	2015	3,150,358	-	62,560	250,272	-	191,130	-	3,654,320

*Designated Key Management Personnel

(The elements of the remuneration packages in the above table have been determined on the basis of the cost to the consolidated entity and reflect the relevant respective periods of service).

- Salary and fees includes salary and leave on an accruals basis.
- Cash bonuses relate to sign on bonuses, performance bonuses and amounts payable pursuant to the STI Plan. The Chief Executive Officer and other Executive Officers received 0.00% (2015: 0.00%) of their respective STI maximum entitlement based on the STI percentages disclosed in section f (iii) of the Remuneration Report.
- Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.
- Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model. Details of performance rights on issue are set out in the following tables.
- Termination benefits include notice or redundancy payments where applicable.

Analysis of LTI performance rights granted as remuneration

Details of the vesting profile of the performance rights granted as remuneration to the Chief Executive Officer and each of the named Executive Officers are summarised below:

Performance rights granted during the financial year ended 30 June 2016

								Value yet to vest	
Number granted	Grant date	Vesting date	Vested during the year number	Vested during the year %	Forfeited during the year number ¹	Forfeited during the year %	Minimum \$ ²	Maximum \$ ³	
Director:									
M. Ryan	93,738	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	384,669
Executive Officers:									
A. Creswell	22,594	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	92,718
B. Daley	20,987	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	86,123
C. Hounsell	19,200	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	78,790
D. Kiemele	20,530	26 Nov 2015	30 Jun 2018	-	-	20,530	100%	Nil	Nil
K. Little	20,324	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	83,403
M. Maedler	19,513	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	80,075
I. Miles	19,201	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	78,794
J. O'Connor	19,885	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	81,601
L. Sams	20,324	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	83,403
D. Williams	25,735	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	105,608

(1) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(2) The minimum value of performance rights yet to vest is nil as the performance criteria may not be met and consequently the right may not vest.

(3) The maximum value of performance rights yet to vest represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$4.104.

Performance rights granted during the financial year ended 30 June 2015

Value yet to vest									
Number granted	Grant date	Vesting date	Vested during the year number	Vested during the year %	Forfeited during the year number ¹	Forfeited during the year %	Minimum \$ ²	Maximum \$ ³	
Director:									
M. Ryan	74,506	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	263,848
Executive Officers:									
A. Creswell	17,958	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	63,595
B. Daley	15,509	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	54,922
C. Hounsell	15,260	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	54,040
D. Kiemele	15,652	28 Nov 2014	30 Jun 2017	-	-	15,652	100%	Nil	Nil
K. Little	16,154	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	57,206
M. Maedler	15,509	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	54,922
I. Miles	15,261	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	54,044
J. O'Connor	15,806	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	55,974
L. Sams	15,652	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	55,428
D. Williams	20,455	28 Nov 2014	30 Jun 2017	-	-	-	-	Nil	72,437

(1) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(2) The minimum value of performance rights yet to vest is nil as the performance criteria may not be met and consequently the right may not vest.

(3) The maximum value of performance rights yet to vest represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$3.541.

Directors' Report (continued)

Performance rights granted during the financial year ended 30 June 2014

	Number granted	Grant date	Vesting date	Vested during the year number ^{1, 5}	Vested during the year %	Forfeited during the year number ²	Forfeited during the year %	Value vested during the year \$ ³	Value forfeited during the year \$ ⁴
Director:									
M. Ryan	136,963	20 Nov 2013	30 Jun 2016	44,349	32.38%	92,614	67.62%	120,082	250,771
Executive Officers:									
A. Creswell	33,028	20 Nov 2013	30 Jun 2016	10,695	32.38%	22,333	67.62%	28,957	60,472
B. Daley	28,524	20 Nov 2013	30 Jun 2016	9,237	32.38%	19,287	67.62%	25,009	52,226
C. Hounsell	28,066	20 Nov 2013	30 Jun 2016	9,088	32.38%	18,978	67.62%	24,607	51,388
D. Kiemele	28,787	20 Nov 2013	30 Jun 2016	9,322	32.38%	19,465	67.62%	25,239	52,706
K. Little	29,710	20 Nov 2013	30 Jun 2016	9,621	32.38%	20,089	67.62%	26,048	54,398
M. Maedler	28,524	20 Nov 2013	30 Jun 2016	9,237	32.38%	19,287	67.62%	25,009	52,226
J. O'Connor	29,069	20 Nov 2013	30 Jun 2016	9,413	32.38%	19,656	67.62%	25,486	53,223
L. Sams	28,787	20 Nov 2013	30 Jun 2016	9,322	32.38%	19,465	67.62%	25,239	52,706
D. Williams	37,620	20 Nov 2013	30 Jun 2016	12,182	32.38%	25,438	67.62%	32,983	68,879

(1) The number vested in the year represents the allotment from the maximum number of performance rights available to vest due to performance criteria being achieved.

(2) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(3) The value of performance rights vested based on the fair value at grant date of \$2.708.

(4) The value of performance rights forfeited as the performance criteria were not met and consequently the right did not vest, based on the fair value at grant date of \$2.708.

(5) An equivalent number of fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2014 and which vested on 30 June 2016 will be issued pursuant to the Company's Long-term incentive plan.

Equity Holdings

(Fully paid ordinary shares of Tassal Group Limited)

The following tables show details and movements in equity holdings of fully paid ordinary shares during the respective current and prior reporting periods of each member of the Key Management Personnel of the consolidated entity.

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

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

Directors' Report (continued)

Equity Holdings (cont.)

	Balance as at 01.07.14	Balance at appointment date (if applicable)	On exercise of performance rights	On Exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30.06.15	Balance held nominally
2015	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	-	-	-	-	5,414	-	5,414	-
T. Gerber	-	-	-	-	-	-	-	-
N. Joo Thieng (resigned 25.07.14)	-	-	-	-	-	-	-	-
N. Joo Siang (resigned as alternate director on 25.07.14)	-	-	-	-	-	-	-	-
C. Leon	30,000	-	-	-	-	-	30,000	-
A. McCallum	290,809	-	-	-	-	-	290,809	-
M. Ryan ¹	250,610	-	136,016	-	-	-	386,626	-
J. Watson	148,230	-	-	-	-	-	148,230	-
Other Key Management Personnel:								
P. Bennett (resigned as key management on 25.03.15)	16,264	-	29,263	-	(45,527)	-	-	-
A. Creswell	18,724	-	33,883	-	-	-	52,607	-
B. Daley	-	-	12,376	-	-	-	12,376	-
C. Hounsell	-	-	-	-	-	-	-	-
D. Kiemele	11,243	-	29,263	-	-	-	40,506	-
K. Little	-	-	30,480	-	(30,480)	-	-	-
M. Maedler	-	-	-	-	-	-	-	-
I. Miles	-	-	-	-	-	-	-	-
J. O'Connor	16,164	-	29,822	-	(45,986)	-	-	-
L. Sams	-	-	29,263	-	(29,263)	-	-	-
D. Williams	73,391	-	38,593	-	-	-	111,984	-
Total	855,435	-	368,959	-	(145,842)	-	1,078,552	-

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

Long-term Incentive Plan – Performance Rights

The following table shows details and movements in equity holdings of performance rights granted pursuant to the Company's Long-term incentive plan during the current reporting period of each member of the Key Management Personnel of the consolidated entity:

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

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

Long-term Incentive Plan – Performance Rights (cont.)

	Balance as at 01.07.14	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.15	Balance held nominally
2015	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
N. Joo Thieng (resigned 25.07.14)	-	-	-	-	-	-	-	-
N. Joo Siang (resigned as alternate director on 25.07.14)	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan ¹	336,444	-	74,506	(99,741)	(99,740)	-	211,469	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
P. Bennett (resigned as key management on 25.03.15)	71,441	-	-	-	(71,441)	-	-	-
A. Creswell	82,721	-	17,958	(24,847)	(24,846)	-	50,986	-
B. Daley	66,901	-	15,509	(19,189)	(19,188)	-	44,033	-
C. Hounsell	48,565	-	15,260	(10,250)	(10,249)	-	43,326	-
D. Kiemele	71,705	-	15,652	(21,459)	(21,458)	-	44,440	-
K. Little	74,411	-	16,154	(22,351)	(22,350)	-	45,864	-
M. Maedler	71,441	-	15,509	(21,459)	(21,458)	-	44,033	-
I. Miles	-	-	15,261	-	-	-	15,261	-
J. O'Connor	72,804	-	15,806	(21,868)	(21,868)	-	44,874	-
L. Sams	71,704	-	15,652	(21,459)	(21,458)	-	44,439	-
D. Williams	94,221	-	20,455	(28,301)	(28,300)	-	58,075	-
Total	1,062,358	-	237,722	(290,924)	(362,356)	-	646,800	-

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

All performance rights granted to Key Management Personnel were granted in accordance with the provisions of the Company's Long-term Incentive Plan. Refer to the Remuneration Report and note 5 to the financial statements, for further details.

