

# *Strong healthy growth*

Tassal Group Limited  
2012 Annual Report



That's the beauty of Tassal Salmon



# Company Directory

## Tassal Group Limited and Controlled Entities

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### Directors

Allan McCallum, Dip.Ag Science, FAICD (Chairman)  
Trevor Gerber, B.Acc CA (SA)  
John Watson, AM, MAICD  
Rudi Tsai, MSIA, BS AEM  
Mark Ryan, B.Com, CA, MAICD, FAIM (Managing Director)

### Chief Executive Officer

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

### Company Secretary

Monika Maedler, BEc, LLB, FCIS

### Registered Office\*

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Battery Point  
Tasmania 7004

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Facsimile (03) 6244 9002  
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Website www.tassal.com.au  
ABN 15 106 067 270  
(\*Also principal administration office)

### Auditors

Deloitte Touche Tohmatsu  
Level 8  
22 Elizabeth Street  
Hobart  
Tasmania 7000

### Bankers

Westpac Banking Corporation  
Level 10  
360 Collins Street  
Melbourne  
Victoria 3000

BankWest  
Level 6  
600 Bourke Street  
Melbourne  
Victoria 3000

### Stock Exchange Listing

Tassal Group Limited is listed on the Australian Securities Exchange.

The Home Exchange is Melbourne, Victoria.

ASX Code: TGR

### Share Registry

Register of Securities is held at the following address:

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford  
Victoria 3067

Enquiries (within Australia)	1300 850 505
Enquiries (outside Australia)	61 3 9415 4000
Investor Enquiries Facsimile	61 3 9473 2555
Website	www.computershare.com

### Executive Directory

Mark Ryan	Managing Director and Chief Executive Officer
Peter Bennett	Head of Processing
Andrew Creswell	Chief Financial Officer
Ben Daley	Head of Logistics, Planning and IT
David Kiemele	Head of Farming
Kaylene Little	Head of Human Resources, QA and OH&S
Monika Maedler	General Counsel and Company Secretary
Justin O'Connor	Head of Risk
Linda Sams	Head of Sustainability
Dale Williams	Head of Sales and Marketing

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# Chairman's and Chief Executive Officer's Report

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## Tassal Group Limited and Controlled Entities

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### Results and Performance Overview

The overarching strategic focus for Tassal Group Limited (**Tassal**) is to deliver sustainable long term returns to shareholders as the leader in salmon in Australia, selling a highly recognised ethical valued brand and product to Australian consumers and retailers. Underpinning this strategic focus, is Tassal's goal to maximise per capita Australian consumption of salmon, while achieving global best practice with respect to fish growing costs and maintaining global best practice processing costs and yields. Given low per capita Australian salmon consumption levels, Tassal's strategy has been to stimulate demand in the domestic market, in particular the retail market in collaboration with key retailers.

Reflecting the Company's desire to operate sustainably, Tassal released its first Sustainability Report in 2011. This was a significant milestone for Tassal. This report together with the World Wide Fund for Nature Australia (**WWF**) partnership, is a clear demonstration of Tassal's sustainability achievements to date, and also reflects the Company's commitment to future sustainability initiatives across our operations. Tassal's goal is to develop significant environmental and social initiatives led by stakeholder input.

Overall, the financial and operational performance for Tassal for the 12 months ended 30 June 2012 (**FY2012**) was negatively impacted by the global oversupply of salmon due to the increasing biomass from Chile and Norway, together with the retrospective tax law amendment for the amortisation expense of acquired knowhow enacted by the Australian Federal Government on 29 June 2012. Specifically, with respect to these two negative impacts:

- Export market conditions were extremely volatile and produced unacceptable returns. The average price for export salmon for Tassal in the export market decreased 21.65% to \$7.02/kg hog (FY2011: \$8.96/kg hog). Overall contribution margin from export sales was down \$6.181 million. We do not expect the export returns to improve over the next 24 months and accordingly, Tassal's strategic focus of maximising per capita Australian consumption of salmon is a platform that will allow the Company to deliver sustainable growing long term returns; and
- The change in legislation increased tax expense for FY2012 by \$0.740 million, which had the effect of reversing the deductions previously claimed.

The key financial highlights for FY2012 were:

- operating cash flow up 21.35% to \$50.387 million (FY2011: \$41.522 million);
- reported revenue up 15.98% to \$261.702 million (FY2011: \$225.635 million);
- accounting standard AASB 141 'Agriculture' increment of \$9.537 million before tax (FY2011: \$12.404 million);
- both reported earnings before interest, tax, depreciation and amortisation (**EBITDA**) and underlying EBITDA up 0.60% to \$59.559 million (FY2011: \$59.202 million);
- operating EBITDA up 6.9% to \$50.022 million (FY2011: \$46.798 million);
- reported net profit after tax (**NPAT**) down 7.24% to \$28.087 million (FY2011: \$30.280 million);
- underlying NPAT down 4.8% to \$28.827 million (FY2011: \$30.280 million);
- operating NPAT up 2.57% to \$22.151 million (FY2011: \$21.597 million);
- net assets up 7.03% to \$295.058 million (FY2011: \$275.681 million);
- gearing ratio (being net debt to equity) down to 25.56%, below Tassal's target range of 30% to 35%;
- return on equity (being net profit after tax to total equity) of 9.52%;
- return on capital employed (being EBIT to debt plus total equity) of 11.93%; and
- return on assets (being EBIT to total assets) of 9.01%.

## Tassal Group Limited and Controlled Entities

### Key Financial Performance Indicators

The table below reports the key consolidated financial performance indicators for FY2012 and FY2011.

	Financial Year Ended 30 June 2012 \$'000	Financial Year Ended 30 June 2011 \$'000	Period Movement up/(down) \$'000	Period Movement up/(down) %
Revenue (from all sources)	261,702	225,635	36,067	15.98%
EBITDA	59,559	59,202	357	0.60%
EBIT	44,215	47,332	(3,117)	(6.59%)
Profit before income tax expense	37,724	40,580	(2,856)	(7.04%)
Income tax expense	(9,637)	(10,300)	(663)	(6.44%)
Net profit after income tax expense	28,087	30,280	(2,193)	(7.24%)
Basic earnings per share (cents)	0.1920	0.2078	(0.0158)	(7.62%)
Diluted earnings per share (cents)	0.1911	0.2070	(0.0160)	(7.71%)
Gearing Ratio	25.56%	31.72%	(0.062)	(19.43%)
Interest Cover (x)	6.81	7.01	(0.20)	(2.83%)
Net Assets (\$'000)	295,058	275,681	19,377	7.03%
Net Assets per Share (\$)	2.02	1.88	0.13	7.03%
NTA (\$'000)	256,023	236,646	19,377	8.19%
NTA per Share (\$)	1.75	1.62	0.13	8.19%
ROE (NPAT/Equity)	9.52%	10.98%	(0.015)	(13.33%)
ROCE (EBIT)/Debt + Equity)	11.93%	12.74%	(0.008)	(6.34%)
ROA (EBIT/Total Assets)	9.01%	10.28%	(0.013)	(12.33%)

#### 1. Definitions:

Interest Cover (x): EBIT/finance costs (Note: exclusive of borrowing costs capitalised to biological assets pursuant to AASB 123 'Borrowing Costs')

NTA (\$'000): Total equity less goodwill and other intangible assets

NTA per Share (\$): (Total equity less goodwill and other intangible assets)/shares on issue

ROE (NPAT): Net profit after tax/total equity

ROCE (EBIT): EBIT/Net debt plus total equity

ROA (EBIT): EBIT/total assets

Reflecting the Company's growing cash flows, strong balance sheet and growth outlook, the Directors of Tassal declared an unfranked final dividend for FY2012 of 4.00 cents per share.

