TASSAL GROUP
ANNUAL REPORT 2020

Company Directory

Directors

Allan McCallum AO, Dip.Ag Science, FAICD (Chairman)

James Fazzino, B.Ec (Hons), CPA (Appointed 29 May 2020)

Richard Haire, B.Ec, FAICD (Appointed 5 March 2020)

Trevor Gerber, B.Acc CA (SA)

Christopher Leon, BScEng, MEngSci, FAICD
(Retired 29 October 2019)

Mark Ryan, B.Com, CA, MAICD, FAIM (Managing Director)

John Watson, AM

Jackie McArthur, B.Eng (Aero)

Georgina Lynch, BA.LLB

Chief Executive Officer

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

Company Secretary

Monika Maedler, BEc, LLB, FCIS

Registered Office*

Level 9
1 Franklin Wharf
Hobart
Tasmania 7000
Telephone (03) 6244 9099
Facsimile (03) 6244 9002
E-mail tassal@tassal.com.au
Website www.tassalgroup.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

Commonwealth Bank of Australia
Level 20, Tower 1
727 Collins Street
Docklands
Victoria 3008

Coöperatieve Rabobank U.A.
Level 9
1 Collins 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
Kaylene Little	Head of People and Communities
Dale Williams	Head of Sales and Marketing

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Chairman's and Chief Executive Officer's Report

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1. REVIEW OF OPERATIONS

Tassal's Directors are pleased to present the Company's Appendix 4E: Full Year Report to 30 June 2020 (**FY20**).

The Company's growth strategy is underpinned by 5 pillars:

1. Being the market leader on all operational, financial, environmental and societal value metrics
2. Ensuring geographic and species diversification
3. Driving domestic per capita consumption growth
4. Maintaining an Eastern Seaboard supply chain: ensuring we are freshest to market on a national basis with short shelf life products
5. Maintaining best practice aquaculture: being regarded as global leaders in aquaculture production and environmental stewardship.

Tassal's FY20 growth strategy was to increase operating efficiencies within salmon production to lower costs, while diversifying operations by transferring the Company's knowledge and skills to prawns. The Directors believe that Tassal's FY20 results demonstrated that this strategy was well implemented – generating strong increases across operational, financial, environmental and social parameters, while successfully navigating through COVID-19, with the key highlights being:

1. **Delivered sustainable growth**: Balancing strategic, operational, financial, environmental and societal value metrics
2. **Strong growth in operating EBITDA to $138.6 million**: Reflecting the benefits of Tassal's growth strategy
3. **Further growth investment**: Supported by operating cashflows, debt headroom, comfortable gearing levels and a strong balance sheet
4. **Salmon delivering on strategy**: Investment and subsequent 12.9% increase in live biomass, production efficiencies and further optimised sales mix, positions well for further growth in returns
5. **Prawns exceeding expectations**: Harvest of 2,460 tonnes was more than expected, with substantial uplift in planned FY21 harvest volume to circa 4,000 tonnes, with infrastructure in place
6. **Industry world best ESG initiatives**: Underpin sustainable growth for both salmon and prawns
7. **Overall:** Despite sales challenges imposed by COVID-19 market fractures, shareholder value was enhanced through optimising margins via sales mix and operating efficiencies. Salmon and prawn product and brand strategy aligns to consumer needs during and after COVID-19, and will continue driving domestic per capita consumption growth. Increasing harvest biomass, optimising margins via sales mix and operating efficiencies, and a strong sustainable diversified operating platform, best position Tassal to navigate through COVID-19 and further grow earnings and returns in FY21.

COVID-19 presents a volatile and challenging environment in a world of unknowns, a recessionary environment, and potentially new consumption rules. The Directors believe Tassal is as best prepared as it can be. While the Company is not immune to global and local forces outside of its control, Tassal's key strengths that will assist in mitigating this environment – diversification strategies across customers and consumers, growing and processing areas, and species and products – combined with a focus on sustainability, position the Company to continue its growth trajectory:

- **Salmon** – through optimising Tassal branded sales, sales mix and reducing cost $/kg via the improvements implemented in Tassal's farming and processing operations. The Company's new marketing campaign for FY21 focuses on the Tassal brand and branded retail product lines, and is expected to further improve domestic market sales mix. The Well Boat, Feed Centre and further improvements in fish husbandry should grow fish more efficiently and effectively, improving their survival, increasing biomass and reduce growing costs. These initiatives are planned to translate into increasing salmon returns in FY21.
- **Prawns** – the substantial lift in planned prawn harvest volumes in FY21 to circa 4,000 tonnes should underpin a material lift in prawn earnings. Like salmon, the marketing campaign for Tropic Co Tiger Prawns focusses on the brand's Australian provenance, high quality and value. The same approach to salmon – growing the domestic market, leveraging current relationships, and using the export market as risk mitigation – is planned to further underpin substantial growth for prawns in FY21.

The Directors are mindful of Tassal's social licence to operate, and responsibly balance the Company's initiatives and outcomes against scorecard objectives covering people, planet, product and performance.

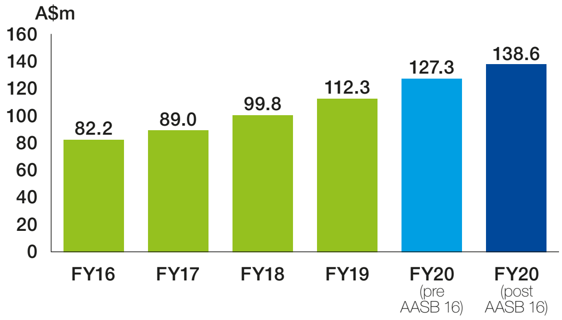
In line with the United Nations' Sustainable Development Goals, and supported by world-class partnerships and certification programs, long-term financial, operational, social, biosecurity and environmental ambitions have been established by Tassal that are centred on collaboration, shared value and responsible growth.

Operational & Financial Highlights

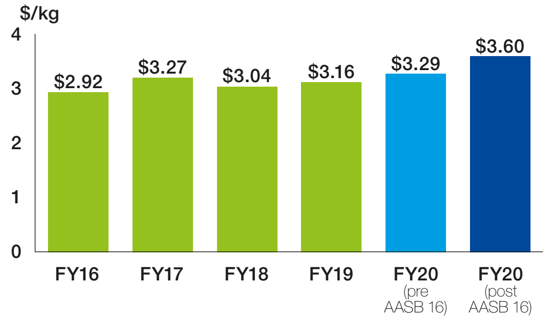
Strong platform in place to drive increased earnings and returns in FY21.

The strategy for FY21 is to reduce cost $/kg for both salmon and prawns via the improvements implemented in the Company's farming operations through optimising biomass growth and size (cost efficiencies) and sales mix (higher margin markets and products). In addition, the substantial lift in planned prawn harvest volumes in FY21 to circa 4,000 tonnes should underpin a material lift in prawn earnings.

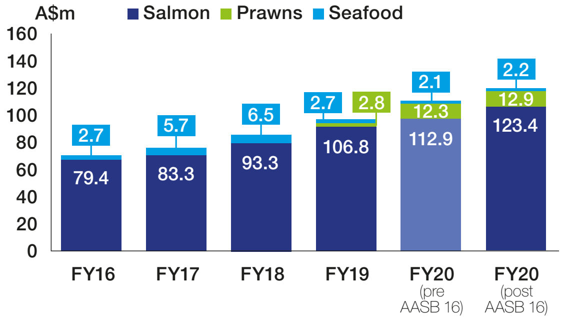
Operating EBITDA: $138.6m;
(Pre AASB 16 $127.3m up 13.3%)



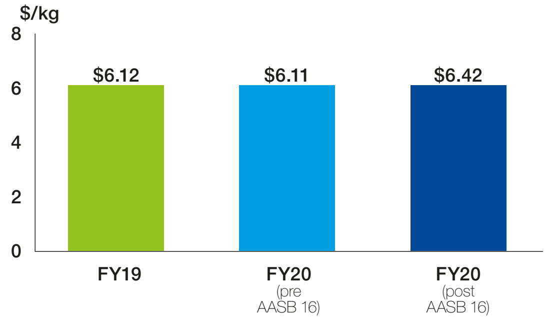
Salmon Operating EBITDA $/kg: $3.60/kg;
(Pre AASB 16 $3.29/kg up 4.3%)



Operating EBITDA: Split between salmon, prawns and seafood



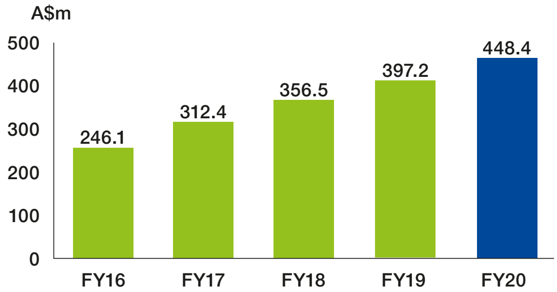
Prawn Operating EBITDA $/kg: $6.42/kg
(Pre AASB 16 $6.11kg; flat)



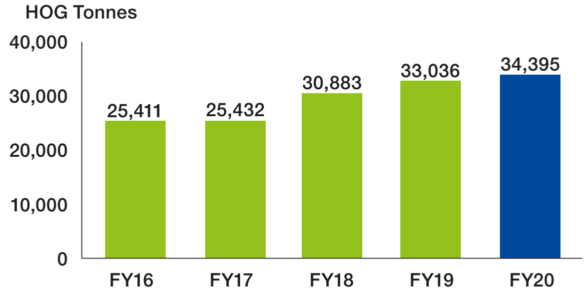
- **Salmon: delivering growth and increasing operating EBITDA $/kg.** The FY20 strategy was to grow operating EBITDA $/kg through more efficient farming and processing operations, combined with optimising sales mix. Tassal was able to drive growth in both sales and production levels in 2H20 to provide a platform for planned earnings growth in FY21. Increased salmon biomass at 30 June 2020 underpins planned sales and harvest growth in FY21, with this supported by Tassal's recently released "Switch it for Salmon" marketing campaign.
- **Farming:** Salmon growth was optimised by leaving fish in the water to grow in the key growing time of July to October
  - Better balance of harvested biomass between halves with 2H20 at 16,466 hog tonnes vs 1H20 at 17,929 hog tonnes (1H19: 21,710 hog tonnes – 2H19: 11,326 hog tonnes)
  - Average harvest size of 4.52kg hog in FY20 (FY19: 4.39kg hog)
  - 27,384 tonnes of live fish at 30 June 2020 (30 June 2019: 18,978 tonnes)
- **Sales:** EBITDA $/kg increased as operating and supply chain efficiencies flowed through and domestic per capita consumption continued to grow
  - 28,259 hog tonnes of domestic market sales (FY19: 26,860 hog tonnes) - sales tonnage up 5.2%, with domestic EBITDA up 13.5% as a result of larger salmon and more efficient operating systems driving EBITDA $/kg returns
  - 6,051 hog tonnes of export market sales (FY19: 6,696 hog tonnes) – sales flat, but targeted only for excess fish
  - Operating EBITDA $/kg up 14.0% to $3.60/kg; up 4.3% pre AASB 16 to $3.29/kg (FY19: $3.16/kg)

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

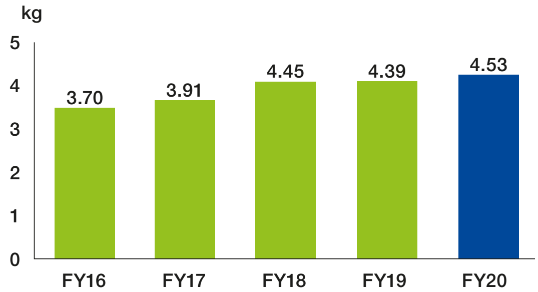
Salmon live biomass at 30 June 2020: $448.4m; up 12.9%



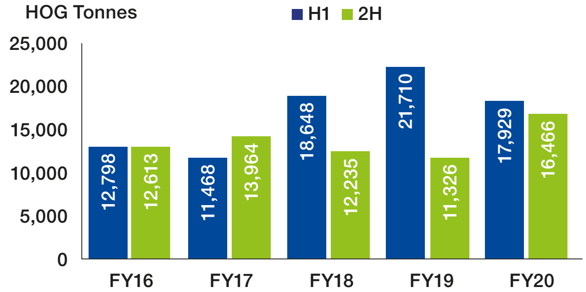
Salmon harvest tonnes: 34,395 tonnes; up 4.1%



Average salmon harvest size: Increased to 4.53 Hog kg

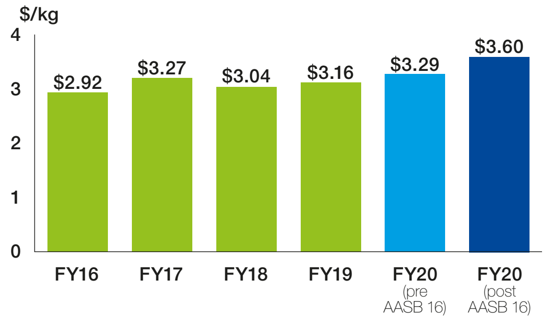


Rebalancing salmon harvesting: 1H/2H of 52%/48%



For optimal sales mix, an average fish size of 4.5kg to 5.0kg hog optimises returns

Salmon Operating EBITDA $/kg: $3.60/kg;
(Pre AASB 16 $3.29/kg up 4.3%)



- **Fish Health:** Salmon growth on inputs in 2019 and for harvest in FY21 are progressing well with strong survival rates and no Pilchard Orthomyxovirus (POMV). FY21 will see continued focus on POMV from vaccination and fish husbandry practices.
- **Prawns: operations delivered on expectations.** Prawn biomass harvest of 2,460 tonnes and an increase in earnings from $2.8 million to $12.3 million (pre AASB 16 Leases) delivered on expectations. In terms of Tassal's execution of its prawns strategy:
  - **Proserpine Stages 1 & 2 COMPLETED**: Capital spend and operating on budget. SmartFarm and processing infrastructure upgrades and builds completed prior to the FY20 harvest season
  - **Proserpine Stage 3 COMPLETED**: Expansion at Proserpine (i.e. additional 80 hectares of ponds and a new hatchery) is complete. On track for stocking for the FY21 harvest season
  - **Proserpine Stage 4:** Pond infrastructure expansion to be completed in FY21 and FY22. Proserpine potential c400ha of ponds (once authorised by relevant authorities and fully developed)
  - **Exmoor Station:** Exmoor Station approval processes commenced. Site Master Plan is being progressed with a view to commencing approvals processes before 31 December 2020
  - **Technological innovation**: Tassal has developed improved technology to both feed live prawns (improve growing costs) and also to be able to cook and freeze prawns (improve supply chain costs)
  - **Prawn EBITDA $/kg**: EBITDA $/kg is planned to increase as infrastructure and technology upgrades are completed.