21. ROUNDING OFF OF AMOUNTS⁹

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that legislative instrument, amounts in the Annual Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



A.D. McCallum
Chairman
Hobart this 19th day of August 2016

Auditor's Independence Declaration



The Board of Directors
Tassal Group Limited
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19th August 2016

Dear Board Members

Tassal Group Limited

- (i) 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.
- (ii) As lead audit partner for the audit of the financial statements of Tassal Group Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, the only contravention of:
- (iii) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (iv) (any applicable code of professional conduct in relation to the audit
- (v) is set out below:
- (vi) During the current audit 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 or the audit for the year ended 30 June 2016. Accordingly I consider that this matter has not compromised my or Deloitte Touche Tohmatsu's objectivity with respect to the audit of the financial statements of Tassal Group Limited for the year ended 30 June 2016.

Yours sincerely

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

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that appears to read "Chris Biermann".

Chris Biermann
Partner
Chartered Accountants

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

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Income Statement

for the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Revenue	3(a)	425,416	304,405
Other income	3(b)	5,586	4,995
Fair value adjustment of biological assets		21,433	19,946
Fair value adjustment of biological assets at point of harvest		(6,322)	1,432
Share of profits / (losses) of associates accounted for using the equity method	12	(78)	390
Changes in inventories of finished goods and work in progress		1,336	5,312
Raw materials and consumables used		(251,734)	(164,452)
Employee benefits expense	3(c)	(80,809)	(58,631)
Depreciation and amortisation expense	3(c)	(21,010)	(18,368)
Finance costs	3(c)	(7,374)	(4,722)
Other expenses		(17,534)	(19,432)
Profit before income tax expense		68,910	70,875
Income tax expense	4	(20,417)	(20,883)
Net profit for the period attributable to members of the Company		48,493	49,992

	Note	Cents per share 2016	Cents per share 2015
Earnings per ordinary share:			
Basic (cents per share)	29	32.95	34.05
Diluted (cents per share)	29	32.78	33.83

Notes to the financial statements are included on pages 32 to 72.

Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Profit for the period		48,493	49,992
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain / (loss) on revaluation of property	14	5,836	-
Income tax relating to items that will not be reclassified subsequently		(1,751)	-
Items that may be reclassified subsequently to profit or loss:			
Gain / (loss) on cashflow hedges	27(a)	(807)	28
Income tax relating to items that may be reclassified subsequently		242	(8)
Other comprehensive income for the period (net of tax)		3,520	20
Total comprehensive income for the period attributed to owners of the parent		52,013	50,012

Notes to the financial statements are included on pages 32 to 72.

Statement of Financial Position

as at 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Current Assets			
Cash and cash equivalents		12,521	13,324
Trade and other receivables	7	25,300	14,034
Inventories	8	55,165	60,151
Biological assets	9	246,102	222,906
Other financial assets	10	3,724	448
Other	11	6,396	2,740
Total Current Assets		349,208	313,603
Non-Current Assets			
Investments accounted for using the equity method	12	8,592	8,670
Other financial assets	13	49	60
Property, plant and equipment	14	279,967	247,174
Goodwill	15	82,306	14,851
Other intangible assets	16	24,184	24,184
Other	17	4,765	4,385
Total Non-Current Assets		399,863	299,324
Total Assets		749,071	612,927
Current Liabilities			
Trade and other payables	19	61,870	58,257
Borrowings	20	27,137	17,765
Current tax liability	4	10,916	1,930
Contingent consideration	40	8,635	-
Provisions	21	6,850	5,384
Other financial liabilities	22	1,038	232
Other	23	-	14
Total Current Liabilities		116,446	83,582
Non-Current Liabilities			
Borrowings	24	120,754	61,273
Deferred tax liabilities	4	97,791	93,508
Deferred and contingent consideration	40	8,152	-
Provisions	25	1,592	1,231
Total Non-Current Liabilities		228,289	156,012
Total Liabilities		344,735	239,594
Net Assets		404,336	373,333
Equity			
Issued capital	26	154,983	154,647
Reserves	27	13,513	9,995
Retained earnings	28	235,840	208,691
Total Equity		404,336	373,333

Notes to the financial statements are included on pages 32 to 72.

Statement of Changes in Equity

for the year ended 30 June 2016

Consolidated	Issued capital \$'000	Asset revaluation reserve \$'000	Hedging reserve \$'000	Equity-settled employee benefits reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the entity \$'000
Balance as at 1 July 2014	154,213	8,615	(182)	1,481	177,796	341,923
Profit for the period	-	-	-	-	49,992	49,992
Gain / (loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	20	-	-	20
Total comprehensive income for the period	-	-	20	-	49,992	50,012
Payment of dividends	-	-	-	-	(19,097)	(19,097)
Issue of shares pursuant to Executive Long Term Incentive Plan	434	-	-	(434)	-	-
Recognition of share-based payments	-	-	-	495	-	495
Balance as at 30 June 2015	154,647	8,615	(162)	1,542	208,691	373,333
Balance as at 1 July 2015	154,647	8,615	(162)	1,542	208,691	373,333
Profit for the period	-	-	-	-	48,493	48,493
Gain / (loss) on revaluation of property (net of any related tax)	-	4,085	-	-	-	4,085
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	(565)	-	-	4,085
Total comprehensive income for the period	-	4,085	(565)	-	48,493	52,013
Payment of dividends	-	-	-	-	(21,344)	(21,344)
Issue of shares pursuant to Executive Long Term Incentive Plan	336	-	-	(336)	-	-
Recognition of share-based payments	-	-	-	334	-	334
Balance as at 30 June 2016	154,983	12,700	(727)	1,540	235,840	404,336

Notes to the financial statements are included on pages 32 to 73.

Statement of Cashflows

for the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Cashflows from Operating Activities			
Receipts from customers		450,367	334,498
Payments to suppliers and employees		(386,401)	(282,451)
Interest received		231	300
Interest and other costs of finance paid		(7,184)	(4,894)
Income taxes paid		(6,790)	(4,757)
Net cash (used in) / provided by operating activities	38(b)	50,223	42,696
Cashflows from Investing Activities			
Payment for property, plant and equipment		(49,595)	(36,665)
Proceeds from sale of property, plant and equipment		2	26
Payment for business	40	(48,941)	-
Net cash (used in)/provided by investing activities		(98,534)	(36,639)
Cashflows from Financing Activities			
Proceeds from borrowings		79,405	34,999
Repayment of borrowings		(10,553)	(16,291)
Dividends paid to members of the parent entity		(21,344)	(19,097)
Net cash (used in)/ provided by financing activities		47,508	(389)
Net increase / (decrease) in cash and cash equivalents		(803)	5,668
Cash and cash equivalents at the beginning of the financial year		13,324	7,656
Cash and cash equivalents at the end of the financial year	38(a)	12,521	13,324

Notes to the financial statements are included on pages 32 to 72.

Notes to the Financial Statements

for the year ended 30 June 2016

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1. Summary Of Accounting Policies

Statement of Compliance

The Annual Financial Report is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

The Annual Financial Report was authorised for issue by the Directors on 19 August 2016.

Basis of Preparation

The Annual Financial Report has been prepared on the basis of historic cost except for biological assets which are measured at net market value, and, if relevant for the revaluation of certain non-current assets and financial instruments, and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian Dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Instrument amounts in the Annual Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of consolidated entity's accounting policies that have significant effects on the Annual Financial Report and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. They include the following:

- Goodwill (refer to note 15)
- Brand names (refer to note 16)
- Biological assets (refer to note 9)
- Determination of fair value of earn out payable (refer to note 40)

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs in determining the fair value of various assets and liabilities are disclosed in notes 9, 14, 39, and 40.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016, and the comparative information presented in these financial statements.

Application of New and Revised Accounting Standards

(i) New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied one amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

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

Notes to the Financial Statements

for the year ended 30 June 2016

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(ii) *Standards and Interpretations in issue not yet adopted*

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential effect of the revised Standards/ Interpretations on the Group's financial statements has not yet been determined.

AASB 9 'Financial Instruments' and the relevant amending standards

Effective for annual reporting periods beginning on or after 1 January 2018 and expected to be initially applied in the financial year ending 30 June 2019.

AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'

Effective for annual reporting periods beginning on or after 1 January 2018 and expected to be initially applied in the financial year ending 30 June 2019.

AASB 16 'Leases'

Effective for annual reporting periods beginning on or after 1 January 2019 and expected to be initially applied in the financial year ending 30 June 2020.

AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 June 2017.

AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 June 2017.

AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 June 2017.

AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 June 2017.

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 June 2017.

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

Effective for annual reporting periods beginning on or after 1 January 2017 and expected to be initially applied in the financial year ending 30 June 2018.

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017 and expected to be initially applied in the financial year ending 30 June 2018.

AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'

Effective for annual reporting periods beginning on or after 1 January 2018 and expected to be initially applied in the financial year ending 30 June 2019.

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

AASB 9 'Financial Instruments' and the relevant amending standards

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- all recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 'Financial Instruments: Recognition and Measurement', the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected

credit loss model requires an entity to account for expected credit losses and changes in these expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities has also been introduced.

The directors of the Company anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue', AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The directors of the Company anticipate that the application of AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.

AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification

of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

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

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the Annual Financial Report:

(a) Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 '*Consolidated Financial Statements*' (the **Group**). Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to profit or loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entities. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Notes to the Financial Statements

for the year ended 30 June 2016

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(e) Derivative Financial Instruments

The consolidated entity uses derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rate and interest rate movements. Further details of derivative financial instruments are disclosed in note 39 to the financial statements.