The interim dividend declared for FY2012 was 4.00 cents per share. The Company's total FY2012 dividend was 8.00 cents per share unfranked, up substantially from FY2011's total dividend of 2.00 cents per share unfranked.

Tassal's Directors currently expect that dividend payments for FY2013 will continue to be unfranked.

# Chairman's and Chief Executive Officer's Report (cont.)

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### Overview

In providing an overview of the financial and operational results, the Directors believe that Tassal is performing in line with its Strategic Plan, with the following overarching comments highlighting this position.

### Financial Results

Tassal continued its strategy of focussing on maximising per capita Australian consumption of salmon. During the past few years of volatile export prices, Tassal's focus on the domestic market has produced revenue growth in both the retail and wholesale market segments which, in the main, has been driven by retail stimulus programmes and branding and new product development. In particular, the retail market has for the last five years been the largest contributor to sales revenues and volume, reflecting increased sales of existing products with existing customers and through further market penetration by attracting new customers and developing new products. Pleasingly, FY2012 saw a turnaround in the performance of the wholesale market segment.

The positive performance of the Australian sales market for FY2012 was unfortunately negatively impacted by the global oversupply of salmon due to the increasing biomass from Chile and Norway, which in turn led to extremely volatile pricing and produced unacceptable export returns. We do not expect export returns to improve over the next 24 months and accordingly, our strategic focus of maximising per capita Australian consumption of salmon is a platform that will allow us to deliver long term sustainable acceptable returns.

EBITDA for Tassal was slightly higher as contribution margin for both retail and wholesale market segments continued to provide sustainable margins. This slight growth in EBITDA is despite poor export market returns, a slight deterioration in Australian sales contribution \$/kg margin due to retail stimulus programmes and price volatility in the wholesale market, and hot water temperatures negatively affecting fish costs. In particular, with the contribution from export sales down \$6.181 million from FY2011, this offset what otherwise would have translated into acceptable EBITDA growth. The reduction in NPAT was due to higher depreciation costs following Tassal's previous significant capital investment programme, together with the retrospective tax law amendment for the amortisation expense of acquired knowhow of \$0.740 million.

Tassal's balance sheet improved further over FY2012. The Company's net assets increased by \$19.377 million to \$295.058 million. Operating cash flow increased, up 21.35% to \$50.387 million, with sustainable contribution margins generated and despite poor returns from the export market. Further, gearing (net debt to equity) was down to 25.56% (30 June 2011: 31.72%).

### Operational Results

From an operational perspective, the following points are noteworthy:

- Tassal is working towards global best practice with respect to fish growing costs. A critical plank in achieving this is the implementation of a successful Tasmanian salmon industry Selective Breeding Program (**SBP**). The first fish from the SBP went to sea in March 2012. Based on the smolt to be input for the SBP in 2012, 54.1% of the fish to be input for the 2012 fish year class will come from the SBP.
- Risk mitigation, particularly around operational risk in the marine environment is a constant focus at Tassal. This risk mitigation is achieved through a combination of mitigation planning after considering both the consequence and likelihood of a series of events, and the expansion, risk mitigation and efficiency related capital investment of over \$200 million over the last five years. Risk mitigation planning has to date avoided significant profit consequences from agricultural/aquaculture events, together with saving in excess of \$2 million per annum in insurance premium costs.
- Tassal's processing facilities continue to lower operating costs and increase yields/recoveries. With the previous capital investment on infrastructure allowing throughput and yield benefits on existing business, Tassal continued with its maximising of its direct supply for fresh salmon products to retail customers. This direct supply continues to allow Tassal salmon to present a premium product, in a premium condition.
- Despite Tassal and other food producers continuing to experience difficult market trading conditions, Tassal achieved year on year growth in sales in both the retail and wholesale segments of the Australian market. Tassal was able to increase existing product sales with existing customers and further penetrate the domestic retail segment through additional customers and new products. Retail sales revenue and volume up 17.85% and 21.33% respectively, with wholesale sales revenue and volume up 28.67% and 30.31% respectively.
- Export prices halved in quarter 3 of calendar year 2011 following global biomass growth exceeding global demand. In a 3 year period from the end of calendar year 2010, global supply is expected to increase 38% (Source: Fishpool). Export pricing is expected to remain volatile over this period.

## Tassal Group Limited and Controlled Entities

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

- Tassal's strategy is to maximise shareholder value by growing per capita Australian salmon consumption in consideration of the balance between an optimal sales and marketing plan and operational (production and processing plan). This balancing of Tassal's fish biomass is considered critical to ensure that we maximise both short and long term strategic, operational and financial growth and therefore enabling sustainable earnings growth.
- Tassal has had an evolving sales strategy, but at the core it has not changed. Management's core focus is to continue to grow per capita Australian salmon consumption. During FY2011, Tassal achieved value through its infrastructure and supply capabilities. For FY2012, the Company adjusted its sales strategy to accelerate domestic consumption and value growth through retailer-led price promotion due to the significant underperformance of returns from the export sales market. For FY2013, Tassal will focus on improving its margins by:
  - Reducing exposure to sustained price campaigns in retail;
  - Returning to seasonal based promotions and pricing;
  - Increasing salmon awareness and consumption via national marketing; and
  - Utilising our supply chain and marketing capabilities to diversify into sales of other sustainable seafood.
- Like other aquaculture and agriculture businesses, salmon farming is a capital intensive industry. Salmon farming is a rolling process and in a steady state of production there will be at least three concurrent Year Class generations at different points in their lifecycle, together with a minimum level of capital expenditure required. With Tassal in a growth mode executing its Strategic Plan, funding has been required not only for the growth of the current production of fish and replacement capital expenditure, but also to fund expansionary fish production and capital expenditure on infrastructure assets.
- Given the production lifecycle of fish, there is a fundamental gap in the capital expenditure, working capital and profit cycles. Accordingly, it is important to apply Accounting Standard AASB 141 'Agriculture' in understanding Tassal's financial results and to ensure consistency in financial comparison and measurement with global aquaculture companies.
- Tassal has robust risk mitigation strategies in place to manage risks in an operational and financial context, however it is still faced with agricultural risk. Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal, with mitigation planning focussed on both the consequence and likelihood of risks. The key risks encountered in FY2012 (and mitigated) were as follows:
  - Summer remains a challenging period in terms of fish growth and survival, particularly with Tassal's South East Tasmanian sea sites. In general, Summer 2011/2012 was the warmest water temperatures on record and given we also had our largest fish and highest level of standing biomass that Tassal has achieved heading into summer, this created a high risk scenario. Tassal has now faced two hot water temperature summers from the past 3 years, and the difference between a "normal" summer and a "hot" summer is additional labour and overhead costs – together with lost growth, increased mortality and occupational, health and safety issues. To further risk mitigate summer water temperatures, our focus in FY2013 is to implement a new harvest strategy in the South East that will allow Tassal to harvest fish at a quicker rate and therefore maximise survival of fish and accordingly, maximise our fish biomass;
  - Interrelated with summer, Amoebic Gill Disease (**AGD**) remains a significant issue for Tassal. The prevalence of and then the subsequent treatment of AGD is heightened in summer and increases with bigger fish. For FY2012 Tassal had its largest fish and highest level of standing biomass for Summer 2011/2012 and this required the Company to undertake its highest level of treatments, which translated into additional labour and overhead costs – together with lost growth, increased mortality and occupational health and safety issues driven by a very challenging workload. The introduction of the new harvest strategy, together with the fish under the SBP will greatly assist us mitigate this risk. The SBP program is designed to breed a more robust salmon and remove the requirement of 1 bath per fish growing cycle; and
  - Seals remain a significant challenge for Tassal. Seal interactions are an extremely important environmental and social issue for Tassal and our stakeholders. Seal interactions are increasing year on year. Australian and New Zealand fur seals are protected wildlife and are the natural and rightful inhabitants of the marine environment. Seals are attracted to salmon farms because of food availability and commonly directly interact with our farms by chewing through nets, jumping over handrails and entering the sea pens. Managing seal interactions is a complex, costly and ever changing challenge for us with no easy answer. We continue to monitor seals and seal interactions extremely closely as effective management of this issue is a matter of critical importance to Tassal, as seal interactions with our farms have the potential to impact on employee safety, our environmental management practices, seals and fish welfare.