Growth initiatives and Exmoor Station (once authorised by the relevant authorities and fully developed) are planned to support a long-term prawn production harvest target of circa 20,000 tonnes p.a.

Our people

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

Tassal's focus and relentless pursuit is to achieve the core value of "Zero Harm". Tassal's goal from a Total Recordable Injury Frequency Rate (**TRIFR**) perspective is < 10. Significantly, this goal was achieved with a result of **8.0**. We need to ensure that we continue to sustain this level of performance.

Tassal's training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents. The reduction of manual tasks through automation and operational advancements, such as the new Well Boat and Centralised Feed Centre, will continue to support Tassal's priority goal of achieving Zero Harm.

Financial results

Statutory, Underlying and Operating Financial Performance

Tassal has followed the guidance for underlying profit as issued by the Australian Institute of Company Directors and Financial Services Institute of Australasia in March 2009 and ASIC Regulatory Guide RG 230 *'Disclosing non-IFRS financial information'*. The key financial results for FY20 were:

Full Year ended 30 June 2020	Statutory Profit $'000	Significant Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Profit $'000
Revenue (from all sources)	$562,489	$0	$562,489	$0	$562,489
EBITDA	$145,605	$5,116	$150,721	($12,170)	$138,551
EBIT	$106,874	$5,116	$111,990	($12,170)	$99,820
Profit before income tax expense	$96,563	$5,116	$101,679	($12,170)	$89,509
Income tax expense	($27,452)	($1,535)	($28,987)	$3,651	($25,336)
Net profit after income tax expense	**$69,111**	**$3,581**	**$72,692**	**($8,519)**	**$64,173**

Full Year ended 30 June 2019	Statutory Profit $'000	Significant Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Profit $'000
Revenue (from all sources)	$560,788	$0	$560,788	$0	$560,788
EBITDA	$114,913	$2,009	$116,922	($4,613)	$112,309
EBIT	$91,155	$2,009	$93,164	($4,613)	$88,551
Profit before income tax expense	$81,989	$2,009	$83,998	($4,613)	$79,385
Income tax expense	($23,550)	($603)	($24,153)	$1,384	($22,769)
Net profit after income tax expense	**$58,439**	**$1,406**	**$59,845**	**($3,229)**	**$56,616**

Statutory results

Biological assets (being live salmon at sea and prawns in ponds) are accounted for in accordance with Accounting Standard AASB 141 'Agriculture'. The biological assets are accounted for at the fair value of the salmon and prawns at an estimated harvest tonnage and at an estimated future net market value.

Further, finished goods (being harvested salmon and prawns on hand at reporting date) are accounted for in accordance with AASB 102 'Inventories'. The finished goods are accounted for at the fair value of the raw materials (i.e. salmon and prawns) at the point of harvest (not including processing costs) at an estimated future net market value.

The combination of the above calculations, are, in aggregate compared to the values at the previous reporting period (i.e. 30 June 2019) with any difference in value then applied to the income statement as an increment (SGARA uplift) or decrement (SGARA reduction).

SGARA increment for FY20 was $12.2 million, of which salmon SGARA increment was $9.2 million and prawn SGARA increment was $3.0 million.

The key FY20 statutory financial results were:

- **EBITDA**[1] up 26.7% to $145.6 million (FY19: $114.9 million)
- **EBIT**[1] up 17.2% to $106.9 million (FY19: $91.2 million)
- **NPAT** up 18.3% to $69.1 million (FY19: $58.4 million).

Tassal took delivery of a Well Boat (Aqua Spa) under a lease agreement on 19 October 2019 to bathe and transport live fish, optimise leases and fish husbandry outcomes and to improve biosecurity outcomes in the marine environment. As a result of the Well Boat being utilised, the value of the asset has been included in the statement of financial position as prescribed by the accounting standard AASB 16 Leases. A total of $214.1 million in "right of use" assets was added to the balance sheet in FY20 to comply with AASB 16 Leases standard.

1 FY20 Statutory and Operating EBITDA and EBIT includes an $11.3 million and $2.6 million, respectively benefit relating to AASB 16 Leases standard, and no impact to NPAT

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

Underlying results

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

Over FY20 Tassal successfully executed its operational strategy to underpin growth in underlying financial results, while also positioning the Company for planned growth in FY21. These results have also provided Tassal with a solid platform from which to drive growth for shareholders, customers, suppliers, staff and communities.

Operating results

Reflecting the underlying performance of the business and excluding the $12.2 million impact of SGARA and significant items of $5.2 million, the key FY20 operating results were:

- **Revenue** up 0.3% to $562.5 million (FY19: $560.8 million)
- **EBITDA**[1] up 23.4% to $138.6 million (FY19: $112.3 million)
- **EBIT**[1] up 12.7% to $99.8 million (FY19: $88.6 million)
- **NPAT** up 13.3% to $64.2 million (FY19: $56.6 million).

The significant items of $5.2 million, were the acquisition costs of Exmoor Station and the additional export freight costs due to COVID-19 and the resulting removal of airfreight capacity.

Operating cashflow

Operating cashflow was in line with expectations. Together with the capital raising of $125.8 million (gross proceeds), operating cashflows supported salmon and prawn biomass generation and investment in infrastructure to underpin long-term growth.

Operating cashflow was down 44.5% to $49.9 million, reflecting the planned increased in working capital costs to grow incremental inventory for both salmon and prawns stock for earnings in FY21:

- o salmon working capital increase $37.3 million
- o prawn working capital increase $30.9 million.

Within investing cashflow, capex of $138.7 million was invested in FY20 (FY19: $138.7 million) comprising:

- o Salmon growth capex – $23.7 million (FY19:$46.0 million)
- o Salmon maintenance capex – $33.0 million (FY19: $33.6 million)
- o Exmoor Station – $27.5 million (made up of settlement of $25.3 million + $2.2 million of acquisition costs)
- o Prawn growth capex – $52.0 million (FY19: $25.2 million)
- o Prawn maintenance capex – $2.5 million (FY19: Nil)
- o Fortune Group - $Nil (FY19: $31.9 million + $2.0 million of acquisition costs).

Tassal will continue to responsibly utilise its cashflows, debt facility and the capital raising proceeds to underpin sustainable growth in long-term returns.

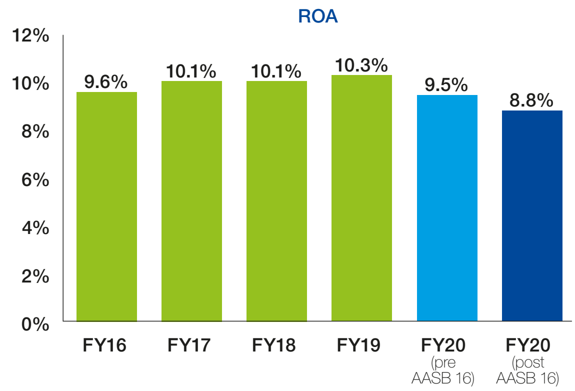
Financial returns

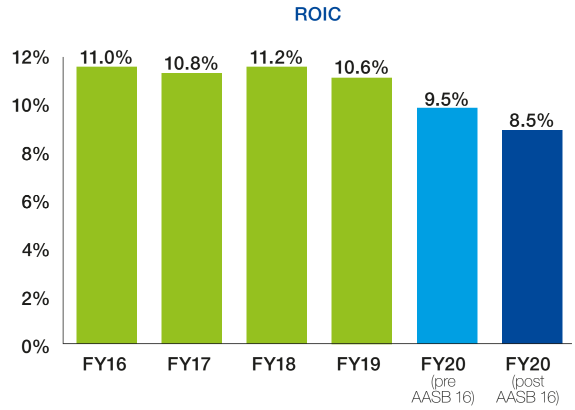
Tassal's FY20 results demonstrate that the Company continues to deliver on its salmon and prawn growth strategies and reflects a thriving and sustainable seafood business.

ROA and ROIC decreased over FY20 given the substantial strategic capital investment undertaken, that are planned to deliver strong earnings over the short to medium-term, with returns to be enhanced over the long-term:

- Operating return on assets (ROA) (pre AASB 16 Leases) decreased to 9.5% (FY19: 10.3%)
- Return on Invested Capital (ROIC) (pre AASB 16 Leases) decreased to 9.5% (FY19: 10.6%)

Operating ROA and ROIC for last 5 years has demonstrated stable financial returns as the business has invested for growth:





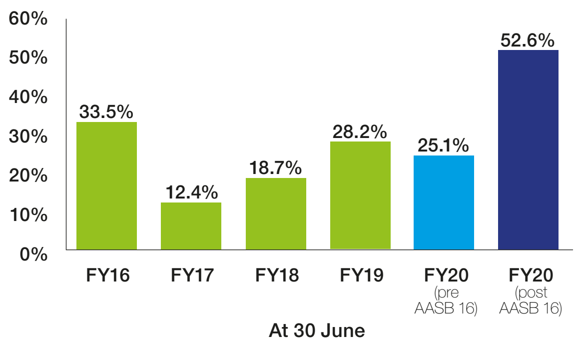
Moving forward, Tassal expects to generate ROA and ROIC from its prawn farming assets (once fully licenced and developed) above historic Group levels.

During FY20, the Board reviewed the post-tax weighted average cost of capital (post-tax WACC) for Tassal, and has adopted a post-tax WACC of 6.0% (FY19: 8.0%).

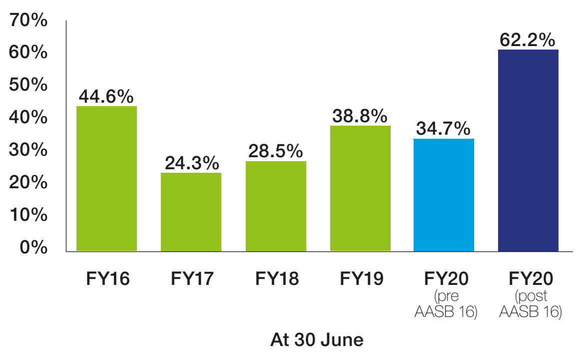
At 30 June 2020, Tassal had a gearing ratio (net debt to equity) of 25.1% (pre AASB 16 Leases) and a funding ratio (net debt + receivable purchase facility to equity) of 34.7% (pre AASB 16 Leases impact). The decreased gearing reflected the Company's successful $125.8 million capital raising in 1H20.

1 FY20 Statutory and Operating EBITDA and EBIT includes an $11.3 million and $2.6 million, respectively benefit relating to AASB 16 Leases standard, and no impact to NPAT

Gearing Ratio



Funding Ratio



Dividends

The Directors have declared a FY20 final dividend of 9 cps franked at 25% with a record and payment date of 15 and 29 September 2020, respectively. The total FY20 dividend is 18 cps franked at 25% (FY19: 18 cps, 25% franked).

The Company's Dividend Reinvestment Plan (DRP) will apply to the FY20 final dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

Business Performance

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

For Tassal, sustainability is more than the environment the Company operates in, it's the people we back and the communities we support. Tassal is not only a farmer, we are a steward of the oceans and coasts providing responsibly farmed Australian seafood to millions of Australians through whatever challenges the world faces. Across nearly every ESG measure the Company tracks, Tassal has further improved its performance.

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

1. **Our people: People Safety & Culture**
    - Continuing to invest in our people
    - Driving towards Zero Harm for Everyone, Everywhere
2. **Our planet: Environment & Engagement**
    - Meeting all environmental legislative & regulatory requirements
    - Investing in programs delivering environmental and societal benefits and continuing to maintain world leading, independently audited, environmental certification
    - Ensuring highly engaged and aligned communities and stakeholders
3. **Our product: Food Quality & Marketing**
    - Delivering safe, high quality, products
    - Maintaining the most valued and recognised salmon and seafood brands
    - Tassal salmon and prawns winning a greater share of plate
4. **Our performance:**
    - Delivering long-term responsible and sustainable growth for shareholders.
    - Tassal is committed to providing Australians with responsibly produced and sourced seafood. In 2014, Tassal became the first salmon farming company in the world to be 100% certified by the Aquaculture Stewardship Council (ASC), the highest standard available for farmed seafood.

"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs"

Despite the impact of COVID-19 to Australian and global economies and markets in Q4 FY20, Tassal's risk management and business continuity planning processes supported salmon sales volume growth of 13.4% in Q4 [vs Q4 FY19], with retail sales particularly strong. While COVID-19 has impacted the operating environment and created much uncertainty, some positive consumer trends have emerged that should gain momentum in FY21 and support further growth in Tassal's salmon and prawn sales volumes.

With COVID-19 presenting a volatile and challenging environment, the Board believes Tassal is as best prepared as it can be. While the Company is not immune to global and local forces outside of its control, its key strengths that should assist mitigating this environment – diversification strategies across customers and consumers, growing and processing areas, and species and products – combined with the focus on sustainability, position the Company to continue its growth trajectory.

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

Business fundamentals and risks

Tassal has a robust risk management system in place with an overall "conservative" risk appetite. A comprehensive risk management system and business continuity planning process is used to manage both short-term (including COVID-19) and long-term risks (including climate change). Tassal actively engages with experts to continue lowering its environmental impact, and the Company prides itself on being a leader in sustainability within the global aquaculture industry. Utilising the latest technology and data to monitor environmental impacts, Tassal has continuously innovated to reduce environmental impacts and provide high quality Australian grown sustainable products for consumers.

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:

- **Managing Climate Risk – a comprehensive risk management system is used to manage long-term risks, issues and opportunities presented by climate change and respond accordingly**
  - **Climate plays an important role in Tassal's salmon operations – managing our stock in a sustainable and responsible way**
    - Winter water temperatures on average for June and July 2020 were around 0.3 degrees lower than the previous year
    - The Aqua Spa (Well Boat) provides improved farming practices and has been in operation for 9 months now
    - Automated feeding and improved diets, appropriate level of harvest for frozen hog (for later and further value adding) and isolating larger fish to cooler sites, helped decrease mortality rates and improve overall health of our salmon
  - **Tassal has developed considerable options for adapting to climate change:**
    - Species diversification with prawns – prawns are a 'warmer' climate species
    - Selective breeding program for salmon, focusing on breeds that can withstand temperature increases and volatility
    - Improved feed diets for both salmon and prawns
    - Modified farming technologies and practices
    - Geographic diversification.