The consolidated entity has adopted certain principles in relation to derivative financial instruments:

- it does not trade in a derivative that is not used in the hedging of an underlying business exposure of the consolidated entity; and
- derivatives acquired must be able to be recorded on the consolidated entity's treasury management systems, which contain appropriate internal controls.

The Company and consolidated entity follow the same credit policies, legal processes, monitoring of market and operational risks in the area of derivative financial instruments, as they do in relation to financial assets and liabilities on the statement of financial position, where internal controls operate.

On a continuing basis, the consolidated entity monitors its future exposures and on some occasions hedges all or part of these exposures. The transactions which may be covered are future foreign exchange requirements and interest rate positions.

These exposures are then monitored and may be modified from time to time. The foreign exchange hedge instruments are transacted on a commitment basis and hedge operational transactions the consolidated entity expects to occur in this time frame. Interest rate derivative instruments can be for periods up to 3 – 5 years as the critical terms of the instruments are matched to the life of the borrowings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The consolidated entity designates certain derivatives as either

hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cashflow hedges).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(f) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the parent accounts. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 39. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cashflows of the investment have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cashflows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(h) Financial Instruments Issued by the Consolidated Entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 1(u).

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through the profit or loss" or other financial liabilities.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(i) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to note 1(e)).

(j) Goods and Service Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

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for the year ended 30 June 2016

- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cashflows are included in the statement of cashflows on a gross basis. The GST component of cashflows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cashflows.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (**CGUs**) (or groups of CGUs) expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicated that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(l) Government Grants

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

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the statement of financial position and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving

immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

(m) Impairment of Long-lived Assets Excluding Goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(s).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(s).

(n) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to

the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tassal Group Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and

each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(o) Intangible Assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Brand names

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1(m).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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for the year ended 30 June 2016

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(p) Inventories

Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying AASB 102 'Inventories'.

Other inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(q) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(c).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Property, Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external experts and in conformance with Australian Valuation Standards. The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

On 30 June 2016, an independent valuation of the consolidated entity's freehold land and freehold and leasehold buildings was performed by Mr M J Page [B.Bus.(Property)AAPPI, CPV] to determine the fair value of land and buildings. Specialised land and buildings have been valued based on the depreciated replacement cost method. The valuation conforms to Australian Valuation Standards.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any change recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

- | | |
|---------------------------------|---------------|
| • Buildings | 25 – 50 years |
| • Plant and equipment | 2 – 20 years |
| • Equipment under finance lease | 2 – 20 years |

(t) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Dividends

A provision is recognised for dividends when they have been approved on or before the reporting date.

(u) Revenue Recognition

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Share-based Payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Monte Carlo simulation model, taking into account the terms and conditions upon which the equity-settled share-based payment were granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 5 (c) (i) to the financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(w) Biological Assets – Live Finfish

Live finfish assets are valued at fair value less estimated point of sale costs. This fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal. The net increment / (decrement) in the fair value of finfish is recognised as income / (expense) in the reporting period.

Where an active and liquid market is not available, fair value is determined using the present value of expected net cashflows from the asset discounted at a current market-determined rate. The net cashflows are reduced for harvesting costs and freight costs to market. Further the expected net cashflows take into account the expected weight of the fish at harvest, expected costs and sale prices, and incorporates expected possible variations in the net cashflows.

The change in estimated fair value is recognised in the income statement and is classified separately.

Fair value has been determined in accordance with Directors' valuation.

Historic cost is used as an estimate of fair value where little or no biological transformation has taken place.

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for the year ended 30 June 2016

(x) *Financial Risk Management Strategies Relating to Agricultural Activities*

The consolidated entity has a comprehensive risk management strategy in place to monitor and oversee its agricultural activities. The policy framework is broad, with risk management addressed via marine and hatchery site geographical diversification, conservative finfish husbandry practices, experienced management with international expertise and extensive investment in infrastructure improvements and automation.

(y) *Business Combinations*

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 '*Business Combinations*' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 '*Non-current Assets Held for Sale and Discontinued Operations*', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

If relevant, the interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(z) *Investments in Associates*

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 '*Non-current Assets Held for Sale and Discontinued Operations*'. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. *Subsequent Events*

Final Dividend Declared

On 19 August 2016, the Directors declared a final dividend of \$11.040 million (7.50 cents per ordinary share) in respect of the financial year ended 30 June 2016. The final dividend will be 100% franked. The record date for determining entitlements to this final dividend is 9 September 2016. The final dividend will be paid on 29 September 2016. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 2% has been determined by the Directors.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2016.

3. Profit for the Year Before Tax

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Profit from operations before income tax expense includes the following items of revenue and expense:		
<i>(a) Revenue</i>		
Revenue from the sale of goods	425,185	304,093
Rental revenue	-	12
Interest revenue	231	300
Total revenue	425,416	304,405
<i>(b) Other income</i>		
Gain / (loss) on disposal of property, plant and equipment	26	38
Government grants received	2,618	2,208
Other	2,942	2,749
Total other income	5,586	4,995
<i>(c) Expenses</i>		
Depreciation of non-current assets	20,980	18,338
Amortisation of non-current assets	30	30
Total depreciation and amortisation	21,010	18,368
Interest - other entities	5,830	3,176
Finance lease charges	1,544	1,546
Total finance costs (i)	7,374	4,722
Notes:		
(i) Additional finance costs of \$0.594 million were included in the cost of qualifying assets during the current year (2015: \$0.752 million).		
(ii) The weighted average capitalisation rate on funds borrowed generally is 2.825% (2015: 3.575%).		
Employee benefits expense:		
Share-based payments:	334	495
Post employment benefits	5,539	4,000
Other employee benefits	74,936	54,136
Total employee benefits expense	80,809	58,631
Net bad and doubtful debts – other entities	40	98
Write-downs of inventories to net realisable value	516	414
Operating lease rental expenses	14,454	10,304
Research and development costs immediately expensed	829	287

Notes to the Financial Statements

for the year ended 30 June 2016

4. Income Taxes

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<i>(a) Income tax recognised in profit or loss:</i>		
Tax (expense)/income comprises:		
Current tax (expense)/income	(16,994)	(6,207)
Adjustment recognised in the current year in relation to the current tax of prior years	(39)	19
Deferred tax (expense)/income relating to the origination and reversal of temporary differences and use of carry forward tax losses	(3,384)	(14,695)
Total tax (expense)/income	(20,417)	(20,883)
The prima facie income tax (expense)/income on pre-tax accounting profit from operations reconciles to the income tax (expense)/income in the financial statements as follows:		
Profit from operations	68,910	70,875
Income tax (expense)/benefit calculated at 30%	(20,673)	(21,262)
Non-tax deductible items	(151)	(49)
Research and development concession	335	300
Payment in respect of employee shares	52	109
Adjustment recognised in the current year in relation to prior years	20	19
Income tax (expense)/benefit	(20,417)	(20,883)
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
<i>(b) Income tax recognised directly in equity</i>		
Deferred tax:		
Property, plant and equipment	(1,751)	-
Employee share reserve	230	340
Revaluation of financial instruments treated as cashflow hedges	242	(8)
	(1,279)	332
<i>(c) Current tax balances:</i>		
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-consolidated group	(11,916)	(2,930)
Research & Development Offset included in		
Other income	1,000	1,000
Net current tax balance	(10,916)	(1,930)
<i>(d) Deferred tax balances:</i>		
Deferred tax assets comprise:		
Temporary differences	3,311	2,544
	3,311	2,544
Deferred tax liabilities comprise:		
Temporary differences	(101,102)	(96,052)
Net deferred tax asset / (liability)	(97,791)	(93,508)

4. Income Taxes (cont.)

(d) Deferred tax balances: (cont.)

Taxable and deductible temporary differences arise from the following:

Consolidated	Opening balance \$'000	Acquisition \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2016					
Gross deferred tax liabilities:					
Biological assets	(68,527)	-	(4,727)	-	(73,254)
Inventories	(8,809)	-	1,563	-	(7,246)
Property, plant and equipment	(15,998)	-	(1,044)	(1,751)	(18,792)
Investment in associates	(759)	-	23	-	(736)
Other financial assets	(1,959)	-	885	-	(1,074)
	(96,052)	-	(3,299)	(1,751)	(101,102)
Gross deferred tax assets:					
Provisions	1,984	297	252	-	2,533
Other intangible assets	62	-	-	-	62
Trade and other payables	216	-	39	-	255
Cashflow hedges	70	-	-	242	312
Other	212	83	(376)	230	149
	2,544	380	(85)	472	3,311
	(93,508)	380	(3,384)	(1,279)	(97,791)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(93,508)	380	(3,384)	(1,279)	(97,791)
2015					
Gross deferred tax liabilities:					
Biological assets	(56,201)	-	(12,326)	-	(68,527)
Inventories	(8,809)	-	-	-	(8,809)
Property, plant and equipment	(15,440)	-	(558)	-	(15,998)
Investment in associates	(642)	-	(117)	-	(759)
Other financial assets	(270)	-	(1,689)	-	(1,959)
	(81,362)	-	(14,690)	-	(96,052)
Gross deferred tax assets:					
Provisions	1,747	-	237	-	1,984
Other intangible assets	36	-	26	-	62
Share issue expenses deductible over 5 years	59	-	(59)	-	-
Trade and other payables	171	-	45	-	216
Cashflow hedges	78	-	-	(8)	70
Other	126	-	(254)	340	212
	2,217	-	(5)	332	2,544
	(79,145)	-	(14,695)	332	(93,508)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(79,145)	-	(14,695)	332	(93,508)

Notes to the Financial Statements

for the year ended 30 June 2016

4. Income Taxes (cont.)

(e) Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 19 September 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tassal Group Limited. The members of the tax-consolidated group are identified at note 34.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity.