# Chairman's and Chief Executive Officer's Report (cont.)

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## Tassal Group Limited and Controlled Entities

### Strategic Plan

The overarching strategic focus for Tassal is to deliver sustainable long term returns to shareholders as the leader in salmon in Australia selling a highly recognised ethical valued brand and product to Australian consumers and retailers. Tassal will be recognised as the champion of the Australian sustainable salmon industry for consumers, customers and regulators. Tassal will value and be valued by our employees. Tassal has a focused growth strategy in place to grow long term shareholder value.

Underpinning this strategic focus is the goal of maximising per capita Australian consumption of salmon and achieving global best practice with respect to fish growing costs and maintaining global best practice processing costs and yields. Given low per capita Australian salmon consumption levels, Tassal's strategy has been to stimulate demand in the domestic market, in particular the retail market in collaboration with retailers.

To ensure that Tassal delivers on its Strategic Plan, management's number one focus for FY2013 and beyond is not only to maximise per capita consumption in the Australian market, but to also focus on improving margins by:

- Reducing exposure to sustained price campaigns in retail;
- Returning to seasonal based promotions and pricing;
- Increasing salmon awareness and consumption via national marketing; and
- Commencing the diversification of sales into other sustainable seafood.

Tassal will do this in collaboration with retailers. Overall Tassal needs to build a strong Tassal brand, continue to lead innovation and be responsive to consumer and customer needs. Our focus will remain on ensuring we achieve global best practice with respect to fish growing costs and maintaining global best practice processing costs and yields.

Overall, Tassal is focused on significantly improving Return on Assets through the delivery of the Strategic Plan.

### Financial Review

#### Statutory, Underlying and Operational Financial Performance

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

There was one non-recurring item in FY2012 for \$0.740 million representing the retrospective tax law amendment for the amortisation expense of acquired knowhow enacted by the Australian Federal Government on 29 June 2012.

Full Year ended 30 June 2012	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	261,702	-	261,702	-	261,702
EBITDA	59,559	-	59,559	(9,537)	50,022
EBIT	44,215	-	44,215	(9,537)	34,678
Profit before income tax expense	37,724	-	37,724	(9,537)	28,187
Income tax expense	(9,637)	740	(8,897)	2,861	(6,036)
Net profit after income tax expense	28,087	740	28,827	(6,676)	22,151

Full Year ended 30 June 2011	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	225,635	-	225,635	-	225,635
EBITDA	59,202	-	59,202	(12,404)	46,798
EBIT	47,332	-	47,332	(12,404)	34,928
Profit before income tax expense	40,580	-	40,580	(12,404)	28,176
Income tax expense	(10,300)	-	(10,300)	3,721	(6,579)
Net profit after income tax expense	30,280	-	30,280	(8,683)	21,597



## Tassal Group Limited and Controlled Entities

### Operational Result

Revenue was up 15.98% to \$261.702 million (FY2011: \$225.635 million) due to year on year growth in sales in both the retail and wholesale segments of the Australian market. Tassal was able to increase existing product sales with existing customers and further penetrate the domestic retail segment through additional customers and new products. Retail sales revenue and volume was up 17.85% and 21.33% respectively, with wholesale sales revenue and volume up 28.67% and 30.31% respectively.

Poor export market performance offset the growth in the domestic market, with export sales down 42.2% to \$14.764 million (FY2011: \$25.551 million) and sales volume 26.3% down on FY2011. With high price volatility, the export market produced unacceptable returns over FY2012. The average price for export salmon for Tassal in the export market decreased 21.65% to \$7.02kg hog (FY2011: \$8.96kg hog).

Operational EBITDA was up 6.89% to \$50.022 million (FY2011: \$46.798 million) despite the poor returns from the export sales market. Australian margins still higher than export margins and are sustainable, confirming Tassal's strategy to grow Australian per capita salmon consumption.

Sales to the export market only contributed \$0.483 million to the FY2012 result (FY2011: \$6.664 million). Accordingly, sales to the Australian market contributed \$49.539 million for FY2012, which was 23.43% up from FY2011 sales of \$40.134 million.

Operational NPAT for FY2012 of \$22.151 million was slightly up on FY2011 (\$21.597 million) despite the poor returns from the export market and higher depreciation resulting from the significant capital investment focus over the last five years.

### Statement of Financial Position

Tassal has a strong financial position, with net assets up 7.03% to \$295.058 million.

Set out below is a summary of the key Statement of Financial Position items.

(\$'000)	30 June 2012	30 June 2011
Cash	15,830	7,960
Trade & other receivables	8,677	8,477
Inventories	60,230	48,346
Biological assets	145,411	147,938
Other current assets	1,887	1,339
<b>Total current assets</b>	<b>232,035</b>	<b>214,060</b>
Investments	6,948	6,654
Property, plant & equipment	212,106	200,169
Goodwill and intangibles	39,035	39,035
Other non current assets	584	625
<b>Total non current assets</b>	<b>258,673</b>	<b>246,483</b>
<b>Total assets</b>	<b>490,708</b>	<b>460,543</b>
Borrowings	42,258	46,299
Trade and other payables	39,822	38,208
Other current liabilities	8,332	4,587
<b>Total current liabilities</b>	<b>90,412</b>	<b>89,094</b>
Borrowings	48,984	49,115
Deferred tax liabilities	55,501	45,959
Other	753	694
<b>Total non-current liabilities</b>	<b>105,238</b>	<b>95,768</b>
<b>Total liabilities</b>	<b>195,650</b>	<b>184,862</b>
<b>Net assets</b>	<b>295,058</b>	<b>275,681</b>

# Chairman's and Chief Executive Officer's Report (cont.)

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## Tassal Group Limited and Controlled Entities

- Cash increased by \$7.870 million, despite poor returns from the export market. This increase is due to sustainable contribution margins generated from the Australian market, the receipt of a \$3.924 million grant for an AGD bathing scheme and a focus on improved working capital management practices by management.
- Total stock, which includes inventories and biological assets (i.e. live fish) increased by \$9.357 million to \$205.641 million for FY2012 (FY2011: \$196.284 million). The increase in stock was in line with the growth in the sales revenue and sales mix for FY2012.
- Property, plant and equipment increased to \$212.106 million, an increase of 5.96% over FY2011 (\$200.169 million).
- Borrowings (net of cash and cash equivalents) were down \$12.042 million to \$75.412 million (FY2011: \$87.454 million):
  - Gearing (being net debt/equity) at 25.56%;
  - During FY2012, Tassal had in place:
    - extended core working capital debt funding jointly from Westpac Banking Corporation (**Westpac**) and Bank of Western Australia Ltd (**BankWest**) for \$48.000 million – with tenor out to 31 March 2015;
    - operational working capital facilities with Westpac; and
    - asset purchase debt lines with Westpac, BankWest and National Australia Bank Limited.
- During the financial year, Westpac continued to provide an Uncommitted Trade Finance Facility (**Receivables Purchase Facility**) under which it may, purchase receivables from Tassal at a discount. This facility has been provided by Westpac to Tassal since 30 June 2006 and it is utilised by Tassal as a primary source of working capital. The maximum outstanding at any time under this facility was \$55.000 million during the financial year. All receivables sold to Westpac are insured by Tassal with a 10% deductible per insurance claim in the event of debtor default, representing Tassal's maximum exposure under the facility. Westpac retains 10% 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 uncommitted and revolving. Uncommitted means that Tassal is not obliged to make offers or pay commitment fees and Westpac is not obliged to accept offers of Receivables. It should be noted that since its inception with Tassal, Westpac has accepted all offers for sale of receivables that Tassal has proposed.
  - The funded value of Tassal's Receivables Purchase Facility was \$47.676 million at 30 June 2012. The receivables sold by Tassal into this facility are derecognised as an asset as the contractual rights to cash flows 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. Tassal does recognise the security deposit as cash. The security deposit held at 30 June 2012 was \$6.371 million.