Tassal engages scientists to identify emerging climate trends and system responses, and undertakes comprehensive broad scale environmental monitoring to help minimise the risk and impact we have on the environment.

- **COVID-19 -** Tassal is classed as an "Essential Service" and the Company's operations have, due to the risk mitigation measures employed, effectively continued as "normal". Tassal has worked hard to ensure the continued safety and wellbeing of its employees and customers – strategies were developed and implemented from both a physical and mental wellbeing perspective. In addition, the Company's supply chain has been resilient to date.

  However, the current environment impacted by COVID-19 is volatile, sometimes unpredictable and always challenging, particularly in terms of Government's preparedness and responses for risk and risk management. The Directors feel Tassal is as best prepared as it can be. While the Company is not immune to global and local forces outside of its control, the key strengths that should assist mitigating this environment – Tassal's diversification strategies across customers and consumers, growing and processing areas, and species and products – combined with a focus on sustainability and more efficient operations, position the Company to continue its growth trajectory.

- **Summer and Autumn water temperatures and the impact on the rate of salmon growth and survival** – Tassal has continued to develop its advanced Selective Breeding Program (SBP). The current focus of the program is breeding from fish more resilient to higher water temperatures. Summer and Autumn water temperatures remain a challenge.

- **Amoebic Gill Disease (AGD) remains a significant issue** – To ensure Tassal's fish remain healthy and active, they are bathed in fresh water. This bathing process cleans the amoeba from the gills of the fish and allows the fish to intake oxygen and release carbon dioxide more efficiently and effectively. To bathe the fish, fish are transferred from saltwater to fresh water. Tassal has mitigated this risk through the introduction of the harvest strategy for the South East, together with fish grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SBP.

  Tassal has also taken possession of a Well Boat (Aqua Spa) under a 10-year lease (with Tassal holding a 5-year option). The Well Boat has a 3,500m^3 water capacity – enough to completely bathe one of Tassal's largest pens around three (3) times quicker than current methods. The Well Boat, after a significant commissioning process, should now support more efficient and effective bathing, underpinning further efficiency gains in our current leases and generating further salmon biomass. It also aligns strategically to the Company's ambitions to farm salmon further offshore in higher energy areas and enable higher fish survival rates, improved biosecurity and fish health and welfare.

- **Seals remain a significant challenge** – Seals are attracted to salmon farms. The risk of seal interactions has increased, particularly as seal relocations ceased on 25 December 2017. Tassal monitors seals and seal interactions extremely closely, and its new ocean sanctuary pens providing the best risk mitigation for seals. The Company has seen significant improvement in lowering seal interactions.

- **Community activism is an increasing risk** – This is not unique to aquaculture nor Tassal, and is part of doing business in many industries. A proactive engagement strategy, centred around shared value principles, has been implemented by Tassal across operating communities and more broadly. This focuses on a range of partnerships and initiatives aligned to the Company's Community Charter.

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

  To mitigate this risk, Tassal is using technology to optimise operations. Heading into COVID-19, Tassal was considered a global seafood leader in digital technology, and the Company believes its competitive advantage in digital technology should be further enhanced in FY21:

  - Digital Farming - increasing digitalisation of salmon and prawn farming operations
    - Continued advancements in feed automation. Using data improvements to increase understanding of prawn and salmon
    - Leveraging cloud platforms enabling the digitisation of operational processes across salmon & prawn farming and other critical business processes such as safety management and employee engagement
    - Increased rollout out of Internet of Things ('IoT'). Beyond environmental data systems to asset and infrastructure tracking and optimisation
  - Data and analytics – extracting more value from our data
    - Integrating SmartFarm data into our analytics platform to draw insights that drive better farming behaviours and outcomes
    - Real-time data analytics around operations (environmental and asset performance), spreading best practices across our sites
    - Improving data literacy across the whole business through identification of power users, training and better data tools
  - Cyber Risk Management – protecting crucial technology assets
    - Strong information technology infrastructure and service foundation implemented
    - Adopting best practice information technology standards
    - Deploying new tools to assist with network control and advanced threat detection systems.

Further growth is planned in FY21 – both harvest and sales volumes and subsequently, operating and capital returns. Focus for FY21 is on cost $/kg improvements for both salmon and prawns.

- **Navigating COVID-19**
  - Tassal is a global seafood leader in digital technology, and the Company's competitive advantage should be further enhanced and mitigate against risks from market disruptions caused by COVID-19
  - Tassal is confident managing both known and controllable COVID-19 risks, and the Directors believe the Company is as best prepared as we can be for any unknown and uncontrollable risks that COVID-19 may present
  - Some positive consumer trends have emerged that should gain momentum and support further growth.
- **Salmon: FY21 operational focus is on optimising Tassal branded sales and cost $/kg improvements from farming operations**
  - Marketing campaign – primarily TV-based and focused on Tassal branded products, to commence mid-August 2020
  - Continue to improve domestic market sales mix, focused on more profitable product lines
  - Combination of Well Boat, Feed Centre and fish husbandry, are leading to improved survival, biomass and reduced cost of growing $/kg
  - These initiatives should translate into increasing salmon returns for FY21.
- **Prawns: FY21 substantial lift in planned harvest volumes to circa 4,000 tonnes which should underpin a material lift in prawn earnings**
  - Focus on provenance, high quality and value proposition of Australian Tiger Prawns in global markets
  - Taking the same approach as salmon for prawns – i.e. growing the domestic market, leveraging current relationships, and using the export market as risk mitigation.
- **Further investment in both salmon and prawn operations should continue to underpin long term growth**
  - Total capital expenditure is planned to be $125.1 million in FY21.

On behalf of the Directors,

A. D. McCallum, AO
Chairman

M. A. Ryan
Managing Director & Chief Executive Officer

Hobart, this 19th day of August 2020

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 2020.

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 AO
(Director since 7 October 2003)
(Chairman since 27 June 2005)

Mr Mark Ryan – Chief Executive Officer
(Director since 21 December 2005)

Mr James Fazzino
(Appointed 29 May 2020)

Mr Trevor Gerber
(Director since 4 April 2012)

Mr Christopher Leon
(Retired 29 October 2019)

Mr Richard Haire
(Appointed 5 March 2020)

Mr John Watson AM
(Director since 19 March 2018)

Ms Georgina Lynch
(Director since 27 November 2018)

Ms Jackie McArthur
(Director since 27 November 2018)

2. PRINCIPAL ACTIVITIES

During the year the principal activities of the consolidated entity were the farming of Atlantic Salmon and Tiger Prawns and the processing and marketing of salmon, prawns and other seafood.

3. DIVIDENDS

Since the end of the 2019 financial year the following dividends have been paid or declared:

a. On 19 August 2019, the Directors declared a 25% franked dividend of 9.00 cents per ordinary share amounting to $18.286 million in respect of the financial year ended 30 June 2019. The record date for determining entitlements to this dividend was 11 September 2019. The final dividend was paid on 30 September 2019.

b. On 12 February 2020 the Directors declared an interim 25% franked dividend of 9.00 cents per ordinary share amounting to $18.664 million in respect of the half year ended 31 December 2019. The record date for determining entitlements to this dividend was 16 March 2020 with a payment date of 31 March 2020.

On 19 August 2020, the Directors declared a final 25% franked dividend of 9.00 cents per ordinary share amounting to $18.821 million in respect of the financial year ended 30 June 2020.

The record date for determining entitlements to this dividend is 15 September 2020. The final dividend will be paid on 29 September 2020.

The final dividend for the year ended 30 June 2020 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2020.

4. REVIEW OF OPERATIONS

The consolidated net profit after tax for the financial year was $69.111 million. (For the financial year ended 30 June 2019: $58.439 million).

The consolidated entity's revenue was $552.706 million compared with $551.819 million for the financial year to 30 June 2019.

Earnings before interest and tax (**EBIT**) was $106.874 million compared with $91.156 million for the financial year to 30 June 2019.

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

Earnings per share (**EPS**) on a weighted average basis was 34.03 cents per share compared with 33.01 cents per share for the financial year to 30 June 2019.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 - 8 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 statement).

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 (as named above), the Company Secretary, and all officers of the Company against a liability incurred as such a Director,

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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 - 8 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:
www.tassalgroup.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 28 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 366,390 (2019: 420,716) 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.

173,751 (2019: 96,148) performance rights vested on 30 June 2020.

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

Directors' Report (continued)

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 AO (Chairman) Dip. Ag Science, FAICD	Allan is Chairman of Cann Group Limited. Allan is a member of the Rabobank Advisory Board. 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 and Medical Developments International Limited. Allan has extensive experience in the agribusiness sector across production, processing, logistics and marketing.	Chairman of the Board of Directors Independent Non-executive Director Chair of the Nominations Committee	381,023 Ordinary Shares
TREVOR GERBER B.Acc, CA(SA)	Trevor has extensive board experience spanning property, funds management, tourism, infrastructure and aquaculture. He is Chairman of Sydney Airport Holdings and Vicinity Shopping Centres. Trevor is also a former director of the CIMIC Group. 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.	Independent Non-executive Director Member of the Audit and Risk Committee Chair of the Remuneration Committee (until 01/04/20)	50,000 Ordinary Shares
CHRISTOPHER (CHRIS) LEON BscEng, MEngSci, FAICD (retired 29 October 2019)	Chris is a past CEO/MD of Cement Australia and Pivot Ltd, York International Australia Pty Ltd and Thai Industrial Gases PLC. He is a former director of Queensland Sugar Limited and Chairman of Sun Engineering (Qld) Pty Ltd. 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. He is currently Chairman of International House, Mulgowie Fresh Pty Ltd and a number of Neumann Group Companies including Nucrush Pty Ltd, Nucon Pty Ltd and Riversands Pty Ltd. He is a Non-Executive Director of Southern Cross Cement Pty Ltd.	Independent Non-executive Director Member of the Remuneration Committee (Until 29/10/19)	37,292 Ordinary Shares
MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, MAICD, FAIM	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) and Seafood Industry Australia. 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.	Managing Director and Chief Executive Officer	187,053 Ordinary Shares 175,898 Performance Rights

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Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
JOHN WATSON AM	John has returned to the Tassal Board as from March 2018 having previously served as a non- executive director from October 2003 to October 2015 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. John was a Non-executive Director and Chairman of Incitec Pivot Limited from December 1997 to 30 June 2012. John was also Governor of the Van Dieman's Land Company (now VDL Farms) from 2008 to 2011 and was on the Board of the Numurkah District Health Service from 2015 to 2018.	Independent Non-executive Director Chair of the Audit and Risk Committee Member of the Nominations Committee	190,841 Ordinary Shares
JACKIE MCARTHUR BEng (Aero)	Ms McArthur has more than 20 years' experience at executive level roles in supply chain and logistics, as well as in operations, transport, food and packaging manufacturing, emerging brand issues and crisis management, risk management, corporate social responsibility, compliance, governance and information technology. Most recently she was Managing Director, Australia and New Zealand, of Martin-Brower ANZ, the exclusive distributor to McDonald's restaurants across Australia and New Zealand. Previously, for more than thirteen years, she held various senior executive positions with McDonalds, both in Australia and overseas, including Vice President of Supply Chain for Asia, Pacific, Middle East and Africa and, in McDonalds Australia, as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director. Ms McArthur was the 2016 Telstra NSW Business Woman of the Year and overall 2016 Telstra Business Women's Awards - Corporate and Private National Winner. She has completed the INSEAD International Executive Program, has a Bachelor of Engineering from the University of Sydney and is a member of the Australian Institute of Company Directors. Ms McArthur is also a Non-Executive Director of Invocare and Ingham's. She was also a non- executive director of Blackmores Limited until August last year.	Independent Non-executive Director Member of the Audit and Risk Committee Member of the Nominations Committee (until 01/04/20) Member of the Remuneration Committee (as from 01/04/20)	53,205 Ordinary Shares
GEORGINA LYNCH BA Llb	Georgina has over 25 years' experience in the financial services and property industry. She has held senior roles at AMP Capital Investors, Galileo Funds Management and Stockland. More recently, Georgina has taken on a number of non -executive directorships, including Chairman of Cbus Property and independent non-executive director of ASX-listed Viva Energy REIT and Investec Property Group. Georgina brings significant global experience in corporate transactions, capital raisings, initial public offerings, funds management, corporate strategy and acquisitions and divestments to the board.	Independent Non-executive Director Member of the Audit and Risk Committee (until 01/04/20) Member of the Remuneration Committee Member of the Nominations Committee (as from 01/04/20)	25,000 Ordinary Shares

Directors' Report (continued)

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
RICHARD HAIRE BEc FAICD (Appointed 05/03/20)	Mr Haire has more than 29 years' experience in the international cotton and agribusiness industry, including 27 years in agricultural commodity trading and banking. Mr. Haire is also the Chair of the Cotton Research and Development Corporation, Reef Corporate Services Limited and Endeavour Foundation. He also serves as a Non-Executive Director of BEC Stockfeed Solutions Pty Ltd. Mr Haire is a former Director of Bank of Queensland Limited, Open Country Dairy (NZ) and New Zealand Farming Systems Uruguay. Richard holds a Bachelor of Economics from the University of New England, a Diploma in Corporate Management from the University of Sydney and holds a Company Directors Diploma.	Independent Non-executive Director Member of the Audit and Risk Committee (as from 01/04/20) Chair of the Remuneration Committee (as from 01/04/20)	Nil
JAMES FAZZINO BEc (Honours) CPA (Appointed 29/05/20)	Mr. Fazzino has extensive national and international business experience in industrial chemicals, fertilisers, explosives and manufacturing sectors. Mr Fazzino held senior executive roles with Incitec Pivot Limited in the period 2003 to 2017 including being its Managing Director and Chief Executive Officer from 2009 to 2017. James is currently a director of APA group and Rabobank Australia Limited. He is also the Chair of Implant Solutions Pty Limited (Osteon Medical) and Manufacturing Australia. James holds a Bachelor of Economics (Honours) and is a fellow of CPA Australia.	Independent Non-executive Director	Nil

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 AO	Medical Developments International Limited Cann Group Limited	Until 17 December 2018 Throughout
T. Gerber	Sydney Airport Holdings Limited Vicinity Shopping Centres CIMIC Group Regis Healthcare	Throughout Throughout Until December 2019 Until November 2017
M. Ryan	-	None held
C. Leon (Retired 29/10/19)	-	None Held
J. Watson AM	-	None Held
J. McArthur	Inghams Group Limited Blackmores Limited Invocare Limited	As from September 2017 Until August 2019 As from October 2018
G. Lynch	Viva Energy REIT Investec Property Group	Throughout As from 1 July 2019
R. Haire (Appointed 05/03/20)	Reef Casino Trust Bank of Queensland	Throughout Until April 2020
J. Fazzino (Appointed 29/05/20)	APA Group Incitec Pivot Limited	As from 21 February 2019 Until 14 November 2017

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, 6 Audit and Risk Committee meetings, 2 Remuneration Committee Meetings and 4 Nominations Committee Meetings were held.