Under the terms of the tax funding arrangement, Tassal Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Key Management Personnel compensation

(a) Identity of Key Management Personnel:

The following were Key Management Personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were Key Management Personnel for the entire period

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber	Non-executive Director
J. Watson ¹	Non-executive Director
C. Leon	Non-executive Director
M. Carroll	Non-executive Director
R. Murphy ²	Non-executive Director

Notes:

1. To 28 October 2015
2. From 9 September 2015

Other Key Management Personnel:

Name	Title
M. Asman ¹	Head of Aquaculture
A. Creswell	Chief Financial Officer
D. Kiemele ²	Head of Farming
K. Little	Head of People, Culture and QA
M. Maedler	General Counsel and Company Secretary
J. O'Connor	Head of Risk
L. Sams	Head of Sustainability
D. Williams	Head of Sales and Marketing
B. Daley	Head of Supply Chain and Commercial Services
C. Hounsell	Senior Manager Marketing
I. Miles	Head of Safety

Notes:

1. From 9 March 2016
2. To 6 May 2016

5. Key Management Personnel compensation (cont.)

(b) Key Management Personnel Compensation

The aggregate compensation of Key Management Personnel of the consolidated entity is set out below:

	Consolidated 2016 \$	Consolidated 2015 \$
Short-term employee benefits	3,739,710	3,212,918
Post-employment benefits	278,971	250,272
Share-based payment	68,224	191,130
	4,086,905	3,654,320

Details of the consolidated entity's Key Management Personnel compensation policy and details of Key Management Personnel compensation are discussed in section 20 of the Directors' Report.

(c) Share-based Remuneration

(i) Long-term Incentive Plan

The Company established a Long-term Incentive Plan during the financial year ended 30 June 2007. Employees receiving awards under the Long-term Incentive Plan are those of an Executive level (including the Managing Director and Chief Executive Officer).

Under the Company's Long-term Incentive Plan, participants are granted performance rights to ordinary shares, subject to the Company meeting specified performance criteria during the performance period. If these performance criteria are satisfied, ordinary shares will be issued at the end of the performance period. The number of ordinary shares that a participant will ultimately receive will depend on the extent to which the performance criteria are met by the Company. If specified minimum performance hurdles are not met no ordinary shares will be issued in respect of the performance rights.

An employee granted performance rights is not legally entitled to shares in the Company before the performance rights allocated under the Plan vest. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights. Once shares have vested they remain in a holding lock until the earlier of the employee leaving the consolidated entity, the seventh anniversary of the date the performance rights were awarded or the Board approving an application for their release.

Set out below is a summary of performance rights granted to participants under the Plan (Consolidated and Parent Entity):

Grant date	Vesting date	Balance at start of year (Number)	Granted during the year (Number)	Vested during the year (Number)	Lapsed during the year (Number)	Balance at end of year (Number)
20 Nov 2013	30 Jun 2016	430,902	-	139,534	291,368	-
28 Nov 2014	30 Jun 2017	256,234	-	-	-	256,234
26 Nov 2015	30 Jun 2018	-	355,460	-	-	355,460
		687,136	355,460	139,534	291,368	611,694

Details of the performance rights holdings of the respective Key Management Personnel, including details of performance rights granted, vested or lapsed during the year are disclosed in the Director's report.

Notes to the Financial Statements

for the year ended 30 June 2016

5. Key Management Personnel compensation (cont.)

The independently assessed fair value at grant date of performance rights granted under the Long-term Incentive Plan during the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and applicable to participants was:

Performance condition	Value at grant date \$
Performance rights issued during the financial year ended 30 June 2014:	
Statutory earnings per share ('EPS')	631,646
Statutory return on assets ('ROA')	489,685
	1,121,331
Performance rights issued during the financial year ended 30 June 2015:	
Statutory earnings per share ('EPS')	444,628
Statutory return on assets ('ROA')	330,069
	774,697
Performance rights issued during the financial year ended 30 June 2016:	
Operating earnings per share ('EPS')	413,538
Operating return on assets ('ROA')	368,318
	781,856
	2,677,884

The above performance rights valuations have been determined in line with the requirements of AASB 2 '*Share-based Payments*'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date.

(i) Long-term Incentive Plan (cont.)

The expense recognised in relation to performance rights applicable to Key Management Personnel for the financial year ended 30 June 2016 is \$68,224 (2015: \$191,130).

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2015 attach respectively to each of the EPS and ROA performance hurdles.

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2016 attach respectively to each of the EPS and ROA performance hurdles.

The fair value of the performance rights is based on the share price at grant date of \$4.46 (2015:\$3.94) adjusted for the present value of expected dividends over the vesting Performance Period.

6. Remuneration of auditors

	Consolidated 2016 \$	Consolidated 2015 \$
Audit or review of the financial reports	254,940	206,850
Non-audit services (i)	39,950	6,899
	294,890	213,749

Notes:

(i) The "non-audit services" principally refers to advice regarding the acquisition of De Costi Seafoods and capex evaluation methodologies. Non-audit services are any services provided, excluding audits required by the *Corporations Act 2001*.

All amounts shown above are exclusive of GST.

The parent entity's audit fees were paid for by Tassal Operations Pty Ltd, a wholly-owned subsidiary.

Refer to the Directors' Report for details on compliance with the auditor's independence requirements of the *Corporations Act 2001*.

The auditor of Tassal Group Limited is Deloitte Touche Tohmatsu.

7. Current Trade and Other Receivables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Trade receivables (i)	22,569	4,837
Allowance for doubtful debts	(448)	-
	22,121	4,837
Goods and services tax (GST) receivable	1,495	2,321
Other receivables	1,684	6,876
	25,300	14,034

Notes:

(i) The average credit period on sales of goods is 30 days from the previous month's statement date. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 2% per month on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. During the current financial year the allowance for doubtful debts increased by \$0.448 million (2015: unchanged). Any movement is recognised in the profit or loss for the current financial year.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.031 million (2015: \$2.185 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

(ii) Transfer of Financial Assets:

During the financial year, Westpac Banking Corporation ("Westpac") continued to provide a Trade Finance Facility ("Receivables Purchase Facility") under which it may purchase receivables from the Company at a discount. This facility has been provided by Westpac to the Company since 30 June 2006 and is utilised by the Company as a primary source of working capital. The maximum available at any time under the facility was \$70.000 million during the financial year. All receivables sold to Westpac are insured by the Company with a 10% deductible per insurance claim in the event of a debtor default, representing the Company's maximum exposure under the facility. Westpac retains 15% of any receivable purchased as a security deposit until it has received payment for the full face value of the receivable purchased. The Receivables Purchase Facility is committed for two years and revolving.

The funded value of the Company's Receivables Purchase Facility was \$44.895 million as at 30 June 2016 (2015: \$64.527 million). The receivables sold by the Company into this facility are de-recognised as an asset as the contractual rights to cashflows from these receivables have expired on acceptance of the sale with Westpac. Further, the amount funded under this facility is also not recognised as a liability. The Company does recognise the security deposit as cash. The security deposit held as at 30 June 2016 was \$7.532 million (2015: \$11.389 million).

Notes to the Financial Statements

for the year ended 30 June 2016

7. Current Trade and Other Receivables (cont.)

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Ageing of past due but not impaired		
90 – 120 days	255	633
120+ days	776	1,552
Total	1,031	2,185
Movement in allowance for doubtful debts		
Balance at the beginning of the year	-	-
Doubtful debts recognised	(488)	(98)
Amounts written off as uncollectible	40	98
Balance at the end of the year	(448)	-

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Ageing of impaired receivables		
120+ days	-	-
	-	-

8. Current Inventories

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Raw materials	9,986	8,229
Finished goods ⁽ⁱ⁾	45,179	51,922
	55,165	60,151

(i) Includes fair value adjustment of biological assets at point of harvest \$9.284 million (2015: \$15.606 million)

9. Biological Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Livestock at fair value		
Opening balance	222,906	188,784
Gain or loss arising from changes in fair value less estimated point of sale costs	269,003	257,463
Increases due to purchases	12,948	9,316
Decreases due to harvest	(258,755)	(232,657)
Closing balance⁽ⁱ⁾	246,102	222,906

(i) Includes fair value adjustment of biological assets \$105.250 million (2015: \$83.817 million)

9. Biological Assets (cont.)

Fair Value of biological assets

The fair value of biological assets have been determined in accordance with generally accepted pricing models based on a discounted cashflow analysis.