### Cash flow

(\$'000)	FY2012	FY2011
Operating cash flow	50,387	41,522
Investing cash flow	(29,570)	(39,398)
Financing cash flow	(12,947)	1,584
Net increase/(decrease) in cash and cash equivalents	7,870	3,708

- Overall, net cash provided by operating activities was up 21.35% to \$50.387 million (FY2011: \$41.522 million), despite poor returns from the export market. This increase is due to sustainable contribution margins generated from the Australian market, the receipt of a \$3.924 million grant for an AGD bathing scheme and a focus on improved working capital management practices by management. Net cash used in investing activities reduced by 24.95% to \$29.570 million marking the end of Tassal's major infrastructure requirements to drive further growth, efficiencies and risk mitigation, and to enable delivery of the Company's Strategic Plan. Risk mitigation, particularly around operational risk in the marine environment is a continual focus at Tassal. Risk mitigation planning has to date avoided significant profit consequences from agricultural/aquaculture events.
- Net cash used for financing activities was \$12.947 million, with net repayment of borrowings of \$4.169 million and dividends paid of \$8.778 million.

## Tassal Group Limited and Controlled Entities

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### Outlook for the Full Year to 30 June 2012

At the core of Tassal's growth is the aim of growing per capita Australian salmon consumption. The Company has also built a world class sustainable production platform from which to further grow its market position, revenue and earnings.

For FY2013, marketing will become a key value driver for Tassal. Prior to FY2013, Tassal did not consider it necessary to invest in a significant marketing campaign to deliver the best value generating outcome. Retail promotions were utilised to generate sales growth. However, current marine, operational and sales conditions provide circumstances upon which a marketing campaign becomes a key element in supporting value generation. The marketing campaign will provide significant impetus to deliver sales and margin growth. It is imperative that we use our strategic capabilities to provide higher margin outcomes from retail driven price activity.

For FY2013 we will invest significantly in a television and print media marketing campaign. Our objective remains to increase Australian per capita salmon consumption. The campaign will:

- increase top of mind awareness;
- communicate salmon versatility;
- ensure that salmon is an everyday protein choice; and
- drive preference for Tassal salmon.

The sales strategy has evolved over the last 2 years, however at the heart it has not changed, it has remained as to continue to grow Australian per capita salmon consumption. Set out below is a summary of the evolution:

### FY11 – value from infrastructure & supply capabilities

- We achieved value from our infrastructure and supply capabilities



### FY12 – focus was on volume and market share

- Adjusted sales strategy to accelerate domestic consumption and value growth through retailer-led price promotion



### FY13 – focus on margins

- Reduce exposure to sustained price campaigns in retail
- Return to seasonal based promotions and pricing
- Increase salmon awareness and consumption via national marketing
- Commence diversification of sales into other sustainable seafood

Overall, improved statutory and operating earnings are forecast for FY2013 given:

- An effective marketing campaign will build a strong proposition with retailers, customers and consumers that will lead to an increase in consumer penetration rates and purchasing frequency.
- Sales mix that will maximise incremental value – our short term focus is on maximising the growth of the Australian per capita salmon consumption and improving margins. Domestic retail segment initiatives that will further broaden Tassal's leading retail presence – more retail presence for more products. Further, Tassal will reduce exposure to sustained price campaigns in retail and from an overall Australian market perspective, return to seasonal based promotions and pricing.
- Flow through of full year benefits from cost efficiency initiatives – with more cost efficiency strategies in place for FY2013.
- New harvest strategy optimising fish survival and harvest biomass – more efficient and effective utilisation of fish.
- Flow through of the benefits from Tassal's infrastructure investment into earnings via improved fish costs and processing cost reductions and improved yields/recoveries.

# Chairman's and Chief Executive Officer's Report (cont.)

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## Tassal Group Limited and Controlled Entities

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### Priorities for the Year Ahead

Tassal's over-arching priority is to deliver on the underlying operational and financial metrics of the Company's Strategic Plan. The Company believes that it has in place the financial and operating platform to be able to do this, together with a marketing campaign and sales strategy.

To achieve the Strategic Plan, Tassal has in place the following strategies for its business:

- Sales and Marketing Strategy – to further grow Australian salmon market share, and grow domestic market consumption per capita by building a strong Tassal brand, leading innovation and being responsive to consumer and customer needs;
- Operational Strategy – to position Tassal to be globally cost competitive in aquaculture production (i.e. both growing and processing) through a successful selective breeding programme (**SBP**), amoeba gill disease reductions, innovative fish husbandry practices and leading edge diets and best practice processing equipment and facilities;
- Sustainability Strategy – to ensure that Tassal has a platform in place to deliver sustainable acceptable returns to shareholders as the leader in salmon in Australia selling a highly recognised ethical brand and product to consumers and customers, with Tassal being recognised for this by consumers, customers and regulators; and
- Human Resources Strategy – to ensure that we are the leaders of people, outcomes and commercial results, which will be achieved in an ethical and sustainable way that demonstrates Tassal values its people.

The key priorities for FY2013 are:

- Implementation of an effective television and print media marketing campaign. An effective marketing campaign will offer the following benefits:
  - drive consumer preference for Tassal;
  - increase top of mind awareness of Tassal salmon as an everyday protein choice;
  - teach consumers how to eat salmon;
  - allow us to reach all our sales categories in all our sales channels, so it then becomes a cross-category strategy;
  - will demonstrate to consumers that Tassal is the market leader and is focused on value growth;
  - add weight to our sustainability drive as consumers become more aware of what the Tassal brand is and what it stands for; and
  - provide a point of difference with retailers.

- growing the Australian salmon per capita consumption. Tassal's sales operating platform and leadership in both the retail and wholesale market puts it in a good position. Tassal will continue to monitor this position carefully;
- moving towards global best practice cost in the growing of our fish. To ensure we deliver on this, we are focussed on the following:
  - smolt input – overall increase in smolt input and in biogain, along with improved biological performance which will see a reduction in the cost of fish
  - survival – overall survival improvement, through improvements to stock (SBP), husbandry practices, smolt input, harvest strategies, predator control and maturation control
  - average hog harvest weight – achieving the most "economical" target size of fish to produce (SBP) and sell
  - economic feed conversion rates – focus to ensure Tassal has economic diets at its disposal, which produce an economic outcome on a cost of growing perspective
- continuing to lower processing costs and improving yields/recoveries. With the previous capital investment on infrastructure allowing throughput and yield benefits on existing business, Tassal continues to maximise the direct supply for fresh salmon products to retail customers. This direct supply continues to allow Tassal salmon to present a premium product, in a premium condition;
- maximising efficiency with respect to working capital management and minimising debt from free cash flow generation, given:
  - salmon farming is a capital intensive industry, and Tassal is in a growth phase;
  - the production lifecycle of fish leads to a fundamental gap in the capital expenditure, working capital and profit cycles; and
  - there is significant operational and financial risk attached to salmon farming
- to ensure that Tassal progresses towards achieving the underlying financial metrics underpinning the Strategic Plan.