	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration Committee meetings		Nominations Committee meetings	
Director	Number held	Number attended	Number held	Number attended	Number held	Number attended	Number held	Number attended
A. McCallum AO	9	9	*	*	*	*	4	4
T. Gerber	9	9	6	6	1	1	*	*
M. Ryan	9	9	*	*	*	*	*	*
C. Leon (Retired 29/10/19)	3	3	*	*	1	1	*	*
J. Watson AM	9	9	6	6	*	*	4	4
J. McArthur	9	9	6	6	1	1	2	2
G. Lynch	9	9	5	5	2	2	2	2
R. Haire (Appointed 05/03/20)	4	4	1	1	1	1	*	*
J. Fazzino (Appointed 29/05/20)	2	2	*	*	*	*	*	*

(*not a committee member)

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 2020 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 2020.

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 2021.

(b) Remuneration Philosophy

The Remuneration 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 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.

Directors' Report (continued)

(c) Remuneration Structure

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

(d) Relationship Between the Remuneration Policy and Company Performance

The Consolidated entity's key operations performance indicators in the financial year ended 30 June 2020 and the previous four financial years are summarised below.

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) - 12.67%
- Net profit after tax - 6.69%
- Basic earnings per share - (0.01)%

(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 $1,200,000 per annum as approved by shareholders at the AGM on 31 October 2018. 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.

	30-June 2020 $'000	30-June 2019 $'000	30-June 2018 $'000	30-June 2017 $'000	30-June 2016 $'000
Revenue (from all sources)	$562,540	$560,788	$484,535	$450,453	$430,924
Net proft before tax	$96,563	$81,989	$79,316	$85,556	$68,910
Net profit after tax	$69,111	$58,439	$57,293	$58,083	$48,493
	30-June 2020	**30-June 2019**	**30-June 2018**	**30-June 2017**	**30-June 2016**
Share price:					
Share price at the start of the year	$4.90	$4.13	$3.81	$3.98	$3.33
Share price at the end of the year	$3.45	$4.90	$4.13	$3.81	$3.98
Dividend per share:					
Interim dividend	$0.0900	$0.0900	$0.0800	$0.0750	$0.0750
Final dividend	$0.0900	$0.0900	$0.0800	$0.0750	$0.0750
	$0.1800	$0.1800	$0.1600	$0.1500	$0.1500
Earnings per share:					
Basic	$0.3403	$0.3301	$0.3313	$0.3718	$0.3295
Diluted	$0.3393	$0.3288	$0.3301	$0.3714	$0.3278

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 Committee, 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 2020 financial year (inclusive of legislated superannuation contributions) were as follows:

Per annum	Base	Remuneration Committee	Nominations Committee	Audit and Risk Committee
Chairman of the Board	$240,400	N/A	N/A	N/A
Each other non-executive Director	$114,736	$10,300	$10,300	$10,300

The Chair of the Audit and Risk Committee received an additional $10,300 for chairing that Committee

The Chair of the Remuneration Committee received an additional $5,150 for chairing that Committee

There is no separate fee for the Chair of the Nominations Committee as the chair of that committee is Chair of the Board

(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 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 Committee considers the performance against targets, and determines 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 other Key Management Personnel in respect of the financial year ended 30 June 2020 is detailed below.

Executive	STI range calculated on fixed annual remuneration*
M. Ryan	30%- 60%
A. Creswell	15% - 30%
M. Asman	15% - 30%
D. Williams	15% - 30%
K. Little	15% - 30%
B. Daley	15% - 30%

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

Tassal's STI for FY2020 was directly linked to the Company's operating net profit after tax (**NPAT**) performance on the following basis:

30 June 2020		30 June 2019	
NPAT (i) Threshold $'000	% of STI Triggered %	NPAT (i) Threshold $'000	% of STI Triggered %
<$61,816	Nil	<$53,968	Nil
$61,816	50%	$53,968	50%
$61,816 - $65,609	50% - 100%	$53,968 - $59,649	50% - 100%
>$65,609	100%	>$59,649	100%

(i) (Derivation of NPAT for the purposes of calculating the STI payment is determined excluding the impact of applying AASB 141 'Agriculture' and prior to recognising the post- tax STI and LTI expense of $1.735 million (2019:$1.803 million).

The Chief Executive Officer and Senior Executives received 100.00% (2019: 89.18%) of their respective FY2020 maximum STI entitlements.

The Board considers the FY2020 NPAT thresholds represented significant and challenging targets having regard to the business conditions faced by the Company in FY2020.

(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 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 2019:

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2019 are based on the Company's Earnings per Share (**EPS**) growth over the performance period of the three years from 30 June 2018 (being the Base Year) to 30 June 2021 (the Performance Period), and on the Company's Return on Assets (**ROA**) performance for the financial year ended 30 June 2021. 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 2019).

"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 7.5% 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 7.5% but less than 12.5%, 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 compwared to the Base Year is equal to or greater than 12.5%, 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 2019).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2021 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 2021 is less than 8% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2021 is equal to or greater than 8% but less than 14%, 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 2021 is equal to or greater than 14%, 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 and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2019 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	25% - 50%
A. Creswell	15% - 30%
M. Asman	15% - 30%
D. Williams	15% - 30%
K. Little	15% - 30%
B. Daley	15% - 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 2020:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2020 is based on the Company's EPS and ROA growth over the performance period of the three years from 30 June 2019 (being the Base Year) to 30 June 2022 (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 2020).

"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 7.5% 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 7.5% but less than 12.5%, 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 12.5%, all of the performance rights granted (and attached to this hurdle) will vest.

Directors' Report (continued)

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ended 30 June 2020).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2022 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 2022 is less than 9% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2022 is equal to or greater than 9% but less than 11%, 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 2022 is equal to or greater than 11%, 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 and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2020 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	25% - 50%
A. Creswell	15% - 30%
M. Asman	15% - 30%
D. Williams	15% - 30%
K. Little	15% - 30%
B. Daley	15% - 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 ending 30 June 2021:

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 2021.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ending 30 June 2021 will be based on the Company's EPS (Earnings per Share) growth over the performance period of the three years from 30 June 2020 (being the Base Year) to 30 June 2023 (the Performance Period), and on the Company's ROA (Return on Assets) performance for the financial year ending 30 June 2023. 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 2021).

"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 4% 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 4% 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 2021).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2023 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 2023 is less than 8% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2023 is equal to 8% but less than 10%, 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 2023 is equal to or greater than 10%, 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 and other Key Management Personnel's fixed annual remuneration applicable to performance rights to be granted during the financial year ending 30 June 2021 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	40% - 80%
M. Asman	30% - 60%
A. Creswell	30% - 60%
D. Williams	30% - 60%
K. Little	30% - 60%
B. Daley	30% - 60%

* 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 twelve months' notice and the Chief Executive Officer may terminate the agreement by providing twelve 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
J. Fazzino	Non-executive Director (appointed 29 May 2020)
T. Gerber	Non-executive Director
R. Haire	Non-executive Director (appointed 5 March 2020)
C. Leon	Non-executive Director (retired 29 October 2019)
G. Lynch	Non-executive Director
J. McArthur	Non-executive Director
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
A. Creswell	Chief Financial Officer
M. Asman	Head of Aquaculture
D. Williams	Head of Sales and Marketing
K. Little	Head of People and Communities
B. Daley	Head of Supply Chain and Commercial Services

(ii) Compensation of Key Management Personnel

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of the Company and the consolidated entity are set out below. The remuneration tables are calculated on an accrual basis.

Directors' Report (continued)

		Short-term employment benefits			Post employment		Share-based Payment	Other	
		Salary & Fees[1]	Bonus[2]	Non-Monetary[3]	Super-annuation	Prescribed Benefits	Performance Right [4]	Termination Benefits[5]	Total
		$	$	$	$	$	$	$	$
Directors:									
M. Carroll	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retired 24.08.18	2019	20,472	-	-	1,945	-	-	-	22,416
J. Fazzino	**2020**	**9,039**	**-**	**-**	**859**	**-**	**-**	**-**	**9,898**
Appointed 29.05.20	2019	-	-	-	-	-	-	-	-
T. Gerber	**2020**	**124,978**	**-**	**-**	**11,873**	**-**	**-**	**-**	**136,851**
	2019	122,952	-	-	11,680	-	-	-	134,633
R. Haire	**2020**	**43,197**	**-**	**-**	**-**	**-**	**-**	**-**	**43,197**
Appointed 05.03.20	2019	-	-	-	-	-	-	-	-
C. Leon	**2020**	**37,681**	**-**	**-**	**3,580**	**-**	**-**	**-**	**41,261**
Retired 29.10.19	2019	115,600	-	-	10,982	-	-	-	126,582
G. Lynch	**2020**	**123,746**	**-**	**-**	**11,756**	**-**	**-**	**-**	**135,502**
	2019	70,964	-	-	6,742	-	-	-	77,706
J. McArthur	**2020**	**123,746**	**-**	**-**	**11,756**	**-**	**-**	**-**	**135,502**
	2019	70,964	-	-	6,742	-	-	-	77,706
A. McCallum –	**2020**	**219,643**	**-**	**-**	**20,866**	**-**	**-**	**-**	**240,509**
Chairman	2019	212,716	-	-	20,201	-	-	-	232,917
M. Ryan –	**2020**	**738,759**	**472,058**	**24,198**	**21,127**	**-**	**6,986**	**-**	**1,263,128**
Chief Executive Officer	2019	718,881	408,726	4,846	20,588	-	58,192	-	1,211,234
J. Watson	**2020**	**133,204**	**-**	**-**	**12,654**	**-**	**-**	**-**	**145,858**
	2019	129,848	-	-	12,316	-	-	-	142,164
Other Key Management Personnel:									
M. Asman *	**2020**	**323,796**	**104,246**	**2,124**	**29,140**	**-**	**1,852**	**-**	**461,158**
	2019	313,709	90,260	1,278	27,634	-	15,421	-	448,302
A. Creswell *	**2020**	**339,994**	**104,246**	**2,124**	**24,363**	**-**	**1,852**	**-**	**472,578**
	2019	320,983	90,260	1,278	24,697	-	15,421	-	452,639
B. Daley *	**2020**	**335,730**	**104,246**	**47,838**	**25,176**	**-**	**1,852**	**-**	**514,842**
	2019	308,870	90,260	11,646	26,081	-	18,610	-	455,467
K. Little *	**2020**	**315,725**	**98,880**	**12,283**	**25,167**	**-**	**3,051**	**-**	**455,105**
	2019	270,363	85,614	6,477	22,236	-	12,124	-	396,813
D. Williams *	**2020**	**312,433**	**104,246**	**12,347**	**25,176**	**-**	**1,852**	**-**	**456,054**
	2019	321,836	90,260	12,347	25,091	-	15,421	-	464,954
Total	**2020**	**3,181,670**	**987,922**	**100,913**	**223,494**	**-**	**17,443**	**-**	**4,511,442**
Total	2019	2,998,157	855,382	37,872	216,933	-	135,188	-	4,243,532

*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).

1. Salary and fees includes salary and leave on an accruals basis.
2. 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 100.00% (2019: 89.18%) of their respective STI maximum entitlement based on the STI percentages disclosed in section f (iii) of the Remuneration Report.
3. Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.
4. 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.
5. Termination benefits include notice or redundancy payments where applicable.

Non-Statutory remuneration

The statutory format in which Companies are required to present remuneration data may make it difficult for shareholders to understand the total remuneration actually earned by Key Management Personnel from the various components of their remuneration. In particular, the Australian Accounting Standards require the value of share based payments to be calculated at the time of grant and accrued over the performance period. This may not reflect what Key Management Personnel actually received or became entitled to during the financial year.

The following table summarises the value of performance rights calculated in accordance with the statutory method and the value of performance rights received by Key Management Personnel during the financial year:

		Statutory value of performance rights [1] $	Non-Statutory value of vested performance rights [2] $
Managing Director			
M. Ryan	**2020**	**6,986**	**163,734**
Other Key Management Personnel			
M. Asman	**2020**	**1,852**	**43,387**
A. Creswell	**2020**	**1,852**	**43,387**
B. Daley	**2020**	**1,852**	**43,387**
K. Little	**2020**	**3,051**	**34,110**
D. Williams	**2020**	**1,852**	**43,387**
Total	**2020**	**17,445**	**371,393**
Total	2019	135,188	292,045

1. Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB2 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 the grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model.

2. LTI performance rights granted in November 2017 partially vested as a result of meeting EPS and ROA targets on 30 June 2020. The Remuneration Committee will approve vesting of the performance rights in August 2020. The value assigned to the vested performance rights has been calculated using the Company's closing share price on 30 June 2020 of $3.45

Directors' Report (continued)

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 2020

	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 %	Value yet to vest: Minimum $ [2]	Value yet to vest: Maximum $ [3]
Director:									
M. Ryan	80,079	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	314,149
Executive Officers:									
M. Asman	21,221	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	83,250
A. Creswell	21,221	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	83,250
B. Daley	21,221	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	83,250
K. Little	20,129	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	78,966
D. Williams	21,221	30 Nov 2019	30 Jun 2022	-	-	-	-	Nil	83,250

(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 $3.923.