Item	Fair value as at:		Fair value hierarchy	Valuation techniques
	30/06/2016 \$'000	30/06/2015 \$'000		
Biological Assets	246,102	222,906	Level 2	Discounted cashflow, based on observable market prices and cost of inputs, as described in Note 1(w).

10. Other Current Financial Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Loans carried at amortised cost:		
Loans to other parties	3,724	448
	3,724	448

11. Other Current Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Prepayments	6,396	2,740
	6,396	2,740

12. Investments Accounted for Using the Equity Method

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Investments in associates	8,592	8,670
	8,592	8,670
Reconciliation of movement in investments accounted for using the equity method		
Balance at the beginning of the financial year	8,670	8,280
Share of profit / (loss) for the year	(78)	390
Additions	-	-
Disposals	-	-
Balance at the end of the financial year	8,592	8,670

Notes to the Financial Statements

for the year ended 30 June 2016

12. Investments Accounted for Using the Equity Method (cont.)

Name of entity	Principal activity	Country of Incorporation	Ownership interest	
			2016 %	2015 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	68.94	68.94

(i) The Consolidated entity owns 68.94% (2015: 68.94%) of the issued capital and 61.22% (2015: 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.

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Summarised financial information of associates: ⁽ⁱ⁾		
Current assets	12,664	12,140
Non-current assets	28,726	29,136
	41,390	41,276
Current liabilities	(5,967)	(8,944)
Non-current liabilities	(11,709)	(8,264)
	(17,676)	(17,208)
Net assets	23,714	24,068
Revenue	9,043	9,110
Net profit / (loss)	(355)	592
Share of associates' profit / (loss):		
Share of profit / (loss) before income tax	(111)	557
Income tax (expense)/benefit	33	(167)
Share of associates' profit / (loss) – current period	(78)	390

(i) Profit and loss resulting from upstream and downstream transactions between an investor and an associate are recognised in the investor's financial statements only to the extent of unrelated investors' interest in the associate.

13. Other Non-Current Financial Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Shares in other entities at cost	43	43
Shares in other entities at cost	6	17
	49	60

14. Property, Plant and Equipment

Consolidated 2016	Freehold land at fair value \$'000	Buildings at fair value \$'000	Plant and equipment at cost \$'000	Capital works in progress at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 30 June 2015	4,570	51,686	266,950	43,718	366,924
Acquisition of business (i)	-	-	4,478	-	4,478
Additions	-	19,621	19,304	-	38,925
Disposals	-	-	(18,819)	-	(18,819)
Work-In-Progress Additions	-	-	-	44,368	44,368
Transfers to asset categories	-	-	-	(38,925)	(38,925)
Net revaluation increment / (decrement)	655	(879)	-	-	(224)
Balance at 30 June 2016	5,225	70,428	271,913	49,161	396,727
Accumulated depreciation					
Balance at 30 June 2015	-	(5,915)	(113,835)	-	(119,750)
Depreciation expense	-	(6,759)	(14,796)	-	(21,555)
Disposals	-	-	18,485	-	18,485
Transfers to asset categories	-	-	-	-	-
Net adjustments from revaluations	-	6,060	-	-	6,060
Balance at 30 June 2016	-	(6,614)	(110,146)	-	(116,760)
Net book value					
Balance at 30 June 2015	4,570	45,771	153,115	43,718	247,174
Balance at 30 June 2016	5,225	63,814	161,767	49,161	279,967

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

Consolidated 2015	Freehold land at fair value \$'000	Buildings at fair value \$'000	Plant and equipment at cost \$'000	Capital works in progress at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 30 June 2014	4,570	45,706	246,354	27,822	324,452
Additions	-	5,980	20,665	-	26,645
Disposals	-	-	(69)	-	(69)
Work-In-Progress Additions	-	-	-	42,541	42,541
Transfers to asset categories	-	-	-	(26,645)	(26,645)
Net revaluation increment / (decrement)	-	-	-	-	-
Balance at 30 June 2015	4,570	51,686	266,950	43,718	366,924
Accumulated depreciation					
Balance at 30 June 2014	-	(3,391)	(96,104)	-	(99,495)
Depreciation expense	-	(2,524)	(17,797)	-	(20,321)
Disposals	-	-	66	-	66
Transfers to asset categories	-	-	-	-	-
Net adjustments from revaluations	-	-	-	-	-
Balance at 30 June 2015	-	(5,915)	(113,835)	-	(119,750)
Net book value					
Balance at 30 June 2014	4,570	42,315	150,250	27,822	224,957
Balance at 30 June 2015	4,570	45,771	153,115	43,718	247,174

Notes to the Financial Statements

for the year ended 30 June 2016

14. Property, Plant and Equipment (cont.)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 30 June 2016 were performed by Mr M.J.Page [B.Bus.(Property)AAPI CPV], independent valuer not related to the Group. The valuation was based on comparable and observable market prices adjusted for property-specific factors, and conforms to Australian Valuations Standards.

Fair value of land and Buildings

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

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

Fair value of land and Buildings

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June 2015 \$'000
Freehold land	-	-	4,570	4,570
Buildings	-	-	45,771	45,771

15. Goodwill

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Gross carrying amount			
Balance at the beginning of financial year		14,851	14,851
Additional amounts recognised from business combinations occurring during the period	40	67,455	-
Balance at the end of financial year		82,306	14,851
Accumulated impairment losses			
Balance at the beginning of financial year		-	-
Impairment losses for the year		-	-
Balance at the end of the financial year		-	-
Net book value			
Balance at the beginning of the financial year		14,851	14,851
Balance at the end of the financial year		82,306	14,851

Impairment test for goodwill

Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entities, Aquatas Pty Ltd acquired in FY05 and De Costi Seafoods Pty Ltd acquired in FY16. For impairment testing purposes, goodwill has been tested at the cash generating unit (CGU) level, being the domestic and export CGU's. The recoverable amount of each CGU is determined based on the value-in-use calculation and is consistent with the disclosure for segment reporting. These calculations use a discounted cashflow projection using a pre-tax discount rate of 11.43% (2015: 12.17%). The calculations are based on management approved cashflows and financial projections to 2021, and a terminal value. The recoverable amount calculated exceeds the carrying value of goodwill. The cashflows beyond a five-year period have been extrapolated using a 2.5% (2015: 0.00%) per annum growth rate.

16. Other Intangible Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Gross carrying amount		
Balance at the beginning of financial year	24,184	24,184
Additional amounts recognised from acquisition of Superior Gold Brand	-	-
Balance at the end of financial year	24,184	24,184
Accumulated impairment losses		
Balance at the beginning of financial year	-	-
Additional amounts recognised from acquisition of Superior Gold Brand	-	-
Balance at the end of financial year	-	-
Net book value		
Balance at the beginning of financial year	24,184	24,184
Balance at the end of financial year	24,184	24,184

Impairment test and useful life assessment for other intangible assets

The carrying value of other intangible assets relating to the Superior Gold brand as at 30 June 2016 is \$24.184 million (2015: \$24.184 million). Management have assessed that the brand has an indefinite useful life. There is no foreseeable limited life for the brand and management has no intentions of ceasing use of the brand such that the life would be limited. The Brand will continue to be actively promoted and supported in the markets where Superior Gold branded products are sold.

The recoverable amount of other intangible assets is determined based on the value-in-use calculation. This calculation uses a discounted cashflow projection using a pre-tax discount rate of 11.43% (2015: 12.17%). The calculation is based on management approved cashflows and financial projections expected to be derived from the contribution of Superior Gold branded product sales for the financial year ended 30 June 2016, and projections over a further forecast period to 2021, and a terminal value.

The recoverable amount calculated exceeds the carrying value of the Superior Gold brand. The cashflows beyond a five-year period have been extrapolated using a 0.00% (2015: 0.00%) per annum growth rate.

17. Other Non-Current Assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Marine farming lease – at cost	826	826
Accumulated amortisation (i)	(454)	(424)
Selective breeding program contribution asset (ii)	4,393	3,983
	4,765	4,385

(i) Amortisation expense is included in the line item "depreciation and amortisation" in the income statement.

(ii) The Selective Breeding Program (SBP) is controlled by Salmon Enterprises of Tasmania Pty Ltd (Saltas). The success of the SBP and accordingly, the broodstock and resultant progeny is fundamental to the sustainability of Tassal Group Limited. The carrying value of the "selective breeding program contribution asset" is \$4.393 million (2015: \$3.983 million) and represents payments to the SBP to date.

All future investments in the SBP shall be capitalised to the SBP contribution asset in accordance with the policy. As the SBP eggs and smolt are progressively received by the Group, the capitalised value will transfer from the SBP contribution asset back to the finfish biological asset and be subsequently released to profit and loss as the livestock is harvested and sold. It is anticipated that the value of this asset should build to around \$5.00 million to \$6.00 million based on future expected contributions to the SBP program.

18. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in notes 20 and 24 to the financial statements, all current and non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security.

The consolidated entity does not hold title to the equipment under finance lease pledged as security.