That's the  
beauty of  
 salmon

## Tassal Group Limited and Controlled Entities

### Sustainability

Tassal has maintained its industry leading position in implementing a sustainability focus throughout the Company. Key to this focus is meaningful communication with all stakeholders, including customers. The Company's goal is to develop significant environmental and social initiatives led by stakeholder input.

It is not enough for Tassal to be profitable. Investors, customers, consumers and the public expect Tassal to be socially and environmentally responsible. Tassal understands that community and environmental values are important. Tassal clearly understands that we can and do make a difference.

Tassal released its first Sustainability Report in 2011. This was a significant milestone for Tassal. This report, together with the partnership that we entered into with the WWF demonstrates both Tassal's sustainability achievements to date, together with a snapshot of future sustainability initiatives across our operations. Tassal has maintained an industry leading position by implementing a sustainability focus and meaningful communication with all stakeholders. Tassal's goal is to develop significant environmental and social initiatives led by stakeholder input.

Through the partnership with WWF, Tassal is aiming to be the leader in sustainable aquaculture production in Australia with all our products meeting best practice environmentally responsible standards. Tassal is a signatory to the WWF Global Seafood Charter, which sets out clear principles and objectives to safeguard valuable marine eco-systems, ensuring the long term viability of seafood supplies.

Overall, Tassal is mitigating risk via a focus on sustainability by:

- implementing best practice infrastructure and fish health capacity;
- focusing on impact mitigation and stakeholder engagement;
- forming collaborative, forward focussed research partnerships; and
- implementing and resourcing compliance, communication, stakeholder, and seal management plans – together with transparency in reporting.

The Board is accountable for the development, establishment and review of appropriate policy in these areas. The Board requires a best practice approach in these areas and has implemented appropriate management objectives and structures, and a regular reporting process to ensure that this objective is achieved. The Board considers Tassal to be a sustainable aquaculture company from an environmental, operational and financial perspective. This belief is underpinned through the WWF partnership.

### Occupational Health & Safety

Tassal is committed to providing a healthy and safe workplace. Our aspirational vision is "No Injuries". This commitment extends to the delivery of a healthy and safe product to all Tassal customers and consumers and is underpinned by the Company's food safety and hygiene related accreditations. These include ISO 9001:2000, HACCP, Halal, Kosher and other accreditations to meet the food safety and hygiene requirements of our major retail customers.

Tassal believes that no job is so important that it cannot be done safely. Each and every Tassal employee has a responsibility to themselves, their colleagues, their families and their community to ensure that they work safely. We have introduced into our workplace a zero tolerance position for both alcohol and drugs.

Tassal continues to strive for improved safety performance and is moving from a compliance based approach to Occupational Health & Safety to one that proactively supports the physical and emotional wellbeing of our people. While noting this shift, Tassal remains dedicated to embedding a superior safety programme throughout its business and will allocate sufficient resources to enhance both engineering and system based solutions in the workplace.

Improvement in safety performance will remain a focus point in FY2013. Tassal is targeting an improved safety culture, with detailed activity plans established within each business unit to ensure continued improvement is achieved. Further to this, OH&S targets are also integrated into Management key performance indicators.

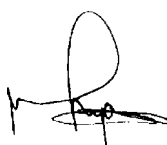
### Support

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

During FY2012, we had four resignations from the Board. We thank those directors for their contribution to Tassal. We are also delighted to welcome Trevor Gerber to the Board. The Board has commenced the process, using an external consultant, to identify appropriately qualified candidates for the position of an additional independent non-executive director of the Company.



A. D. McCallum  
Chairman



M. A. Ryan  
Managing Director & Chief Executive Officer

Hobart, this 23rd day of August 2012

## Tassal Group Limited and Controlled Entities

Tassal is committed to maintaining high standards of corporate governance appropriate to its size and operations to effectively manage risk, improve the Company's performance and enhance corporate responsibility. The Board of Directors of Tassal (the **Board**), working with senior management, is responsible for the corporate governance of Tassal and its controlled entities. The Board carries out its responsibilities within a framework of corporate governance policies and practice documents which outline the commitment to act ethically, openly, fairly, and diligently when promoting the interests of shareholders, employees and customers and broader community interests.

Unless explicitly stated otherwise, the Directors believe Tassal complies with the core principles and underlying recommendations of ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

The Corporate Governance Statement is provided in tabular format to specifically align the response of the Board clearly to each specific recommendation. The table also lists the relevant codes, policies or charters that underpin Corporate Governance practices at Tassal.

All these documents (unless indicated) are available for public inspection on Tassal's website (Investor Relations Section), [www.tassal.com.au](http://www.tassal.com.au)

		Reference material	Compliance
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b> <b>Establish and disclose the respective roles and responsibilities of Board and management.</b>		<b>Yes</b>
<b>Recommendation 1.1</b>	Establish and disclose the functions reserved to the Board and those delegated to Senior Executives.		Yes
Tassal Board Response	The Board has adopted a Board Charter which clearly outlines the role and functions of the Board, has developed separate role statements for the Chairman and Chief Executive Officer and implemented a policy prescribing the delegated and reserved powers of the Board and that delegated to Senior Executives.	<ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Statement of Delegated Authority</li> <li>• Role of the Chairman</li> <li>• Role of the CEO</li> </ul>	
<b>Recommendation 1.2</b>	Disclose the process for performance evaluation of Senior Executives.		Yes
Tassal Board Response	<p>The Chief Executive Officer's compensation arrangements and performance is reviewed, monitored and evaluated by the Board and Remuneration and Nominations Committee on an annual basis.</p> <p>The compensation arrangements and performance of the direct reports to the Chief Executive Officer (the <b>Senior Executives</b>) is reviewed, monitored and evaluated by the Chief Executive Officer.</p> <p>The Chief Executive Officer provides the Remuneration and Nominations Committee with an overview of individual Senior Executive performance and compensation recommendations for Committee assessment and review.</p> <p>Performance evaluations have been undertaken for the Chief Executive Officer and Senior Executives during the current financial year.</p>	<ul style="list-style-type: none"> <li>• Remuneration Report – section 20 of the Directors' Report</li> <li>• Board Charter</li> <li>• Remuneration Policy</li> <li>• Remuneration and Nominations Committee Charter</li> </ul>	
<b>Recommendation 1.3</b>	Provide the information set out in Guide to reporting on Principle 1:		Yes
	<ul style="list-style-type: none"> <li>• An explanation of any departure from Recommendation 1.1, 1.2 or 1.3</li> </ul>		
Tassal Board Response	There has been no departure from Recommendation 1.1, 1.2 or 1.3		
	<ul style="list-style-type: none"> <li>• Whether a performance evaluation for Senior Executives has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> </ul>		
Tassal Board Response	A performance evaluation for the Chief Executive Officer and Senior Executives has taken place in the reporting period, in accordance with the process disclosed.	<ul style="list-style-type: none"> <li>• Remuneration Policy</li> </ul>	