Performance rights granted during the financial year ended 30 June 2019

	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 %	Value yet to vest: Minimum $ [2]	Value yet to vest: Maximum $ [3]
Director:									
M. Ryan	95,819	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	370,599
Executive Officers:									
M. Asman	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
A. Creswell	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
B. Daley	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
K. Little	19,962	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	77,207
D. Williams	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209

(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 $3.868

Performance rights granted during the financial year ended 30 June 2018

	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	87,846	30 Nov 2017	30 Jun 2020	47,459	54.025%	40,387	45.975%	171,676	146,095
Executive Officers:									
M. Asman	23,279	30 Nov 2017	30 Jun 2020	12,576	54.025%	10,703	45.975%	45,494	38,715
A. Creswell	23,279	30 Nov 2017	30 Jun 2020	12,576	54.025%	10,703	45.975%	45,494	38,715
B. Daley	23,279	30 Nov 2017	30 Jun 2020	12,576	54.025%	10,703	45.975%	45,494	38,715
K. Little	18,301	30 Nov 2017	30 Jun 2020	9,887	54.025%	8,414	45.975%	35,765	30,436
D. Williams	23,279	30 Nov 2017	30 Jun 2020	12,576	54.025%	10,703	45.975%	45,494	38,715

(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 $3.617.

(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 $3.617.

(5) An equivalent number of fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2018 and which vested on 30 June 2020 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 01.07.19	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 30.06.20	Balance held nominally
2020	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Directors:								
J. Fazzino (appointed 29.05.20)	-	-	-	-	-	-	-	-
T. Gerber	15,000	-	-	-	35,000	-	50,000	-
R. Haire (appointed 05.03.20)	-	-	-	-	-	-	-	-
C. Leon (retired 29.10.19)	37,292	-	-	-	-	37,292	-	-
G. Lynch	25,000	-	-	-	-	-	25,000	-
J. McArthur	23,784	-	-	-	29,421	-	53,205	-
A. McCallum	346,799	-	-	-	34,224	-	381,023	-
M. Ryan [1]	160,378	-	26,675	-	-	-	187,053	-
J. Watson	116,924	-	-	-	73,917	-	190,841	-
Other Key Management Personnel:								
M. Asman	27,517	-	7,069	-	1,031	-	35,617	-
A. Creswell	41,856	-	7,069	-	-	-	48,925	-
B. Daley	33,879	-	6,162	-	-	-	40,041	-
K. Little	37,652	-	5,557	-	-	-	43,209	-
D. Williams	47,676	-	7,069	-	(28,301)	-	26,444	-
Total	**913,757**	**-**	**59,601**	**-**	**145,292**	**37,292**	**1,081,358**	**-**

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

Directors' Report (continued)

2019	Balance as at 01.07.18 No.	Balance at appointment date (if applicable) No.	On exercise of performance rights No.	On Exercise of options No.	Net other change No.	Balance at resignation date (if applicable) No.	Balance as at 30.06.19 No.	Balance held nominally No.
Directors:								
M. Carroll (retired 24.08.18)	24,263	-	-	-	-	24,263	-	-
T. Gerber	15,000	-	-	-	-	-	15,000	-
C. Leon	35,930	-	-	-	1,362	-	37,292	-
G. Lynch (appointed 27.11.18)	-	-	-	-	25,000	-	25,000	-
J. McArthur (appointed 27.11.18)	-	23,351	-	-	433	-	23,784	-
A. McCallum	334,148	-	-	-	12,651	-	346,799	-
M. Ryan [1]	360,378	-	-	-	(200,000)	-	160,378	-
J. Watson	52,977	-	-	-	63,947	-	116,924	-
Other Key Management Personnel:								
M. Asman	26,512	-	-	-	1,005	-	27,517	-
A. Creswell	75,739	-	-	-	(33,883)	-	41,856	-
B. Daley	46,255	-	-	-	(12,376)	-	33,879	-
K. Little (appointed 29.04.19)	-	37,652	-	-	-	-	37,652	-
D. Williams	109,045	-	-	-	(61,369)	-	47,676	-
Total	**1,080,247**	**61,003**	**-**	**-**	**(203,230)**	**24,263**	**913,757**	**-**

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:

2020	Balance as at 01.07.19 No.	Balance at appointment date (if applicable) No.	On exercise of performance rights No.	On Exercise of options No.	Net other change No.	Balance at resignation date (if applicable) No.	Balance as at 30.06.20 No.	Balance held nominally No.
Directors:								
J. Fazzino (appointed 29.05.20)	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
R. Haire (appointed 05.03.20)	-	-	-	-	-	-	-	-
C. Leon (retired 29.10.19)	-	-	-	-	-	-	-	-
G. Lynch								
J. McArthur	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan [1]	183,665	-	80,079	(47,459)	(40,387)	-	175,898	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	48,671	-	21,221	(12,576)	(10,703)	-	46,613	-
A. Creswell	48,671	-	21,221	(12,576)	(10,703)	-	46,613	-
B. Daley	48,671	-	21,221	(12,576)	(10,703)	-	46,613	-
K. Little	38,263	-	20,129	(9,887)	(8,414)	-	40,091	-
D. Williams	48,671	-	21,221	(12,576)	(10,703)	-	46,613	-
Total	**416,612**	**-**	**185,092**	**(107,650)**	**(91,613)**	**-**	**402,441**	**-**

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

2019	Balance as at 01.07.18 No.	Balance at appointment date (if applicable) No.	Granted No.	Vested No.	Lapsed No.	Net other change No.	Balance as at 30.06.19 No.	Balance held nominally No.
Directors:								
M. Carroll (retired 24.08.18)	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
G. Lynch (appointed 27.11.18)	-	-	-	-	-	-	-	-
J. McArthur (appointed 27.11.18)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan [1]	179,831	-	95,819	(26,675)	(65,310)	-	183,665	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
A. Creswell	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
B. Daley	44,527	-	25,392	(6,162)	(15,086)	-	48,671	-
K. Little (appointed 29.04.19)	-	57,426	-	(5,557)	(13,606)	-	38,263	-
D. Williams	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
Total	**367,323**	**57,426**	**197,387**	**(59,601)**	**(145,923)**	**-**	**416,612**	**-**

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 AMOUNTS

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, AO
Chairman

Hobart this 19th day of August 2020

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 8
22 Elizabeth Street
Hobart TAS 7000
Australia

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

19 August 2020

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

Dear Board Members

Tassal Group Limited

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

As lead audit partner for the audit of the financial statements of Tassal Group Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountant

Financial Report Table of Contents

Income Statement
for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue	3(a)	552,706	551,819
Other income	3(b)	9,834	8,535
Fair value adjustment of biological assets		6,109	10,285
Fair value adjustment of biological assets at point of harvest		6,061	(5,672)
Share of profits / (losses) of associates accounted for using the equity method	12	816	434
Changes in inventories of finished goods and work in progress		18,771	(10,485)
Raw materials and consumables used		(296,967)	(295,998)
Contingent consideration expense		-	(96)
Employee benefits expense	3(c)	(125,791)	(116,078)
Depreciation and amortisation expense	3(c)	(38,731)	(23,758)
Finance costs	3(c)	(10,311)	(9,166)
Exmoor station acquisition costs		(2,253)	-
Prawn farm business acquisition costs		-	(2,009)
Other expenses		(23,681)	(25,822)
Profit before income tax expense		96,563	81,989
Income tax expense	4	(27,452)	(23,550)
Net profit for the period attributable to members of the Company		69,111	58,439

	Note	Cents per share 2020	Cents per share 2019
Earnings per ordinary share:			
Basic (cents per share)	28	34.03	33.01
Diluted (cents per share)	28	33.93	32.88

Notes to the financial statements are included on pages 35 to 75.

Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit for the period		**69,111**	58,439
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain / (loss) on revaluation of property	**14**	**-**	1,985
Income tax relating to items that will not be reclassified subsequently		**-**	(595)
Items that may be reclassified subsequently to profit or loss:			
Gain / (loss) on cashflow hedges	**26(a)**	**263**	(89)
Income tax relating to items that may be reclassified subsequently	**26(a)**	**(79)**	27
Other comprehensive income for the period (net of tax)		**184**	1,328
Total comprehensive income for the period attributed to owners of the parent		**69,295**	59,767

Notes to the financial statements are included on pages 35 to 75.

Statement of Financial Position

as at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Current Assets			
Cash and cash equivalents		**21,860**	24,566
Trade and other receivables	**7**	**48,123**	14,510
Inventories	**8**	**74,772**	49,939
Biological assets	**9**	**460,121**	399,895
Current tax asset	**4**	**7,038**	2,834
Other financial assets	**10**	**725**	824
Other	**11**	**7,785**	9,059
Total Current Assets		**620,424**	501,627
Non-Current Assets			
Investments accounted for using the equity method	**12**	**9,752**	8,936
Other financial assets	**13**	**2,218**	2,516
Property, plant and equipment	**14**	**548,313**	451,260
Right-of-use assets	**31**	**214,136**	-
Goodwill	**15**	**89,894**	89,894
Other intangible assets	**16**	**24,184**	24,184
Other	**17**	**5,885**	5,116
Total Non-Current Assets		**894,382**	581,906
Total Assets		**1,514,806**	1,083,533
Current Liabilities			
Trade and other payables	**19**	**109,017**	88,188
Borrowings	**20**	**12,222**	12,222
Lease liabilities	**31**	**44,408**	-
Obligations under finance leases	**20**	**-**	11,018
Provisions	**21**	**14,673**	12,742
Other financial liabilities	**22**	**-**	263
Total Current Liabilities		**180,320**	124,433
Non-Current Liabilities			
Borrowings	**23**	**207,388**	164,428
Lease liabilities	**31**	**172,928**	-
Obligations under finance leases	**23**	**-**	15,565
Deferred tax liabilities	**4**	**162,943**	143,261
Provisions	**24**	**2,178**	1,988
Total Non-Current Liabilities		**545,437**	325,242
Total Liabilities		**725,757**	449,675
Net Assets		**789,049**	633,858
Equity			
Issued capital	**25**	**418,635**	288,814
Reserves	**26**	**16,072**	16,003
Retained earnings	**27**	**354,342**	329,041
Total Equity		**789,049**	633,858

Notes to the financial statements are included on pages 35 to 75.

Statement of Changes in Equity

for the year ended 30 June 2020

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 2018	**271,082**	**12,700**	**(122)**	**1,683**	**300,660**	**586,003**
Profit for the period	-	-	-	-	58,439	58,439
Gain / (loss) on revaluation of property (net of any related tax)	-	1,390	-	-	-	1,390
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	(62)	-	-	(62)
Total comprehensive income for the period	-	1,390	(62)	-	58,439	59,767
Payment of dividends	-	-	-	-	(30,058)	(30,058)
Issue of shares pursuant to dividend reinvestment plan	9,774	-	-	-	-	9,774
Issue of shares pursuant to business acquisition earn-out arrangement	7,958	-	-	-	-	7,958
Issue of shares pursuant to executive long term incentive plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	414	-	414
Balance as at 30 June 2019	**288,814**	**14,090**	**(184)**	**2,097**	**329,041**	**633,858**
Balance as at 1 July 2019 (as previously reported)	**288,814**	**14,090**	**(184)**	**2,097**	**329,041**	**633,858**
Effect of change in accounting policy for initial application of IFRS 16	-	-	-	-	(6,860)	(6,860)
Balance as at 1 July 2019 – as restated	**288,814**	**14,090**	**(184)**	**2,097**	**322,181**	**626,998**
Profit for the period	-	-	-	-	69,111	69,111
Gain / (loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	184	-	-	184
Total comprehensive income for the period	-	-	184	-	69,111	69,295
Payment of dividends	-	-	-	-	(36,950)	(36,950)
Issue of shares pursuant to dividend reinvestment plan	5,266	-	-	-	-	5,266
Issue of shares pursuant to share placement	108,416	-	-	-	-	108,416
Share placement costs	(3,060)	-	-	-	-	(3,060)
Related income tax	1,557	-	-	-	-	1,557
Issue of shares pursuant to share purchase plan	17,431	-	-	-	-	17,431
Issue of shares pursuant to executive long term incentive plan	211	-	-	(211)	-	-
Recognition of share-based payments	-	-	-	96	-	96
Balance as at 30 June 2020	**418,635**	**14,090**	**-**	**1,982**	**354,342**	**789,049**

Notes to the financial statements are included on pages 35 to 75.

Statement of Cashflows
for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cashflows from Operating Activities			
Receipts from customers		**578,504**	602,405
Payments to suppliers and employees		**(508,938)**	(502,908)
Interest received		**92**	476
Interest and other costs of finance paid		**(17,770)**	(9,643)
Income taxes paid		**(2,036)**	(432)
Net cash (used in) / provided by operating activities	37(b)	**49,852**	89,898
Cashflows from Investing Activities			
Payment for property, plant and equipment		**(138,714)**	(104,774)
Proceeds from sale of property, plant and equipment		**12**	16
Payment for business		**-**	(33,960)
Net cash (used in) / provided by investing activities		**(138,702)**	(138,718)
Cashflows from Financing Activities			
Proceeds from borrowings		**42,960**	83,794
Repayment of lease liabilities		**(47,919)**	-
Payments of obligations under finance leases		**-**	(13,945)
Proceeds from issue of equity securities		**125,847**	-
Payment for share issue costs		**(3,060)**	-
Dividends paid to members of the parent entity		**(31,684)**	(20,284)
Net cash (used in) / provided by financing activities		**86,144**	49,565
Net increase / (decrease) in cash and cash equivalents		**(2,706)**	745
Cash and cash equivalents at the beginning of the financial year		**24,566**	23,821
Cash and cash equivalents at the end of the financial year	37(a)	**21,860**	24,566

Notes to the financial statements are included on pages 35 to 75.

Notes to the Financial Statements
for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

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 2020.

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 16, 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 significant judgements and estimates:

- Biological assets (refer to notes 1(w) and (9)) – including forecast harvest weights, forecast sale prices, forecast feed costs, labour and overheads, as well as discount rate.
- Impairment testing (refer to notes 1(g) and 1(k), including assessment of future cash flows against carrying amounts.