Notes to the Financial Statements

for the year ended 30 June 2016

19. Current Trade and Other Payables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Trade payables (i)	54,889	49,535
Other creditors and accruals	6,628	8,347
Goods and services tax (GST) payable	353	375
	61,870	58,257

(i) The average credit period on purchases of goods is 60 days. No interest is generally charged on trade payables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at varying rates per annum on the outstanding balance. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20. Current Borrowings

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Secured:		
At amortised cost		
Bank overdrafts (i)	-	-
Finance lease liabilities (ii)	8,842	8,824
Bank loans (iii)	18,295	8,938
	27,137	17,762
Unsecured:		
At amortised cost		
Other loans	-	3
	27,137	17,765

(i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.

(ii) Secured by assets leased.

(iii) Secured by assets, the value of which exceeds the loan liability.

21. Current Provisions

Current provisions comprise:

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Employee benefits (refer to note 25)	6,850	5,384
	6,850	5,384

(i) The current provision for employee entitlements includes \$1.350 million (2015: \$1.115 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

22. Other Current Financial Liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Interest rate swap contracts	1,038	232
	1,038	232

23. Other Current Liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Deferred government grants	-	14
	-	14

24. Non-Current Borrowings

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Secured:		
At amortised cost:		
Cash advance (i)	107,679	47,694
Finance lease liabilities (ii)	13,075	13,579
	120,754	61,273

(i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.

(ii) Secured by assets leased.

25. Non-Current Provisions

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Employee benefits	1,592	1,231
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits		
Current (refer to note 21)	6,850	5,384
Non-current	1,592	1,231
	8,442	6,615

Notes to the Financial Statements

for the year ended 30 June 2016

26. Issued Capital

	Consolidated			
	2016 Number	2016 \$'000	2015 Number	2015 \$'000
<i>(a) Ordinary share capital (fully paid):</i>				
Ordinary shares	147,203,532	154,983	146,897,115	154,647
Changes to the Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.				
<i>(b) Movements in ordinary share capital</i>				
Balance as at the beginning of the financial 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
Balance as at the end of the financial year	147,203,532	154,983	146,897,115	154,647

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

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

Current financial year

(i) 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.

(ii) 139,534 fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2014 and which vested on 30 June 2016 will be issued pursuant to the Company's Long-term Incentive Plan.

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.

27. Reserves

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Hedging	(727)	(162)
Equity-settled employee benefits	1,540	1,542
Asset revaluation	12,700	8,615
	13,513	9,995
(a) Hedging reserve		
Balance at the beginning of the financial year	(162)	(182)
Gain/(loss) recognised on cashflow hedges:		
Interest rate swap contracts	(807)	28
Income tax related to gains / losses recognised in equity	242	(8)
Balance at the end of the financial year	(727)	(162)

The hedging reserve represents gains and losses recognised on the effective position of cashflow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item consistent with the applicable accounting policy.

27. Reserves (cont.)

(b) Equity-settled employee benefits reserve

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Balance at the beginning of the financial year	1,542	1,481
Share-based payment	334	495
Issue of shares pursuant to Executive Long Term Incentive Plan	(336)	(434)
Balance at the end of the financial year	1,540	1,542

The equity-settled employee benefits reserve arises on the grant of ordinary shares to the Chief Executive Officer pursuant to entitlements under his employment contract and in respect of performance rights issued to the Chief Executive Officer and Senior Executives pursuant to the Company's Long-term Incentive Plan. Amounts are transferred out of the reserve and into issued capital when the shares are issued.

(c) Asset revaluation reserve

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

The asset revaluation reserve arises on the revaluation of freehold land and freehold and leasehold buildings. Where a revalued land or building is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

(Refer to note 14 for details of independent valuation of freehold land and freehold and leasehold buildings).

28. Retained Earnings

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Balance at the beginning of the financial year	208,691	177,796
Net profit attributable to members of the parent entity	48,493	49,992
Dividends provided for or paid (refer to note 30)	(21,344)	(19,097)
Balance at the end of the financial year	235,840	208,691

29. Earnings per Share (EPS)

	Consolidated 2016 (Cents per share)	Consolidated 2015 (Cents per share)
Earnings per ordinary share		
Basic (cents per share) (i)	32.95	34.05
Diluted (cents per share) (ii)	32.78	33.83

(i) Basic earnings per share is calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares of the Company.

(ii) Diluted earnings per share is calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

Notes to the Financial Statements

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	2016 No. '000	2015 No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	147,157	146,837
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	759	946
Number for diluted EPS	147,916	147,783

29. Earnings per Share (EPS) (cont.)

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Earnings used as the numerator in the calculation of EPS (i)		
Earnings for basic EPS	48,493	49,992
Earnings for diluted EPS	48,493	49,992

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

30. Dividends

	Year Ended 30 June 2016		Year Ended 30 June 2015	
	Cents per share	\$'000	Cents per share	\$'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year	7.50	11,040	7.00	10,283
Final dividend paid in respect of prior financial year	7.00	10,304	6.00	8,814
	14.50	21,344	13.00	19,097
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend in respect of current financial year	7.50	11,040	7.00	10,304

On 19 August 2016, the Directors declared a final dividend of \$11,040 million (7.50 cents per ordinary share) in respect of the financial year ended 30 June 2016. The final dividend will be 100% franked. The record date for determining entitlements to this dividend is 9 September 2016. The final dividend will be paid on 29 September 2016.

The final dividend in respect of ordinary shares for the year ended 30 June 2016 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2016.

No portion of the final dividend declared for the financial year ended 30 June 2016 constitutes Conduit Foreign Income.

	Consolidated 2016 '000	Consolidated 2015 '000
Franking account balance	2,730	1,697

31. Commitments for Expenditure ⁽ⁱ⁾

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	18,873	30,437
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	18,873	30,437

(i) Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 32 to the financial statements.

32. Leases

(a) Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than 1 year	9,876	9,996	8,842	8,824
Later than 1 year and not later than 5 years	13,898	14,655	13,075	13,579
Later than 5 years	-	-	-	-
Minimum lease payments*	23,774	24,651	21,917	22,403
Less future finance charges	(1,857)	(2,248)	-	-
Present value of minimum lease payments	21,917	22,403	21,917	22,403
Included in the financial statements as:				
Current borrowings (refer to note 20)			8,842	8,824
Non-current borrowings (refer to note 24)			13,075	13,579
			21,917	22,403

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Finance lease liabilities relate to various plant and equipment with lease terms of up to ten years.

(b) Non-cancellable operating leases

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Not longer than 1 year	17,428	9,110
Longer than 1 year and not longer than 5 years	41,879	23,678
Longer than 5 years	21,594	14,958
	80,901	47,746

The consolidated entity leases property and equipment under non-cancellable operating leases with terms of one to fifteen years. Contracts for specific property leases for hatchery, processing and marine lease infrastructure are for terms of up to 15 years, with options to renew for a further 5 year term incorporating contract CPI review clauses.

Contracts for specific property leases for corporate offices and related infrastructure are for an initial term of 5 years with an option to renew for subsequent 5 year term's incorporating market review clauses.

33. Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at the date of this Annual Financial Report.

Notes to the Financial Statements

for the year ended 30 June 2016

34. Investments in controlled entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2016	2015
Parent entity:			
Tassal Group Limited (i)	Australia		
Controlled entities: (ii)			
Tassal Operations Pty Ltd (iii), (v), (vii),(ix)	Australia	100%	100%
Aquatas Pty Ltd (iv), (v), (vii), (ix)	Australia	100%	100%
De Costi Seafoods Pty Ltd (vi),(viii),(ix)	Australia	100%	

Notes:

- (i) Tassal Group Limited is the head entity within the tax-consolidated group and also the ultimate parent entity.
- (ii) These companies are members of the tax-consolidated group.
- (iii) Tassal Operations Pty Ltd was established as a wholly-owned subsidiary on 19 September 2003.
- (iv) Aquatas Pty Ltd was acquired on 18 March 2005 pursuant to a Merger Agreement with Webster Limited.
- (v) On 28th June 2006 Tassal Operations Pty Ltd and Aquatas Pty Ltd as wholly-owned subsidiaries entered into a deed of cross guarantee with Tassal Group Limited (2006 Deed of Cross Guarantee) for the purpose of obtaining for these wholly-owned subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act (including the requirements to prepare and lodge an audited financial report) granted by ASIC by an order made under sub-section 340(1) of the Corporations Act on 27th June 2006. The order made by ASIC relieved those wholly-owned subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they had satisfied the conditions set out in ASIC Class Order 98/1418.
- (vi) De Costi Seafoods Pty Ltd was acquired on 1 July 2015 pursuant to a share sale agreement.
- (vii) On 1 June 2016, Tassal Operations Pty Ltd and Aquatas Pty Ltd as wholly-owned subsidiaries entered into a Deed of Variation to the 2006 Deed of Cross Guarantee with Tassal Group Limited.
- (viii) On 1 June 2016 De Costi Seafoods Pty Ltd entered into an Assumption Deed with Tassal Group Limited, on behalf of the Group entities to the Deed of Cross Guarantee, to join as a party to the 2006 Deed of Cross Guarantee (as varied).
- (ix) Relief is now pursuant to ASIC Class Order 98/1418.

35. Segment Information

The Group has identified operating segments based on the internal reports that are reviewed by the chief operating decision maker (CODM) in assessing performance and in determining the allocation of resources. The CODM at Tassal is considered to be the Board of Directors.

The principal activities of the group are to farm, process, market and sell salmon and to procure, process, market and sell other seafood species.