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 2</b>	<b>Structure the Board to add value</b> <b><i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i></b>		<b>Yes</b>
<b>Recommendation 2.1</b>	A majority of the Board should be independent directors.		Yes
Tassal Board Response	<p>The Directors considered by the Board to constitute independent directors are identified, along with their period in office, in the Directors' Report.</p> <p>The Company presently has four non-executive directors, three of whom, including the Chairman, are considered by the Board to be independent in terms of the ASX CGC's definition of an independent director. The Chief Executive Officer is an Executive Director of the Company.</p>	<ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Policy – Independence of Directors</li> <li>• Refer section 1 of the Directors' Report for details of Director's length of service</li> <li>• Refer section 16 of the Directors' Report for names of Directors considered to be independent</li> </ul>	
<b>Recommendation 2.2</b>	The Chairman should be an independent director.		Yes
Tassal Board Response	The Chairman, Mr Allan McCallum, is an independent director.	<ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Role of the Chairman</li> </ul>	
<b>Recommendation 2.3</b>	The roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.		Yes
Tassal Board Response	<p>Mr Mark Ryan is the Company's Chief Executive Officer and Managing Director.</p> <p>In line with the Board Charter, the roles of Chairman and Chief Executive Officer are separated.</p> <p>Board policy is that the Chief Executive Officer cannot become Chairman.</p>	<ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Role of the Chairman</li> <li>• Role of the CEO</li> </ul>	
<b>Recommendation 2.4</b>	The Board should establish a nomination committee.		Yes
Tassal Board Response	<p>The Board has established a Remuneration and Nominations Committee. The Committee's charter sets out its roles, responsibilities, membership, meeting process, Board reporting requirements and performance evaluation requirements.</p> <p>The Committee is structured so that it consists of at least three non-executive directors, a majority of whom must be independent.</p>	<ul style="list-style-type: none"> <li>• Remuneration and Nominations Committee Charter</li> </ul>	
<b>Recommendation 2.5</b>	Disclose the process for performance evaluation of the Board, its Committees and individual directors.		Yes
Tassal Board Response	<p>The Board Charter requires that each year the Board will conduct an evaluation of its performance that:</p> <ul style="list-style-type: none"> <li>• compares the performance of the Board with the requirements of its Charter;</li> <li>• sets forth goals and objectives of the Board for the upcoming year; and</li> <li>• effects any improvement to the Board Charter deemed necessary or desirable.</li> </ul> <p>The respective Board Committee Charters also require the Committees to evaluate their performance and composition at least annually to determine whether the relevant Committee is functioning effectively by reference to current best practice. This evaluation is presented to the Board for review.</p> <p>Formal performance evaluations have been satisfactorily undertaken for the Board, Audit and Risk Committee and Remuneration and Nominations Committee during the current financial year in accordance with disclosed Tassal policy.</p>	<ul style="list-style-type: none"> <li>• Remuneration Report – section 20 of the Directors' Report</li> <li>• Board Charter</li> <li>• Remuneration Policy</li> <li>• Remuneration and Nominations Committee Charter</li> <li>• Audit and Risk Committee Charter</li> </ul>	



## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 2 (cont.)</b>	<b>Structure the Board to add value</b> <b><i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i></b>		<b>Yes</b>
<b>Recommendation 2.6</b>	Provide the information set out in Guide to reporting on Principle 2: <ul style="list-style-type: none"> <li>The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.</li> </ul>		Yes
Tassal Board Response	All Directors have a strong understanding of Tassal's business. The Board considers the Directors' diverse range of skills and experience is appropriate to discharge its responsibilities and duties.	<ul style="list-style-type: none"> <li>Refer sections 16 and 17 of the Directors' Report</li> </ul>	
	<ul style="list-style-type: none"> <li>The names of the Directors considered by the Board to constitute independent directors and Tassal's materiality thresholds.</li> </ul>		
Tassal Board Response	See Tassal Board response to recommendation 2.1. Tassal's independence criteria guidelines for determining the independence of directors are detailed in the Policy on Independence of directors.	<ul style="list-style-type: none"> <li>Refer sections 16 and 17 of the Directors' Report</li> <li>Policy – Independence of Directors</li> </ul>	
	<ul style="list-style-type: none"> <li>The existence of any relationships affecting independent status and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships.</li> </ul>		
Tassal Board Response	Three of the four non-executive Directors are considered to be independent and there are no relationships in existence affecting that status. One non-executive Director is considered to be non-independent given he is associated directly with a substantial shareholder of the company.		
	<ul style="list-style-type: none"> <li>A statement as to whether there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the company.</li> </ul>		
Tassal Board Response	Directors are entitled to seek independent professional advice at Tassal's expense, subject to the approval of the Chairman, or in his absence, the Board.	<ul style="list-style-type: none"> <li>Board Charter</li> <li>Director's Deed of Indemnity and Right of Access to Documents – this document is not publicly available</li> </ul>	

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 2 (cont.)</b>	<b>Structure the Board to add value</b> <b><i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i></b>		<b>Yes</b>
<b>Recommendation 2.6 (cont.)</b>	<ul style="list-style-type: none"> <li>A statement as to the mix of skills and diversity which the Board is looking to achieve in its membership.</li> </ul>		
Tassal Board Response	It is noted that all placements are merit based. The mix of skills and diversity the Board is looking to achieve is an appropriate one having regard to the future needs of Tassal's business.	<ul style="list-style-type: none"> <li>Board Charter</li> <li>Remuneration and Nominations Committee Charter</li> <li>Policy for the Selection and Appointment of Directors</li> <li>Diversity Policy</li> </ul>	
	<ul style="list-style-type: none"> <li>The period of office held by each director in office at the date of this Annual Report.</li> </ul>		
Tassal Board Response	This information is provided in the Directors' Report.	<ul style="list-style-type: none"> <li>Refer section 1 of the Directors' Report</li> </ul>	
	<ul style="list-style-type: none"> <li>The names of members of the Remuneration and Nominations Committee and their attendance at meetings of the Committee.</li> </ul>		
Tassal Board Response	This information is provided in the Directors' Report.	<ul style="list-style-type: none"> <li>Refer sections 16 and 18 of the Director's Report</li> </ul>	
	<ul style="list-style-type: none"> <li>Whether a performance evaluation for the Board and its Committees has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> </ul>		
Tassal Board Response	See Tassal Board response to recommendation 2.5.	<ul style="list-style-type: none"> <li>Board Charter</li> <li>Remuneration and Nominations Committee Charter</li> <li>Audit and Risk Committee Charter</li> </ul>	

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 3</b>	<b>Promote ethical and responsible decision making</b> <b><i>Actively promote ethical and responsible decision making.</i></b>		<b>Yes</b>
<b>Recommendation 3.1</b>	Establish and disclose a summary of a code of conduct as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in Tassal's integrity;</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>		Yes
Tassal Board Response	<p>The Directors have adopted a Code of Conduct to provide clear guidelines for the ethical behavioural standards expected of the Company's Directors, Senior Executives and all employees.</p> <p>The Code of Conduct sets ethical standards for Tassal's Directors and employees, all of whom are expected to pursue the highest standards of ethical conduct in the interests of shareholders, customers, suppliers, the wider community and the environment.</p> <p>Ethical conduct relates to standards of behaviour characterised not only by complying with the law and the various Tassal policies which are referred to in the Code of Conduct, but also by acting fairly, honestly and with integrity.</p> <p>The Code addresses, among other things:</p> <ul style="list-style-type: none"> <li>• ethical conduct and expected behaviours based on the principles of fairness, honesty and integrity;</li> <li>• compliance with the law;</li> <li>• confidentiality and inside information;</li> <li>• disclosure of interests;</li> <li>• trading in Tassal securities;</li> <li>• integrity of records;</li> <li>• protection of Tassal assets;</li> <li>• personal transactions;</li> <li>• improper payments, gifts, entertainment and travel;</li> <li>• political contributions; and</li> <li>• whistleblower protection.</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Conduct</li> </ul>	
<b>Recommendation 3.2</b>	Establish a policy concerning diversity and disclose the policy or a summary of the policy.		Yes
Tassal Board Response	<p>The Directors have adopted a Diversity Policy which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p>	<ul style="list-style-type: none"> <li>• Diversity Policy</li> </ul>	