Impact of Covid-19

As noted in the Review of Operations in the Directors' Report, the Board and management have considered the impact of Covid-19 on the consolidated entity's operations and financial performance and have noted that as an "Essential Service", Tassal's operations have, due to the risk mitigation measures employed, effectively continued as "normal". In particular, Tassal's supply chain has been resilient to date. The consolidated entity's main financial impact from Covid-19 has been the incurring of additional export freight costs due to the lower than normal airfreight capacity. However, despite these additional costs, the consolidated entity reported higher earnings than the prior financial year.

In preparing the consolidated financial report, management has considered the impact of Covid-19 on the various balances in the financial report, including the carrying value of trade receivables and inventories, as well as balances and accounting estimates for which cash flow forecasts are required to be prepared, such as the fair value of biological assets, impairment assessments of goodwill and brand names and forecast compliance with borrowing financial covenants. Management determined that there was no significant impact of Covid-19 on the abovementioned balances and accounting estimates.

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 2020, and the comparative information presented in these financial statements.

Application of New and Revised Accounting Standards

(i) Amendments to AASBs and the new Interpretations that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2019.

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

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments Interpretation 23 clarifies the accounting for uncertainties in income taxes.

AASB 16 LEASES

The Group has adopted AASB 16 'Leases' from 1 July 2019

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 1(c). The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group has applied AASB 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

A - Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

B - Impact on Lessee Accounting

AASB 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities into either:
  - o the consolidated statement of profit or loss or
  - o in respect to leases linked to farming activities, capitalised to biological assets and then derecognised in the consolidated statement of profit or loss under cost of goods sold when sold;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under AASB 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying AASB 16 from 1 July 2019.

Notes to the Financial Statements
for the year ended 30 June 2020

C - Incremental Borrowing Rate

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 5.87%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	$'000
Operating lease commitments at 30 June 2019	**174,183**
Short-term leases and leases of low-value assets	(1,974)
Effect of discounting the above amounts	(34,175)
Finance Lease liabilities recognised under IAS 17 at 30 June 2019	26,583
Present value of the variable lease payments that depend on a rate or index	-
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in the operating lease commitments	-
Lease Liabilities recognised at 1 July 2019	**164,617**

At 1 July 2019, the change in accounting policy impacted the following items in the balance sheet

- Right to use assets – increase by $128,232,000
- Lease liabilities: current – increase by $31,656,000
- Lease liabilities: non-current – increase by $106,378,000
- Retained earnings: decrease by $9,800,000 pre tax ($6,860,000 post tax)

Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments Interpretation 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ('tax amounts'), when there is uncertainty over income tax treatments under AASB 112 Income Taxes.

The Interpretation requires an entity to:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) where an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

This interpretation has not had a material impact on the financial report.

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard / Interpretation	Effective for financial years commencing on or after	Expected to be initially applied in the financial year ending
AASB 17 Insurance Contracts	1 January 2021	30 June 2022
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128,* *AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2022	30 June 2023
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendment to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021

Standard / Interpretation	Effective for financial years commencing on or after	Expected to be initially applied in the financial year ending
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020	30 June 2021
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021
Conceptual Framework for Financial Reporting	1 January 2020	30 June 2021

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.

(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 38 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 38. 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
- 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.

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

The Group has applied AASB 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and AASB 16 are presented separately below.

Policies applicable from 1 July 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss. As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 July 2019

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.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental 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.

(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 2019, 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)AAPI, 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.

Notes to the Financial Statements
for the year ended 30 June 2020

(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 – Livestock

Livestock 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 livestock 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 livestock 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.

(x) Financial Risk Management Strategies Relating to Agricultural Activities

The Board considers that there is no satisfactory market for the insurance of livestock (i.e. live salmon and prawns). Recognising this, the consolidated entity has in place a robust and comprehensive risk management strategy to monitor and oversee its agricultural activities (i.e. salmon and prawn farming). The policy framework is broad, with risk management addressed via species diversification, marine and hatchery site geographical diversification, conservative finfish husbandry practices, experienced management with international expertise and extensive investment in infrastructure improvements and automation.

(y) 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 2020, the Directors declared a final 25% franked dividend of 9.00 cents per ordinary share amounting to $18.821 million in respect of the financial year ended 30 June 2020. The record date for determining entitlements to this dividend is 15 September 2020. The final dividend will be paid on 29 September 2020.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2020.

3. PROFIT FOR THE YEAR BEFORE TAX

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit from operations before income tax expense includes the following items of revenue and expense:		
(a) Revenue		
Revenue from the sale of goods:		
Domestic wholesale market	**152,768**	185,501
Domestic retail market	**294,379**	277,340
Export market	**105,467**	88,502
Interest revenue	**92**	476
Total revenue	**552,706**	551,819
(b) Other income		
Gain / (loss) on disposal of property, plant and equipment	**(13)**	6
Government grants received	**3,349**	3,358
Other	**6,498**	5,171
Total other income	**9,834**	8,535
(c) Expenses		
Depreciation of non-current assets	**29,990**	23,728
Depreciation of right-of-use assets	**8,711**	-
Amortisation of non-current assets	**30**	30
Total depreciation and amortisation	**38,731**	23,758
Interest - other entities	**6,587**	7,454
Interest – lease liabilities	**3,724**	1,712
Total finance costs (i)	**10,311**	9,166
Notes:		
(i) Additional finance costs of $1.463 million were included in the cost of qualifying assets during the current year (2019: $0.432 million).		
(ii) The weighted average capitalisation rate on funds borrowed generally is 0.14% (2019: 1.677%).		
Employee benefits expense:		
Equity settled share-based payments	**96**	414
Post-employment benefits	**9,055**	8,267
Other employee benefits	**116,640**	107,397
Total employee benefits expense	**125,791**	116,078
Net bad and doubtful debts – other entities	**15**	368
Write-downs of inventories to net realisable value	**886**	207
Research and development costs immediately expensed	**1,071**	1,205

Notes to the Financial Statements
for the year ended 30 June 2020

4. INCOME TAXES

		Consolidated 2020 $'000	Consolidated 2019 $'000
(a)	*Income tax recognised in profit or loss:*		
	Tax (expense)/income comprises:		
	Current tax (expense)/income	-	(12,848)
	Adjustment recognised in the current year in relation to the current tax of prior years	427	372
	Deferred tax (expense)/income relating to the origination and reversal of temporary differences and use of carry forward tax losses	(27,879)	(11,074)
	Total tax (expense)/income	(27,452)	(23,550)
	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	96,563	81,989
	Income tax (expense)/benefit calculated at 30%	(28,969)	(24,597)
	Non-tax deductible items	(120)	(371)
	Research and development concession	1,637	1,418
	Income tax (expense)/benefit	(27,452)	(23,550)
	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.		
(b)	*Income tax recognised directly in equity*		
	Deferred tax:		
	Property, plant and equipment	-	(595)
	Property, plant and equipment – adoption of AASB 16 (note 1 (l))	2,940	-
	Employee share reserve	64	-
	Revaluation of financial instruments treated as cashflow hedges	(79)	27
	Capital raising costs	1,557	-
		4,482	(568)
(c)	*Current tax balances:*		
	Current tax assets/(liabilities) comprise:		
	Income tax payable attributable to:		
	Entities in the tax-consolidated group	5,680	(1,893)
	Research & Development income	1,358	4,727
	Net current tax asset/(liability)	7,038	2,834
(d)	*Deferred tax balances:*		
	Deferred tax assets comprise:		
	Temporary differences	8,630	5,454
	Carry forward tax losses and R&D offsets	5,580	-
		14,210	5,454
	Deferred tax liabilities comprise:		
	Temporary differences	(177,153)	(148,715)
		(177,153)	(148,715)
	Net deferred tax asset/(liability)	(162,943)	(143,261)

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4. INCOME TAXES

(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
2020					
Deferred tax liabilities:					
Biological assets	(115,127)	-	(14,259)	-	(129,386)
Inventories	(7,332)	-	(3,083)	-	(10,415)
Property, plant and equipment	(22,876)	-	(9,651)	-	(32,527)
Investment in associates	(839)	-	(513)	-	(1,352)
Other financial assets	(2,541)	-	(932)	-	(3,473)
	(148,715)	-	(28,438)	-	(177,153)
Deferred tax assets:					
Provisions	3,811	-	578	-	4,389
Other intangible assets	99	-	(99)	-	-
Trade and other payables	196	-	23	-	219
Cashflow hedges	79	-	-	(79)	-
Tax losses and R&D offsets	-	-	5,580	-	5,580
Other	1,269	-	(1,808)	4,561	4,022
	5,454	-	4,274	4,482	14,210
	(143,261)	-	(24,164)	4,482	(162,943)
Reduction arising from:					
Revenue tax losses and R&D offset					
Net deferred tax asset/(liability)	**(143,261)**	**-**	**(24,164)**	**4,482**	**(162,943)**
2019					
Deferred tax liabilities:					
Biological assets	(106,022)	-	(9,105)	-	(115,127)
Inventories	(7,738)	-	406	-	(7,332)
Property, plant and equipment	(20,103)	-	(2,178)	(595)	(22,876)
Investment in associates	(709)	-	(130)	-	(839)
Other financial assets	(1,510)	-	(1,031)	-	(2,541)
	(136,082)	-	(12,038)	(595)	(148,715)
Deferred tax assets:					
Provisions	3,360	-	451	-	3,811
Other intangible assets	62	-	37	-	99
Trade and other payables	91	-	105	-	196
Cashflow hedges	223	-	(171)	27	79
Other	727	-	542	-	1,269
	4,463	-	964	27	5,454
	(131,619)	-	(11,074)	(568)	(143,261)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	**(131,619)**	**-**	**(11,074)**	**(568)**	**(143,261)**

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 33.

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. Further details of the company's determination of key management personnel for the 2020 and 2019 financial years are included in the Remuneration Report in the Director's Report.

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
J. Fazzino	Non-executive Director (appointed 29 May 2020)
T. Gerber	Non-executive Director
R. Haire	Non-executive Director (appointed 5 March 2020)
C. Leon	Non-executive Director (retired 29 October 2019)
G. Lynch	Non-executive Director
J. McArthur	Non-executive Director
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
M. Asman	Head of Aquaculture
A. Creswell	Chief Financial Officer
D. Williams	Head of Sales and Marketing
K. Little	Head of People and Communities
B. Daley	Head of Supply Chain and Commercial Services

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 2020 $	Consolidated 2019 $
Short-term employee benefits	**4,270,505**	3,891,411
Post-employment benefits	**223,494**	216,933
Share-based payment	**17,443**	135,188
	4,511,442	4,243,532

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)
30 Nov 2017	30 Jun 2020	341,146	-	173,751	167,395	-
30 Nov 2018	30 Jun 2021	420,716	-	-	-	420,716
30 Nov 2019	30 Jun 2022	-	366,390	-	-	366,390
		761,862	366,390	173,751	167,395	787,106

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 2020

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 2018, 30 June 2019 and 30 June 2020 and applicable to participants was:

Performance condition	Value at grant date $
Performance rights issued during the financial year ended 30 June 2018:	
Operating earnings per share ('EPS')	356,640
Operating return on assets ('ROA')	484,981
	841,621
Performance rights issued during the financial year ended 30 June 2019:	
Operating earnings per share ('EPS')	381,321
Operating return on assets ('ROA')	668,936
	1,050,257
Performance rights issued during the financial year ended 30 June 2020:	
Operating earnings per share ('EPS')	159,761
Operating return on assets ('ROA')	349,059
	508,820
	2,400,698

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 2020 is $17,443 (2019: $135,188).

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2019 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 2020 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 $4.34 (2019: $4.20) adjusted for the present value of expected dividends over the vesting Performance Period.

6. REMUNERATION OF AUDITORS

	Consolidated 2020 $	Consolidated 2019 $
Audit or review of the financial reports	**325,600**	305,600
Non-audit services (i)	**14,703**	10,675
	340,303	316,275

Notes:

(i) The "non-audit services" principally refers to the provision of a whistleblower hotline and other assurance services. 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 2020 $'000	Consolidated 2019 $'000
Trade receivables (i)	**41,877**	10,114
Loss allowance	**(884)**	(575)
	40,993	9,539
Goods and services tax (GST) receivable	**3,737**	2,715
Other receivables	**3,393**	2,256
	48,123	14,510

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. The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL (expected credit loss). ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor's, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 75% against all receivables over 120 days past due as historical experience has indicated that the majority of these receivables are generally not recoverable.

The Group writes off a trade receivable when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off are subject to enforcement activities.

(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 $110.000 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 $75.803 million as at 30 June 2020 (2019: $67.732 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 2020 was $12.195 million (2019: $10.598 million).

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Trade Receivables - days past due

2020	Not past due $'000	>30 days $'000	>60 days $'000	>90 days $'000	>120 days $'000	Total $'000
Receivables	26,499	11,204	2,915	607	652	41,877
Expected loss rate (%)	0.49	1.00	2.00	5.00	75.00	
Estimated total at default	129	112	58	30	489	818
Lifetime ECL	**154**	**134**	**70**	**36**	**489**	**884**

Trade Receivables - days past due

2019	Not past due $'000	>30 days $'000	>60 days $'000	>90 days $'000	>120 days $'000	Total $'000
Receivables	8,100	1,272	223	17	502	10,114
Expected loss rate (%)	0.53	1.00	2.00	5.00	100.00	
Estimated total at default	43	13	4	1	502	563
Lifetime ECL	**51**	**15**	**5**	**1**	**502**	**575**

Notes to the Financial Statements
for the year ended 30 June 2020

8. CURRENT INVENTORIES

	Consolidated 2020 $'000	Consolidated 2019 $'000
Raw materials	**18,520**	11,136
Finished goods[i]	**56,252**	38,803
	74,772	49,939

(i) Includes fair value adjustment of biological assets at point of harvest $15.026 million (2019: $8.965 million)

9. BIOLOGICAL ASSETS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Livestock at fair value		
Opening balance	**399,895**	356,484
Gain or loss arising from changes in fair value less estimated point of sale costs	**520,344**	443,192
Increases due to purchases	**21,639**	14,001
Decreases due to harvest	**(481,757)**	(413,782)
Closing balance[i]	**460,121**	399,895

(i) Includes fair value adjustment of biological assets $159.411 million (2019: $153.302 million)

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.