Reportable segments are determined by the similarity of goods sold and the method used to distribute the goods. Following the acquisition of De Costi Seafoods Pty Ltd, the Company revised its approach to reporting to the CODM, such that it now reports based on sales to geographical regions, namely domestic and export. Segment information for 2015 has been restated.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Name of entity		Consolidated 2016 \$'000	Consolidated 2015 \$'000
	Note		
Revenue from the sale of goods:			
Domestic market		412,139	295,728
Export market		13,046	8,365
Total revenue from the sale of goods	3(a)	425,185	304,093

The Group had two customers who individually contributed more than 10% of revenue for the year. Included in the domestic market section of revenue from the sale of goods of \$412,139 thousand (2015: \$295,728 thousand) are sales of \$209,996 thousand (2015: \$136,744 thousand) which arose from sales to the Group's two largest customers.

Operational EBITDA:			
Domestic market		79,709	71,185
Export market		2,474	1,402
Total operational EBITDA		82,183	72,587

Operational EBITDA is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

36. Seasonality

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

37. Related Party Disclosures

Identity of related parties

The following persons and entities are regarded as related parties:

(i) Controlled entities:

Tassal Operations Pty Ltd
Aquatass Pty Ltd
De Costi Seafoods Pty Ltd
(Refer to note 34 for details of equity interests in the above controlled companies).

(ii) Associates:

Salmon Enterprises of Tasmania Pty Ltd
(Refer to note 12 for details of equity interests in the above associates).

(iii) Key Management Personnel:

Directors and other Key Management Personnel also include close members of the families of Directors and other Key Management Personnel.

Transactions between related parties

(a) Key Management Personnel

In determining the disclosures noted below, the Key Management Personnel have made appropriate enquiries to the best of their ability and the information presented reflects their knowledge.

Other than as disclosed herein, the Key Management Personnel are not aware of any relevant transactions, other than transactions entered into during the year with Directors and Executives of the Company and its controlled entities and with close members of their families which occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those, it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person.

(i) Loans

There have been no loans entered into during or since the end of the financial year to or from Key Management Personnel.

(ii) Compensation

Details of Key Management Personnel compensation are disclosed in the Remuneration Report and in note 5 to the financial statements.

(iii) Other transactions

Excluding contracts of employment, no Key Management Personnel have entered into a contract or other transactions with the Company or the consolidated entity during the financial year and there were no contracts or other transactions involving Key Management Personnel's interests subsisting at year end.

(b) Associates

(i) Purchase (sales) of goods and services

The consolidated entity entered into transactions with the following associate for the supply of smolt (juvenile salmon), ancillary related items and the sale of various goods and services. These transactions were conducted on normal commercial terms and conditions.

Entity	Consolidated 2016 \$	Consolidated 2015 \$
Salmon Enterprises of Tasmania Pty Ltd	6,648,754	7,052,157
	6,648,754	7,052,157

(ii) Financial guarantee contract

During the 2012 financial year the consolidated entity 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 consolidated entity's guarantee was for \$5.88 million. During the 2016 financial year the financial guarantee contract was no longer required as a condition of the loan facility to Salmon Enterprises of Tasmanian Pty Ltd.

Notes to the Financial Statements

for the year ended 30 June 2016

38. Notes to the Statement of Cashflows

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<i>(a) For the purposes of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:</i>		
Cash and cash equivalents	12,521	13,324
Bank overdrafts	-	-
	12,521	13,324
<i>(b) Reconciliation of profit for the period to net cashflows from operating activities:</i>		
Profit for the period	48,493	49,992
Depreciation and amortisation of non-current assets	21,010	18,368
Depreciation – impact of allocation to cost of live and processed fish inventories	1,000	1,983
Net (increment)/decrement in biological assets	(21,433)	(19,946)
Net (increment)/decrement in biological assets at point of harvest	6,322	(1,432)
Share of associates' and jointly controlled entities' profits	78	(390)
Equity settled share-based payment	334	495
(Increase) / decrease in assets:		
Inventories (i)	(1,336)	(5,312)
Biological assets (i)	(1,763)	(14,176)
Trade and other receivables	(11,266)	(6,398)
Prepayments	(3,656)	(885)
Other current financial assets	(3,276)	-
Other non-current financial assets	11	11
Other non-current assets	(5,963)	-
Increase / (decrease) in liabilities:		
Current trade and other payables	6,344	6,260
Other current financial liabilities	242	(8)
Other current liabilities	(14)	(277)
Current tax liability	8,986	430
Current provisions	1,467	(538)
Deferred tax balances	4,282	14,363
Non-current provisions	361	156
Net cash provided by operating activities	50,223	42,696

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

38. Notes to the Statement of Cashflows (cont.)

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
(c) Financing facilities		
Secured revolving bank overdraft facility subject to annual review and payable at call		
- Amount used	-	-
- Amount unused	15,000	12,000
	15,000	12,000
Secured facilities with various maturity dates		
- Amount used	113,790	47,694
- Amount unused	23,210	9,306
	137,000	57,000
Revolving lease finance facilities subject to annual review with individual lease terms no greater than 10 years		
- Amount used	33,922	31,274
- Amount unused	16,278	15,726
	50,200	47,000

39. Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Financial risk management objectives and derivative financial instruments

The Group's activities expose it to a variety of financial risks which include operational control risk, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cashflow interest rate risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase and sale of imported and exported supply of salmon; and
- interest rate swaps to mitigate the risk of rising interest rates.

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

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

The Group uses different methods to mitigate different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and aging analysis for credit risk.

There has not been any material change to the objectives, policies and processes for managing financial risk during the year or in the prior year.

Notes to the Financial Statements

for the year ended 30 June 2016

39. Financial Instruments (cont.)

(c) Capital risk management

The consolidated entity manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in notes 20 and 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26, 27 and 28 respectively.

Operating cashflows are significantly used to maintain and expand the consolidated entity's biological asset and property plant and equipment asset base, as well as to make the routine outflows of tax, dividends and timely repayment of maturing debt. The consolidated entity's policy is to use a mixture of equity and debt funded instruments in order to meet anticipated requirements.

Gearing ratio

The Board of Directors review the capital structure on a regular basis and in conjunction with the Group's formulation of its annual operating plan and strategic plan updates. The Group balances its overall capital structure through the payment of dividends, new shares and borrowings.

The gearing ratio at year end was as follows:

	Net debt to equity ratio	
	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Financial assets		
Debt (i)	147,891	79,038
Cash and cash equivalents	(12,521)	(13,324)
Net debt	135,370	65,714
Equity (ii)	404,336	373,333
Net debt to equity ratio	33.48%	17.60%

(i) Debt is defined as long and short term borrowings as detailed in notes 20 and 24.

(ii) Equity includes all capital and reserves.

(d) Market risk management

Market risk is the risk of loss arising from adverse movements in observable market instruments such as foreign exchange and interest rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rates and foreign currency risk, including

- forward foreign exchange contracts to hedge the exchange risk arising from purchases and sales in foreign currencies [refer note 39 (e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer note 39 (f)].

(e) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

The consolidated entity regularly assesses the need to enter into forward exchange contracts where it agrees to buy and sell specified amounts of foreign currencies in the future at a pre-determined exchange rate. The objective is to match the contracts with anticipated future cashflows from purchases and sales in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than two months.

The consolidated entity enters into forward exchange contracts to hedge all foreign currency plant and equipment purchase in excess of 250,000 Australian Dollars and regularly assesses the need to hedge foreign exchange sales on a committed basis.

39. Financial Instruments (cont.)

(f) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the consolidated entity by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Pursuant to the consolidated entity's Treasury Policy, the consolidated entity may use interest rate swap contracts to manage interest rate exposure. Under these contracts, the consolidated entity agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates and debt held.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Outstanding fixed contracts	Average contracted fixed interest rate		Consolidated notional principal value		Fair value	
	2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
1 to 4 years	2.41	3.39	80,000	20,000	(1,038)	(232)
			80,000	20,000	(1,038)	(232)

The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Interest rate sensitivity analysis

The sensitivity analyses in the following table have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The following table details the consolidated entity's sensitivity to a 1% increase and decrease in interest rates against the relevant exposures. A positive number indicates an increase in profit or loss where interest rates increase. For a reduction in interest rates against the respective exposures, there would be an equal and opposite impact on the profit or loss and the balances below would be reversed.

	Interest rate risk	
	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Financial Assets		
Cash and cash equivalents	125	133
Total Profit / (Loss)	125	133

(g) Liquidity risk management

Liquidity risk refers to the risk that the consolidated entity or the Company will not be able to meet its financial obligations as they fall due. The consolidated entity and the Company undertake the following activities to ensure that there will be sufficient funds available to meet obligations:

- prepare budgeted annual and monthly cashflows;
- measurement and tracking of actual cashflows on a daily basis with comparison to budget on a monthly basis;
- matching the maturity profile of financial assets and liabilities; and
- delivering funding flexibility through maintenance of a committed borrowing facility in excess of budgeted usage levels.

Included in note 38 (c) is a summary of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest rate tables

The following tables detail the consolidated entity and Company's expected maturity for its financial assets and contractual maturity for financial liabilities.

Notes to the Financial Statements

for the year ended 30 June 2016

39. Financial Instruments (cont.)

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

Fair value hierarchy

Item	Fair value as at		Fair value hierarchy	Valuation techniques
	30/06/2016 \$'000	30/06/2015 \$'000		
Interest rate swaps	1,038	232	Level 2	Discounted cashflow. Future cashflows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties

39. Financial Instruments (cont.)

Consolidated 2015	Average interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	4,837	-	-	4,837
Other receivables	-	9,197	-	-	9,197
Other financial assets	-	437	-	43	480
<i>Variable interest rate:</i>					
Cash and cash equivalents	0.75%	13,324	-	-	13,324
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	11	17	-	28
		27,806	17	43	27,866
Financial liabilities					
<i>Non-interest bearing:</i>					
Financial Guarantees	-	5,880	-	-	5,880
Trade payables	-	49,535	-	-	49,535
Other payables	-	8,722	-	-	8,722
<i>Variable interest rate:</i>					
Cash advance	2.18%	-	47,694	-	47,694
<i>Fixed interest rate maturity:</i>					
Interest rate swaps	3.39%	232	-	-	232
Finance lease liabilities	6.33%	8,824	13,579	-	22,403
Bank loans	4.12%	8,938	-	-	8,938
Other loans	8.20%	3	-	-	3
		82,134	61,273	-	143,407

Fair Value of financial assets and financial liabilities

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined.

The amounts included above for financial guarantee contracts are the maximum amounts the Group would be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations or commitments resulting in financial loss to the consolidated entity. To help manage this risk, the consolidated entity has adopted the policy of only dealing with creditworthy counterparties in accordance with established credit limits and where appropriate obtaining sufficient collateral or other security generally via trade credit insurance arrangements. The overall financial strength of customers is also monitored through publicly available credit information.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, together with the financial guarantee contract as disclosed in Note 37 (b) (ii), represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The consolidated entity maintains a provision account, described in the Annual Financial Report as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision is not maintained. Unallocated receivables are charged to the allowance for doubtful debts account.

Notes to the Financial Statements

for the year ended 30 June 2016

39. Financial Instruments (cont.)

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the summary of accounting policies disclosed in note 1 to these financial statements and having regard to likely future cashflows.

40. 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 accounting value of \$16.787 million.

(a) Subsidiary acquired

De Costi Seafoods Pty Ltd

Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred \$'000
Seafood processor	01/07/2015	100	66,787
			66,787

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 transferred

	De Costi Seafoods Pty Ltd \$'000
Cash	50,000
Contingent Consideration	16,787
Total consideration	66,787

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:

- 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:

- Performed 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 initial fair value of the contingent consideration has been assessed at \$16,787,340.

At 30 June 2016, the fair value of the contingent consideration has been re-assessed. It has been concluded that there is no material change in the carrying value of the contingent consideration, and accordingly, the fair value of \$16,787,340 is maintained.

(c) Net cash outflow on acquisition of subsidiary

	Year ended 30 June 2016 \$'000
Cash applied from proceeds of borrowings	50,000
Add: costs incidental to the acquisition	508
Less: cash and cash equivalent balances acquired	(1,567)
Net cash outflow on acquisition	48,941

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.

(d) Fair value of net liabilities acquired

	De Costi Seafoods Pty Ltd \$'000
Current assets:	
Cash and cash equivalents	1,567
Trade and other receivables	8,162
Inventories	4,426
Non-current assets:	
Plant and equipment	4,478
Deferred tax assets	380
Current liabilities:	
Trade and other payables	(16,492)
Provisions	(992)
Non-current liabilities:	
Borrowings	(2,197)
Net liabilities acquired	(668)

(e) Goodwill arising on acquisition

	De Costi Seafoods Pty Ltd \$'000
Consideration transferred	66,787
Add: fair value of net liabilities acquired	668
Goodwill arising on acquisition	67,455

Goodwill arose in the acquisition of De Costi Seafoods Pty Ltd because the underlying earnings multiple exceeded the fair value of the net liabilities 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.

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

Notes to the Financial Statements

for the year ended 30 June 2016

41. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

	Company 2016 \$'000	Company 2015 \$'000
Statement of financial position		
Current Assets		
Trade and other receivables	143,050	133,628
Total Current Assets	143,050	133,628
Non-Current Assets		
Other financial assets	28,119	28,119
Deferred tax assets	191	211
Total Non-current Assets	28,310	28,330
Total Assets	171,360	161,958
Current Liabilities		
Current tax liability	10,916	1,930
Total Current Liabilities	10,916	1,930
Total Liabilities	10,916	1,930
Net Assets	160,444	160,028
Equity		
Issued capital	154,983	154,647
Reserves	1,540	1,542
Retained earnings	3,921	3,839
Total Equity	160,444	160,028
	Company 2016 \$'000	Company 2015 \$'000
Statement of comprehensive income		
Profit for the period	21,344	19,097
Other comprehensive income	-	-
Total comprehensive income	21,344	19,097

Directors' Declaration

The Directors declare that:

1. In the opinion of the Directors of Tassal Group Limited (the Company):
 - (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (b) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
 - (c) the attached financial statements and notes set out on pages 32 to 73 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Act 2001*.
2. At the date of this declaration, the Company and its subsidiaries are party to a deed of cross guarantee entered into for the purpose of obtaining for the Company's subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act granted by ASIC by an order made under subsection 340 (1) of the Corporations Act on 27 June 2006 as varied by Deed of Variation to the 2006 Deed of Cross Guarantee dated 1 June 2016. Relief is now pursuant to ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor of each other company which is party to the deed payment in full of any debt owed by each other company.

In the Directors' opinion, there are reasonable grounds to believe that the Company and each of its wholly-owned subsidiaries, being the parties to the deed of cross guarantee as detailed in note 34 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



A. D. McCallum

Chairman

Hobart, this 19th day of August 2016

Independent Auditor's Report to the members of Tassal Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Tassal Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cashflows and the consolidated statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 32 to 73.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Tassal Group Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

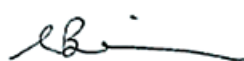
We have audited the Remuneration Report included in pages 11 to 24 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Tassal Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Hobart, 19 August 2016

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

Additional Securities Exchange Information

The following additional information is provided in accordance with the ASX Listing Rules as at 25 August 2016.

Number of holder of equity securities

Ordinary share capital (quoted)

149,443,066 fully paid ordinary shares are held by 8,876 shareholders. At a general meeting, every shareholder present in person or by proxy, attorney of representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held.

Performance rights (unquoted)

611,694 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 17 employees. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

Distribution of holders of equity securities

Number of equity securities held	Ordinary Shares			Performance Rights		
	No. of holders	No. of shares	% of shares	No. of holders	No. of rights	% of rights
1 – 1,000	2,997	1,554,930	1.04	-	-	-
1,001 – 5,000	3,989	10,393,030	6.95	-	-	-
5,001 – 10,000	1,097	8,161,295	5.46	4	31,605	5.17
10,001 – 100,000	747	17,258,221	11.55	12	411,845	67.33
100,001 and over	46	112,075,590	74.99	1	168,244	27.50
Rounding			0.01	-	-	-
	8,776	149,443,066	100.00	17	611,694	100.00

The number of shareholders holding less than a marketable parcel of 119 fully paid ordinary shares on 25 August 2016 is 292 and they hold 6,446 fully paid ordinary shares.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to ASX during the financial year.

Name	Number of ordinary shares	% of voting power advised
Australian Super Pty Ltd	10,233,819	6.95%
Tribeca Investment Partners Pty Ltd	9,725,608	6.61%
Dimensional Entities	8,838,893	6.01%
National Australia Bank Limited	7,396,802	5.03%
Westpac Banking Corporation Limited (ceasing to be a substantial shareholder 11.09.15)		
BT Investment Management Ltd (ceasing to be a substantial shareholder 14.08.15)		

Twenty largest holders of quoted ordinary shares

Rank	Name	Units	% of Units
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	35,558,003	23.79
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,836,420	18.63
3.	NATIONAL NOMINEES LIMITED	13,765,726	9.21
4.	CITICORP NOMINEES PTY LIMITED	10,007,374	6.70
5.	ARGO INVESTMENTS LIMITED	4,446,083	2.98
6.	BNP PARIBAS NOMS PTY LTD <DRP>	3,133,193	2.10
7.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	2,503,000	1.67
8.	RASIN HOLDINGS PTY LTD <G & A COSTI INVESTMENT A/C>	2,100,000	1.41
9.	MIRRABOOKA INVESTMENTS LIMITED	1,550,000	1.04
10.	AMP LIFE LIMITED	1,299,638	0.87
11.	BRAZIL FARMING PTY LTD	1,000,000	0.67
12.	KYKUIT PTY LTD	711,203	0.48
13.	AMCIL LIMITED	550,527	0.37
14.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	487,858	0.33
15.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	418,178	0.28
16.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	411,422	0.28
17.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	375,750	0.25
18.	MR MARK RYAN	360,378	0.24
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	351,134	0.23
20.	PAN AUSTRALIAN NOMINEES PTY LIMITED	340,780	0.23
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		107,206,667	71.74
Total Remaining Holders Balance		42,236,399	28.26

On-market buy-back

There is no current on-market buy-back.



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