Fair value hierarchy

Item	**Fair value as at:**		**Fair value hierarchy**	**Valuation techniques**
	30/06/2020 $'000	**30/06/2019 $'000**		
Biological Assets	**460,121**	399,895	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 2020 $'000	Consolidated 2019 $'000
Loans carried at amortised cost:		
Loans to other parties	**725**	824
	725	824

11. OTHER CURRENT ASSETS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Prepayments	**7,785**	9,059
	7,785	9,059

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2020 $'000	Consolidated 2019 $'000
Investments in associates	**9,752**	8,936
	9,752	8,936
Reconciliation of movement in investments accounted for using the equity method		
Balance at the beginning of the financial year	**8,936**	8,502
Share of profit / (loss) for the year	**816**	434
Additions	**-**	-
Disposals	**-**	-
Balance at the end of the financial year	**9,752**	8,936

Name of entity	Principal activity	Country of Incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	**68.94**	68.94

(i) The Consolidated entity owns 68.94% (2019: 68.94%) of the issued capital and 61.22% (2019: 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 2020 $'000	Consolidated 2019 $'000
Summarised financial information of associates: (i)		
Current assets	**23,318**	19,224
Non-current assets	**30,511**	31,277
	53,829	50,501
Current liabilities	**(9,489)**	(6,762)
Non-current liabilities	**(12,871)**	(14,316)
	(22,360)	(21,078)
Net assets	**31,469**	29,423
Revenue	**18,598**	12,222
Net profit / (loss)	**2,047**	2,047
Share of associates' profit / (loss):		
Share of profit / (loss) before income tax	**1,156**	630
Income tax (expense)/benefit	**(340)**	(196)
Share of associates' profit / (loss) – current period	**816**	434

(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 2020 $'000	Consolidated 2019 $'000
Shares in other entities at cost	**43**	43
Loans to other parties	**2,175**	2,473
	2,218	2,516

14. PROPERTY, PLANT AND EQUIPMENT

Consolidated 2020	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	25,282	94,649	417,681	74,197	611,809
Balance at 30 June 2019	-	-	-	-	-
Disposals	-	-	(10,516)	-	(10,516)
Work-In-Progress Additions	-	-	-	134,173	134,173
Capitalisation to asset categories	26,877	24,290	83,514	(134,681)	-
Net revaluation increment / (decrement)	-	-	-	-	-
Balance at 30 June 2020	**52,159**	**118,939**	**490,679**	**73,689**	**735,466**
Accumulated depreciation					
Balance at 30 June 2019	-	(9,552)	(150,997)	-	(160,549)
Depreciation expense	-	(4,344)	(32,737)	-	(37,081)
Disposals	-	-	10,477	-	10,477
Net adjustments from revaluations	-	-	-	-	-
Balance at 30 June 2020	**-**	**(13,896)**	**(173,257)**	**-**	**(187,153)**
Net book value					
Balance at 30 June 2019	25,282	85,097	266,684	74,197	451,260
Balance at 30 June 2020	**52,159**	**105,043**	**317,422**	**73,689**	**548,313**

Consolidated 2019	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 2018	5,225	93,454	354,576	46,323	499,578
Acquisition of business	17,487	2,883	336	-	20,706
Disposals	-	-	(9,697)	-	(9,697)
Work-In-Progress Additions	-	-	-	107,036	107,036
Capitalisation to asset categories	1,135	5,561	72,466	(79,162)	-
Net revaluation increment / (decrement)	1,435	(7,249)	-	-	(5,814)
Balance at 30 June 2019	**25,282**	**94,649**	**417,681**	**74,197**	**611,809**
Accumulated depreciation					
Balance at 30 June 2018	-	(13,528)	(133,033)	-	(146,561)
Depreciation expense	-	(3,824)	(27,626)	-	(31,450)
Disposals	-	-	9,662	-	9,662
Net adjustments from revaluations	-	7,800	-	-	7,800
Balance at 30 June 2019	**-**	**(9,552)**	**(150,997)**	**-**	**(160,549)**
Net book value					
Balance at 30 June 2018	5,225	79,926	221,543	46,323	353,017
Balance at 30 June 2019	**25,282**	**85,097**	**266,684**	**74,197**	**451,260**

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 2019 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 2020 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30 June 2020 $'000
Freehold land	-	-	52,159	52,159
Buildings	-	-	105,043	105,043

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 2019 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30 June 2019 $'000
Freehold land	-	-	25,282	25,282
Buildings	-	-	85,097	85,097

15. GOODWILL

	Note	**Consolidated 2020 $'000**	Consolidated 2019 $'000
Gross carrying amount			
Balance at the beginning of financial year		**89,894**	82,306
Additional amounts recognised from business combinations occurring during the period		**-**	7,588
Balance at the end of financial year		**89,894**	89,894
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		**89,894**	89,894
Balance at the end of the financial year		**89,894**	89,894

Impairment test for goodwill

Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entities, Aquatas Pty Ltd acquired in FY05, De Costi Seafoods Pty Ltd acquired in FY16 and the Fortune Group prawn aquaculture business acquired in FY19. 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 post-tax discount rate of 6.00% (2019: 8.00%). The calculations are based on management approved cashflows and financial projections to 2025, 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% (2019: 2.5%) per annum growth rate.

16. OTHER INTANGIBLE ASSETS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Gross carrying amount		
Balance at the beginning of the financial year	**24,184**	24,184
Additional amounts recognised from acquisition of Superior Gold Brand	**-**	-
Balance at the end of the financial year	**24,184**	24,184
Accumulated impairment losses		
Balance at the beginning of the 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	**24,184**	24,184
Balance at the end of the 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 2020 is $24.184 million (2019: $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 post-tax discount rate of 6.00% (2019: 8.00%). 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 2021, and projections over a further forecast period to 2025, 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% (2019: 0.00%) per annum growth rate.

17. OTHER NON-CURRENT ASSETS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Marine farming lease – at cost	**826**	826
Accumulated amortisation (i)	**(574)**	(544)
Selective breeding program contribution asset (ii)	**5,633**	4,834
	5,885	5,116

(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 $5.633 million (2019: $4.834 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.

18. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in notes 20 and 23 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.

19. CURRENT TRADE AND OTHER PAYABLES

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade payables (i)	**95,671**	79,547
Other creditors and accruals	**13,169**	8,504
Goods and services tax (GST) payable	**177**	137
	109,017	88,188

(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 2020 $'000	Consolidated 2019 $'000
Secured: **At amortised cost**		
Bank overdrafts (i)	**-**	-
Finance lease liabilities (ii)	**-**	11,018
Bank loans (iii)	**12,222**	12,222
	12,222	23,240
Unsecured: **At amortised cost**		
Other loans	**-**	-
	12,222	23,240

(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 2020 $'000	Consolidated 2019 $'000
Employee benefits (refer to note 24)	**14,673**	12,742
	14,673	12,742

(i) The current provision for employee entitlements includes $2.346 million (2019: $1.934 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 2020 $'000	Consolidated 2019 $'000
Interest rate swap contracts	**-**	263
	-	263

23. NON-CURRENT BORROWINGS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Secured:		
At amortised cost:		
Cash advance (i)	**207,388**	164,428
Finance lease liabilities (ii)	**-**	15,565
	207,388	179,993

(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.

24. NON-CURRENT PROVISIONS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Employee benefits	**2,178**	1,988
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits		
Current (refer to note 21)	**14,673**	12,742
Non-current	**2,178**	1,988
	16,851	14,730

25. ISSUED CAPITAL

	Note	Consolidated 2020 Number	2020 $'000	2019 Number	2019 $'000
(a) Ordinary share capital (fully paid):					
Ordinary shares		**209,118,582**	**418,635**	178,450,013	288,814
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					
(b) Movements in ordinary share capital					
Balance as at the beginning of the financial year		**178,450,013**	**288,814**	174,458,730	271,082
Issue of shares pursuant to dividend reinvestment plan	**(i)**	**1,743,797**	**5,266**	2,141,283	9,774
Issue of shares pursuant to business acquisition earn-out arrangement	**(ii)**	**-**	**-**	1,850,000	7,958
Issue of shares pursuant to share placement	**(iii)**	**24,640,001**	**108,416**	-	-
Share placement costs		**-**	**(3,060)**	-	-
Related income tax		**-**	**1,557**	-	-
Issue of shares pursuant to share purchase plan	**(iv)**	**4,188,623**	**17,431**	-	-
Issue of shares pursuant to executive long term incentive plan	**(v)**	**96,148**	**211**	-	-
Balance as at the end of the financial year		**209,118,582**	**418,635**	178,450,013	288,814

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.

Current financial year

(i) On 31 March 2020, 1,743,797 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of $3.02 per share. A discount of 2% was applicable.

(iii) On 26 August 2019, 24,640,001 ordinary shares were issued pursuant to a share placement at an issue price of $4.40 per share to enable the Company to invest in the accelerated prawn growth strategy.

(iv) On 23 September 2019, 4,188,623 ordinary shares were issued pursuant to a share purchase plan at an issue price of $4.1615 per share to enable the Company to invest in the accelerated prawn growth strategy.

(v) On 26 August 2019, 96,148 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of $2.1992 per share. There was no exercise price paid on this conversion.

173,751 fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2018 and which vested on 30 June 2020 will be issued pursuant to the Company's Long-term Incentive Plan.

Previous financial year

(i) On 28 September 2018, 955,128 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of $4.21 per share. A discount of 2% was applicable.

On 29 March 2019, 1,186,155 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of $4.85 per share. A discount of 2% was applicable.

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

Notes to the Financial Statements
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26. RESERVES

	Consolidated 2020 $'000	Consolidated 2019 $'000
Hedging	-	(184)
Equity-settled employee benefits	1,982	2,097
Asset revaluation	14,090	14,090
	16,072	16,003
(a) Hedging reserve		
Balance at the beginning of the financial year	(184)	(122)
Gain / (loss) recognised on cashflow hedges: Interest rate swap contracts	263	(89)
Income tax related to gains / losses recognised in equity	(79)	27
Balance at the end of the financial year	-	(184)

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.

(b) Equity-settled employee benefits reserve

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the financial year	2,097	1,683
Share-based payment	96	414
Issue of shares pursuant to Executive Long Term Incentive Plan	(211)	-
Balance at the end of the financial year	1,982	2,097

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance as at the beginning of the financial year	14,090	12,700
Revaluation increments / (decrements)	-	1,985
Deferred tax liability arising on revaluation	-	(595)
Balance at the end of the financial year	14,090	14,090

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).

27. RETAINED EARNINGS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the financial year	**329,041**	300,660
Effect of change in accounting policy for initial application of IFRS 16	**(6,860)**	-
Net profit attributable to members of the parent entity	**69,111**	58,439
Dividends provided for or paid (refer to note 29)	**(36,950)**	(30,058)
Balance at the end of the financial year	**354,342**	329,041

28. EARNINGS PER SHARE (EPS)

	Consolidated 2020 (Cents per share)	Consolidated 2019 (Cents per share)
Earnings per ordinary share		
Basic (cents per share) (i)	**34.03**	33.01
Diluted (cents per share) (ii)	**33.93**	32.88

(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.

	2020 No. '000	2019 No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	**203,067**	177,058
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	**638**	706
Number for diluted EPS	**203,705**	177,764

	Consolidated 2020 $'000	Consolidated 2019 $'000
Earnings used as the numerator in the calculation of EPS (i)		
Earnings used as the numerator in the calculation of EPS (i)		
Earnings for basic EPS	**69,111**	58,439
Earnings for diluted EPS	**69,111**	58,439

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

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29. DIVIDENDS

	Year Ended 30 June 2020		Year Ended 30 June 2019	
	Cents per share	**$'000**	Cents per share	$'000
(a) Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year	**9.00**	**18,664**	9.00	15,953
Final dividend paid in respect of prior financial year	**9.00**	**18,286**	8.00	14,105
	18.00	**36,950**	17.00	30,058
(b) Unrecognised amounts				
Fully paid ordinary shares				
Final dividend in respect of current financial year	**9.00**	**18,821**	9.00	18,286

On 19 August 2020, the Directors declared a final dividend of $18.821 million (9.00 cents per ordinary share) in respect of the financial year ended 30 June 2020. The final dividend will be 25% franked. The record date for determining entitlements to this dividend is 15 September 2020. The final dividend will be paid on 29 September 2020.

The final dividend in respect of ordinary shares for the year ended 30 June 2020 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2020.

No portion of the final dividend declared for the financial year ended 30 June 2020 constitutes Conduit Foreign Income.

	Consolidated 2020 '000	Consolidated 2019 '000
Franking account balance	**1,340**	3,263

30. COMMITMENTS FOR EXPENDITURE (I)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Capital expenditure commitments **Plant and equipment**		
Not longer than 1 year	**20,074**	51,525
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	20,074	51,525

31. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases several assets including buildings, plant, equipment, vessels, marine licences and IT equipment. The average term is 7.2 years. AASB 16 was adopted on 1 July 2019 (refer note 1 (1)).

(a) Right-Of-Use Assets

	Buildings $'000	Plant and equipment $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2019	41,163	132,363	173,526
Additions	220	112,408	112,628
Disposals	-	(6,695)	(6,695)
Balance at 30 June 2020	**41,383**	**238,076**	**279,459**
Accumulated depreciation			
Balance at 1 July 2019	(21,035)	(24,258)	(45,293)
Depreciation expense	(3,334)	(22,826)	(26,160)
Disposals	-	6,130	6,130
Balance at 30 June 2020	**(24,369)**	**(40,954)**	**(65,323)**
Carrying Amount			
Balance at 1 July 2019	20,128	108,105	128,233
Balance at 30 June 2020	**17,014**	**197,122**	**214,136**

(b) Lease Liabilities

	Consolidated 30 June 2020 $'000	Consolidated 1 July 2019 $'000
Current Liabilities	**44,408**	42,674
Non-current Liabilities	**172,928**	121,943
	217,336	164,617

Maturity Analysis

	Consolidated 30 June 2020 $'000	Consolidated 1 July 2019 $'000
Not longer than 1 year	**44,408**	42,674
Longer than 1 year and not longer than 5 years	**111,109**	84,728
Longer than 5 years	**61,819**	37,215
	217,336	164,617

Notes to the Financial Statements
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32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

33. INVESTMENTS IN CONTROLLED ENTITIES

Details of controlled entities are reflected below:

		Ownership interest	
Name of entity	**Country of incorporation**	**2020**	2019
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%**	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

34. 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 prawns and to procure, process, market and sell other seafood species.

Reportable segments are determined by the similarity of goods sold and the method used to distribute the goods. Information reported to he CODM is primarily focused on geographical regions. The Group's reportable segments under AASB 8 *'Operating Segments'* are therefore domestic and export markets for the sale of all seafood products.

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

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

2020	**Domestic Segment $'000**	**Export Segment $'000**	**Consolidated $'000**
Sales (1)	447,147	105,467	552,614
Segment operational EBITDA	115,556	22,995	138,551
Exmoor station acquistion costs	-	-	(2,254)
Significant export freight costs			(2,862)
Fair value adjustment of biological assets	-	-	12,170
Statutory EBITDA	**-**	**-**	**145,605**
Depreciation & amortisation expense	-	-	(38,731)
Finance costs	-	-	(10,311)
Profit before income tax expense	**-**	**-**	**96,563**
Income tax expense	-	-	(27,452)
Profit for the period	**-**	**-**	**69,111**
(1) Sales Information	**Salmon**	**Seafood**	**Total**
	$'000	**$'000**	**$'000**
Domestic wholesale	127,909	24,859	152,768
Domestic retail	252,743	41,636	294,379
Export	74,902	30,565	105,467
Total sales	**455,554**	**97,060**	**552,614**

2019	**Domestic Segment $'000**	**Export Segment $'000**	**Consolidated $'000**
Sales (1)	462,841	88,502	551,343
Segment operational EBITDA	101,296	11,013	112,309
Prawn farm acquistion costs	-	-	(2,009)
Fair value adjustment of biological assets	-	-	4,613
Statutory EBITDA	**-**	**-**	**114,913**
Depreciation & amortisation expense	-	-	(23,758)
Finance costs	-	-	(9,166)
Profit before income tax expense	**-**	**-**	**81,989**
Income tax expense	-	-	(23,550)
Profit for the period	**-**	**-**	**58,439**
(1) Sales Information	**Salmon**	**Seafood**	**Total**
Domestic wholesale	154,389	31,112	185,501
Domestic retail	234,556	42,783	277,340
Export	85,087	3,415	88,502
Total sales	**474,032**	**77,311**	**551,343**

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 $447,147 thousand (2019: $462,841 thousand) are sales of $215,021 thousand (2019: $211,306 thousand) which arose from sales to the Group's two largest customers.

Additional export freight costs were due to COVID-19 and the resulting removal of airfreight capacity.

Notes to the Financial Statements
for the year ended 30 June 2020

35. 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.

36. RELATED PARTY DISCLOSURES

Identity of related parties

The following persons and entities are regarded as related parties:

(i) Controlled entities:

Tassal Operations Pty Ltd
Aquatas Pty Ltd
De Costi Seafoods Pty Ltd
(Refer to note 33 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 associate).

(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 2020 $	Consolidated 2019 $
Salmon Enterprises of Tasmania Pty Ltd	**13,722,476**	8,836,024
	13,722,476	8,836,024

37. NOTES TO THE STATEMENT OF CASHFLOWS

	Consolidated 2020 $'000	Consolidated 2019 $'000
(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:		
Cash and cash equivalents	**21,860**	24,566
Bank overdrafts	**-**	-
	21,860	24,566
(b) Reconciliation of profit for the period to net cashflows from operating activities:		
Profit for the period	**69,111**	58,439
Depreciation and amortisation of non-current assets	**38,731**	23,758
Depreciation – impact of allocation to cost of live and processed fish inventories	**24,541**	7,722
Net (increment)/decrement in biological assets	**(6,109)**	(10,285)
Net (increment)/decrement in biological assets at point of harvest	**(6,061)**	5,672
Share of associates' and jointly controlled entities' profits	**(816)**	(434)
Equity settled share-based payment	**96**	8,372
(Increase) / decrease in assets:		
Inventories (i)	**(18,772)**	14,143
Biological assets (i)	**(54,117)**	(33,125)
Trade and other receivables	**(33,613)**	1,731
Prepayments	**1,274**	(3,942)
Other current financial assets	**99**	60
Current tax asset	**(4,204)**	7,317
Other non-current financial assets	**298**	179
Other non-current assets	**(799)**	(231)
Increase / (decrease) in liabilities:		
Current trade and other payables	**18,468**	(3,022)
Other current financial liabilities	**(79)**	27
Current provisions	**1,931**	1,793
Deferred tax balances	**19,682**	11,642
Non-current provisions	**191**	82
Net cash provided by operating activities	**49,852**	89,898

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
(c) Financing facilities		
Secured revolving bank overdraft facility subject to annual review and payable at call		
- Amount used	**-**	-
- Amount unused	**20,000**	15,000
	20,000	15,000
Secured facilities with various maturity dates		
- Amount used	**219,610**	176,650
- Amount unused	**79,612**	54,794
	299,222	231,444

37. NOTES TO THE STATEMENT OF CASHFLOWS (CONT.)

(d) Total liabilities from financing activities

	2019	Cash flows	Non-cash changes			2020
			Acquisition	Foreign exchange movement	Fair value changes	
	$'000	$'000	$'000	$'000	$'000	$'000
Long-term borrowings	164,428	42,960	-	-	-	**207,388**
Short-term borrowings	12,222	-	-	-	-	**12,222**
Assets held to hedge long-term borrowings	(263)	-	-	-	263	**-**
Total liabilities from financing activities	**176,387**	**42,960**	**-**	**-**	**263**	**219,610**

38. 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 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.

(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 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 36(a), 25, 26 and 27 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.

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38. FINANCIAL INSTRUMENTS (CONT.)

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 2020 $'000	Consolidated 2019 $'000
Financial assets		
Debt (i)	**219,610**	203,233
Cash and cash equivalents	**(21,860)**	(24,566)
Net debt	**197,750**	178,667
Equity (ii)	**789,049**	633,858
Net debt to equity ratio	**25.06%**	28.19%

(i) Debt is defined as long and short term borrowings as detailed in notes 20 and 23.

(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 38 (e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer note 38 (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.

38. 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	
	2020 %	2019 %	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
1 to 3 years	-	2.41	-	20,000	-	(263)
			-	20,000	-	(263)

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 2020 $'000	Consolidated 2019 $'000
Financial Assets		
Cash and cash equivalents	**219**	246
Total Profit / (Loss)	**219**	246

(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 36 (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..

38. FINANCIAL INSTRUMENTS (CONT.)

Consolidated 2020	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets					
Non-interest bearing:					
Trade receivables	-	40,993	-	-	40,993
Other receivables	-	7,130	-	-	7,130
Other financial assets	-	725	2,175	43	2,943
Variable interest rate:					
Cash and cash equivalents	0.00%	21,860	-	-	21,860
Fixed interest rate maturity:					
Other financial assets	-	-	-	-	-
		70,708	**2,175**	**43**	**72,926**
Financial liabilities					
Non-interest bearing:					
Trade payables	-	95,671	-	-	95,671
Other payables	-	13,346	-	-	13,346
Variable interest rate:					
Cash advance	0.14%	12,222	207,388	-	219,610
Fixed interest rate maturity:					
Interest rate swaps	-	-	-	-	-
Bank loans	-	-	-	-	-
Other loans	-	-	-	-	-
		121,239	**207,388**	**-**	**328,627**

Fair value hierarchy

Item	Fair value as at 30/06/2020 $'000	Fair value as at 30/06/2019 $'000	Fair value hierarchy	Valuation techniques
Interest rate swaps	**-**	263	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

Notes to the Financial Statements
for the year ended 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT.)

Consolidated 2019	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets					
Non-interest bearing:					
Trade receivables	-	9,539	-	-	9,539
Other receivables	-	4,971	-	-	4,971
Other financial assets	-	824	2,473	43	3,340
Variable interest rate:					
Cash and cash equivalents	0.62%	24,566	-	-	24,566
Fixed interest rate maturity:					
Other financial assets	-	-	-	-	-
		39,900	**2,473**	**43**	**42,416**
Financial liabilities					
Non-interest bearing:					
Trade payables	-	79,547	-	-	79,547
Other payables	-	8,641	-	-	8,641
Variable interest rate:					
Cash advance	1.26%	12,222	164,428	-	176,650
Fixed interest rate maturity:					
Interest rate swaps	2.41%	263	-	-	263
Finance lease liabilities	4.44%	11,018	15,565	-	26,583
Bank loans	-	-	-	-	-
Other loans	-	-	-	-	-
		111,691	**179,993**	**-**	**291,684**

(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, 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.

(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.

39. 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.

Statement of financial position	Company 2020 $'000	Company 2019 $'000
Current Assets		
Current tax asset	7,038	2,834
Total Current Assets	7,038	2,834
Non-Current Assets		
Trade and other receivables	382,733	263,622
Other financial assets	28,119	28,119
Deferred tax assets	6,727	336
Total Non-current Assets	417,579	292,077
Total Assets	424,617	294,911
Current Liabilities		
Current tax liability	-	-
Total Current Liabilities	-	-
Total Liabilities	-	-
Net Assets	424,617	294,911
Equity		
Issued capital	418,635	288,814
Reserves	1,982	2,097
Retained earnings	4,000	4,000
Total Equity	424,617	294,911
Statement of comprehensive income		
Profit for the period	36,950	30,058
Other comprehensive income	-	-
Total comprehensive income	36,950	30,058

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 35 - 75 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 2020 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 33 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 2020.

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, AO
Chairman

Hobart this 19th day of August 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 8
22 Elizabeth Street
Hobart TAS 7000
Australia

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TASSAL GROUP LIMITED

Opinion

We have audited the financial report of Tassal Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of biological assets *Refer to Note 1(w) Biological Assets – Livestock and Note 9 Biological Assets* As disclosed in Note 9, the Group has biological assets valued at $460.121 million as at 30 June 2020. These biological assets are measured at fair value less estimated point of sale costs. In order to determine the carrying value, Management prepare a discounted cash flow model which requires them to exercise significant judgement in respect of: • the forecast harvest weights • future net market value to be achieved per kilogram of fish/seafood; and • forecast costs (including feed costs, labour and overhead) to grow the livestock to a harvestable size.	With the support of our valuation specialists, our procedures included, but were not limited to: • obtaining an understanding of the process including key inputs (such as number and biomass of fish/seafood) used by management to determine fair value • assessing the appropriateness of the valuation methodology and testing the integrity of the discounted cash flow model • assessing and challenging the key assumptions in the model as follows: o forecast harvest weights by comparing to historical trends and the Board approved strategic plan and FY21 budget as well as harvest strategies in place o future net market value to be achieved per kilogram of livestock by comparing to recent historical sales prices, the Board approved strategic plan and FY21 budget as well as industry data o forecast costs (including feed costs, labour and overhead) to grow the livestock to a harvestable size by comparing to historical trends and the Board approved strategic plan and FY21 budget • assessing historical forecasting accuracy • challenging the appropriateness of the discount rate used in the discounted cash flow model • performing sensitivity analysis in relation to the key assumptions in the model; and • assessing the appropriateness of the disclosures to the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's and Chief Executive Officer's Report and the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Company's report (but does not include the financial report and our auditor's report thereon):, Dividend/Distribution – TGR, TGR FY2020 results, TGR FY2020 Results- presentation, Market Briefing on FY2020 results and outlook, additional ASX disclosures and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Dividend/Distribution – TGR, TGR FY2020 results, TGR FY2020 Results- presentation, Market Briefing on FY2020 results and outlook, additional ASX disclosures and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions take to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Tassal Group Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Hobart, 19 August 2020

Additional Securities Exchange Information

The following additional information is provided in accordance with the ASX Listing Rules as at 28 August 2020.

Number of holder of equity securities

Ordinary share capital (quoted)

209,292,333 fully paid ordinary shares are held by 15,063 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)

787,106 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 28 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

	Ordinary Shares			Performance Rights		
Number of equity securities held	No. of holders	No. of shares	% of shares	No. of holders	No. of rights	% of rights
1 – 1,000	5,626	2,614,532	1.25	-	-	-
1,001 – 5,000	6,334	15,921,709	7.61	-	-	-
5,001 – 10,000	1,785	13,002,250	6.21	3	25,161	3.20
10,001 – 100,000	1,254	27,855,985	13.31	24	586,047	74.45
100,001 and over	64	149,897,857	71.62	1	175,898	22.35
Rounding			0.00	-	-	-
	15,063	**209,292,333**	**100.00**	**28**	**787,106**	**100.00**

The number of shareholders holding less than a marketable parcel of 137 fully paid ordinary shares on 28 August 2020 is 687 and they hold 41,079 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
Vanguard Group	10,388,230	5.009%

Twenty largest holders of quoted ordinary shares

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,528,485	25.10
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,776,501	14.23
3	CITICORP NOMINEES PTY LIMITED	22,786,181	10.89
4	ARGO INVESTMENTS LIMITED	9,251,055	4.42
5	NATIONAL NOMINEES LIMITED	5,529,108	2.64
6	BNP PARIBAS NOMS PTY LTD <DRP>	4,557,363	2.18
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,176,431	1.52
8	MR HERMAN ROCKEFELLER	3,121,396	1.49
9	RASIN HOLDINGS PTY LTD <G&A COSTI INVESTMENT A/C>	2,500,000	1.19
10	MIRRABOOKA INVESTMENTS LIMITED	1,500,000	0.72
11	BRAZIL FARMING PTY LTD	1,393,181	0.67
12	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	979,342	0.47
13	MRS PATRICIA GLADYS WRIGHT + MR MARK GREGORY WRIGHT + MR JAMES GREGORY WRIGHT <PG WRIGHT SUPER FUND A/C>	922,802	0.44
14	GARMARAL PTY LTD	654,539	0.31
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	548,970	0.26
16	MUTUAL TRUST PTY LTD	544,295	0.26
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	451,106	0.22
18	MR BRIAN GREGORY WRIGHT + MRS PATRICIA GLADYS WRIGHT <BG WRIGHT SERVICES SUPER A/C>	434,805	0.21
19	EASYTONE COMMUNICATIONS PTY LTD	411,374	0.20
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	389,859	0.19
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**141,456,793**	**67.59**
Total Remaining Holders Balance		**67,835,540**	**32.41**

On-market buy-back

There is no current on-market buy-back.

TASSAL GROUP

tassalgroup.com.au

Tassal Group Limited
Level 9, 1 Franklin Wharf,
Hobart, TAS 7000
T +61 3 6244 9035
tassal@tassal.com.au