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 3 (cont.)</b>	<b>Promote ethical and responsible decision making</b> <b>Actively promote ethical and responsible decision making.</b>		<b>Yes</b>
<b>Recommendation 3.3</b>	Disclose the measurable objectives for achieving gender diversity and progress towards achieving them.		No
Tassal Board Response	<p>In 2011 the Board adopted the Company's Diversity Policy. The Remuneration and Nominations Committee of the Board of Directors has responsibility for oversight of the Policy. The Committee has established the following measurable objectives concerning the strategies, initiatives and programmes to achieve gender diversity in order to create an environment conducive to the appointment of well-qualified Board, senior management and other employees to maximise the achievement of Tassal's corporate goals.</p> <p>Measurable objectives:</p> <ul style="list-style-type: none"> <li>(i) Annual review of following policies and procedures has been conducted to ensure Equal Employment Opportunity (EEO) is part of the process and no barriers to diversity within policies or procedure; <ul style="list-style-type: none"> <li>a. Recruitment Policy</li> <li>b. Recruitment and Promotions Procedure</li> <li>c. Harassment, Bullying and Discrimination Policy</li> </ul> </li> <li>(ii) The Company has a policy to ensure principles of diversity are considered such as flexibility of position design, and equity in consideration for selection.</li> <li>(iii) Inclusion of company diversity data within annual sustainability report.</li> <li>(iv) Continue to participate in career forums, school networks etc to reinforce positive messages to both genders concerning careers within Tassal.</li> <li>(v) Continue with the IMPACT program (the Company's leadership program) which focuses on leadership and change management. Women are strongly encouraged to participate in this program.</li> <li>(vi) Continued recruitment practices with aim for mix of males and females shortlisted for Senior Executive roles (but no change to approach on competency/skills).</li> </ul> <p>The Company continues with selection criteria which are competency based, but which also recognise diversity. Further the Company does not intend to set a quota or a target level for female employees as the expectation is that the long term trend for the proportion of females will be one of steady increase.</p> <p>The Committee will also monitor the representation of women on the Board by ensuring that appropriately qualified women are considered for any Board appointments.</p> <p>Diversity achievements recognised during the 2011/2012 were</p> <ul style="list-style-type: none"> <li>• female representation within Senior Executives increased from 22.2% to 33.3%</li> <li>• female participation in the impact project increased from 9.8% to 23.4%</li> </ul> <p>The Committee will undertake an annual review of the Diversity Policy and the progress towards delivering these measurable objectives.</p>	<ul style="list-style-type: none"> <li>• Diversity Policy</li> <li>• Sustainability Report</li> </ul>	
<b>Recommendation 3.4</b>	Disclose the proportion of women in the whole organisation, women in Senior Executive positions and women on the Board.		Yes
Tassal Board Response	<p>The proportion of women at the relevant levels as at 30 June 2011 is:</p> <ul style="list-style-type: none"> <li>• the Board – 0%</li> <li>• Senior Executives – 33.3%</li> <li>• whole organisation – 30.2%</li> </ul>		
<b>Recommendation 3.5</b>	Provide the information set out in the Guide to reporting on Principle 3.		Yes
Tassal Board Response	<ul style="list-style-type: none"> <li>• Tassal's Code of Conduct and Diversity Policy available for public inspection on the Company's website (Investors – Corporate Governance Policies Section), <a href="http://www.tassal.com.au">www.tassal.com.au</a></li> </ul>		

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b> <i>Have a structure to independently verify and safeguard the integrity of the company's financial reporting.</i>		<b>Yes</b>
<b>Recommendation 4.1</b>	The Board should establish an Audit Committee.		Yes
Tassal Board Response	The Board has established an Audit and Risk Committee.	<ul style="list-style-type: none"> <li>Audit and Risk Committee Charter</li> </ul>	
<b>Recommendation 4.2</b>	Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> <li>only non-executive Directors;</li> <li>a majority of independent Directors;</li> <li>an independent Chairman who is not Chairman of the Board; and</li> <li>at least three members.</li> </ul>		Yes
Tassal Board Response	<p>Tassal's Audit and Risk Committee is structured in compliance with this best practice recommendation.</p> <p>All Committee members are independent Directors.</p>	<ul style="list-style-type: none"> <li>Audit and Risk Committee Charter</li> <li>Refer section 16 of the Directors' Report for names of Committee members and their independence status</li> </ul>	
<b>Recommendation 4.3</b>	The Audit Committee should have a formal charter.		Yes
Tassal Board Response	The Audit and Risk Committee has a formal charter which sets out its roles, responsibilities, membership, meeting process, Board reporting requirements and performance evaluation requirements.	<ul style="list-style-type: none"> <li>Audit and Risk Committee Charter</li> </ul>	
<b>Recommendation 4.4</b>	Provide the information set out in Guide to reporting on Principle 4: <ul style="list-style-type: none"> <li>Details of the names and qualifications of those appointed to the Audit Committee.</li> <li>The number of meetings of the Audit Committee and names of the attendees.</li> </ul>		Yes
Tassal Board Response	This information is provided in the Directors' Report.	<ul style="list-style-type: none"> <li>Refer sections 16, 17 and 18 of the Directors' Report</li> </ul>	
	<ul style="list-style-type: none"> <li>Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.</li> </ul>		
Tassal Board Response	<p>The external auditor, Deloitte Touche Tohmatsu (retained following a scheduled formal tender process conducted during the financial year ended 30 June 2009), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees.</p> <p>The Committee has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter.</p> <ul style="list-style-type: none"> <li>Guidelines on External Auditor Selection, Evaluation and Rotation (this document is not publicly available); and</li> <li>Guidelines on Provision of Audit and Other (Non-Audit) Services by the External Auditor (this document is not publicly available).</li> </ul> <p>No Director has any association, past or present, with Tassal's external auditor.</p>	<ul style="list-style-type: none"> <li>Audit and Risk Committee Charter</li> </ul>	

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b> <b><i>Promote timely and balanced disclosure of all material matters concerning the Company.</i></b>		<b>Yes</b>
<b>Recommendation 5.1</b>	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.		Yes
Tassal Board Response	The Board has adopted a Continuous Disclosure Policy to ensure Tassal complies with its disclosure obligations under ASX Listing Rules and the Corporations Act and to attribute accountability at a Senior Executive level for that compliance.	<ul style="list-style-type: none"> <li>• Continuous Disclosure Policy</li> </ul>	
<b>Recommendation 5.2</b>	Provide the information set out in Guide to reporting on Principle 5.		Yes
Tassal Board Response	Tassal's Continuous Disclosure Policy is available for public inspection on the Company's website (Investors – Corporate Governance Policies Section), <a href="http://www.tassal.com.au">www.tassal.com.au</a>		
<b>Principle 6</b>	<b>Respect the rights of shareholders</b> <b><i>Respect the rights of shareholders and facilitate the effective exercise of those rights.</i></b>		<b>Yes</b>
<b>Recommendation 6.1</b>	Design and disclose a communications policy to promote effective communication with shareholders and encourage participation at general meetings and disclose those policies or a summary of those policies.		Yes
Tassal Board Response	<p>Tassal places considerable importance on effective communication with its shareholders, market participants, customers, employees, suppliers, financiers, creditors other stakeholders and the wider community. Accordingly the Board has adopted a Communications Policy which requires communication with shareholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.</p> <p>The Company's website (<a href="http://www.tassal.com.au">www.tassal.com.au</a>) is the primary means for shareholders to access communications and it has been designed to enable information to be accessed in a clear and readily accessible manner.</p> <p>The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of Tassal's strategy and goals and has developed guidelines for the format and content of Notices of Meetings.</p>	<ul style="list-style-type: none"> <li>• Communications Policy</li> <li>• Guidelines for Notices of Meetings</li> </ul>	
<b>Recommendation 6.2</b>	Provide the information set out in Guide to reporting on Principle 6.		Yes
Tassal Board Response	Tassal's Communications Policy is available for public inspection on the Company's website (Investors – Corporate Governance Policies Section), <a href="http://www.tassal.com.au">www.tassal.com.au</a>		

## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 7</b>	<b>Recognise and manage risk</b> <b><i>Establish a sound system of risk oversight and management and internal control.</i></b>		<b>Yes</b>
<b>Recommendation 7.1</b>	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.		Yes
Tassal Board Response	The Company has established policies for the oversight and management of material business risks, which are formalised in its "Procedures for the Oversight and Management of Material Business Risks" which is available on the Company's website (Investors – Corporate Governance Policies Section), <a href="http://www.tassal.com.au">www.tassal.com.au</a>	<ul style="list-style-type: none"> <li>Procedures for the Oversight and Management of Material Business Risks</li> </ul>	
<b>Recommendation 7.2</b>	The Board should require management to design and implement the risk management and internal control system to manage Tassal's material business risks and report to it on whether those risks are being managed effectively.  The Board should disclose that management has reported to it as to the effectiveness of Tassal's management of its material business risks.		Yes
Tassal Board Response	Management has designed and implemented a comprehensive risk management and internal control system to manage Tassal's material business risks through the establishment and formalisation of Tassal's "Risk Map and Mitigation Plan". The Plan identifies and quantifies material business risks across Tassal and highlights management action plans and timelines for risk mitigation.  As part of this system, Management has reported to the Board and to the Audit and Risk Committee during the financial year as to the effectiveness of Tassal's management of its material business risks.	<ul style="list-style-type: none"> <li>Procedures for the Oversight and Management of Material Business Risks</li> <li>Audit and Risk Committee Charter</li> <li>Board Charter</li> </ul>	
<b>Recommendation 7.3</b>	Disclose whether the Board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.		Yes
Tassal Board Response	The Chief Executive Officer and Chief Financial Officer have respectively provided such assurance to the Board.	<ul style="list-style-type: none"> <li>Audit and Risk Committee Charter</li> <li>Refer section 11 of the Directors' Report</li> </ul>	
<b>Recommendation 7.4</b>	Provide the information indicated in Guide to reporting on Principle 7: <ul style="list-style-type: none"> <li>Statement whether the Board has received the report from management under Recommendation 7.2.</li> </ul>		Yes
Tassal Board Response	The Board has received the report from management under Recommendation 7.2.		
	<ul style="list-style-type: none"> <li>Statement whether the Board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.</li> </ul>		
Tassal Board Response	The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 7.3.		



## Tassal Group Limited and Controlled Entities

		Reference material	Compliance
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b> <i>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.</i>		<b>Yes</b>
<b>Recommendation 8.1</b>	The Board should establish a Remuneration Committee.		Yes
Tassal Board Response	<p>The Board has established a Remuneration and Nominations Committee. The Committee's charter sets out its roles, responsibilities, membership and meeting process.</p> <p>The Committee is structured so that it consists of at least three non-executive directors, all of whom must be independent.</p>	<ul style="list-style-type: none"> <li>• Remuneration Report – section 20 of the Directors' Report</li> <li>• Remuneration and Nominations Committee Charter</li> </ul>	
<b>Recommendation 8.2</b>	<p>The Remuneration Committee should</p> <ul style="list-style-type: none"> <li>• consist of a majority of independent directors</li> <li>• be chaired by an independent Chair</li> <li>• have at least three members</li> </ul>		Yes
Tassal Board Response	The Committee consists of three independent directors.	<ul style="list-style-type: none"> <li>• Remuneration and Nominations Committee Charter</li> <li>• Refer sections 16 and 18 of the Directors' Report</li> </ul>	
<b>Recommendation 8.3</b>	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.		Yes
Tassal Board Response	<p>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 of management, which is to operate the business and execute Tassal's strategy.</p> <p>The remuneration packages of the Chief Executive Officer and Senior Executives may include a Short-term Incentive component that is linked to the overall financial and operational performance of Tassal and based on the achievement of specific Tassal and individual/team goals.</p> <p>The Chief Executive Officer and Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan. The long-term benefits of the Long-term Incentive Plan are conditional upon Tassal achieving certain performance criteria.</p> <p>Details of Tassal's remuneration policies are set out in the Remuneration Report.</p>	<ul style="list-style-type: none"> <li>• Remuneration Report – section 20 of the Directors' Report</li> </ul>	
<b>Recommendation 8.4</b>	Provide the information set out in Guide to Reporting on Principle 8:		Yes
	<ul style="list-style-type: none"> <li>• The names of the members of the Remuneration Committee and their attendance at meetings of the Committee.</li> </ul>		
Tassal Board Response	This information is provided in the Directors' Report.	<ul style="list-style-type: none"> <li>• Refer sections 16 and 18 of the Directors' Report</li> </ul>	
	<ul style="list-style-type: none"> <li>• The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.</li> </ul>		
Tassal Board Response	Non-executive directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations.	<ul style="list-style-type: none"> <li>• Remuneration Report – section 20 of the Directors' Report</li> </ul>	

## Tassal Group Limited and Controlled Entities

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**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 2012**

### 1. Directors

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

**Name:**

Mr Allan McCallum  
(Director since 7 October 2003)  
(Chairman since 27 June 2005)

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

Mr Trevor Gerber  
(Director since 4 April 2012)

Mr David Groves  
(Resigned 29 March 2012)

Mr Gary Helou  
(Resigned 29 March 2012)

Mr Clive Hooke  
(Resigned 29 March 2012)

Ms Jill Monk  
(Resigned 25 October 2011)

Mr Rudi Tsai  
(Director since 26 October 2011)

Mr John Watson  
(Director since 7 October 2003)

### 2. Principal Activities

During the year the principal activities of the consolidated entity were the hatching, farming, processing, sales and marketing of Atlantic Salmon.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

### 3. Dividends

During and since the end of the financial year the following dividends have been paid or declared:

- On 23 August 2011, the Directors declared a final unfranked dividend of 2.00 cents per ordinary share amounting to \$2.926 million in respect of the financial year ended 30 June 2011. The record date for determining entitlements to this dividend was 15 September 2011. The final dividend was paid on 6 October 2011.
- On 21 February 2012 the Directors declared an interim unfranked dividend of 4.00 cents per ordinary share amounting to \$5.852 million in respect of the half year ended 31 December 2011. The record date for determining entitlements to this dividend was 9 March 2012 with a payment date of 5 April 2012.
- On 23 August 2012, the Directors declared a final unfranked dividend of 4.00 cents per ordinary share amounting to \$5.852 million in respect of the financial year ended 30 June 2012. The record date for determining entitlements to this dividend is 20 September 2012. The final dividend will be paid on 11 October 2012.

The Company will not have any franking credits available for distribution at the date of the final dividend payment. Franking credits will arise when the Company makes income tax payments.

The final dividend for the year ended 30 June 2012 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2012.

### 4. Review of Operations

The consolidated net profit after tax for the financial year was \$28.087 million. (For the financial year ended 30 June 2011: \$30.280 million).

The consolidated entity's revenue was \$257.210 million compared with \$222.618 million for the financial year to 30 June 2011.

Earnings before interest and tax (**EBIT**) was \$44.215 million compared with \$47.332 million the financial year to 30 June 2011.

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

Earnings per share (**EPS**) on a weighted average basis was 19.20 cents per share compared with 20.78 cents per share for the financial year to 30 June 2011.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 to 11 of this Annual Report.

## Tassal Group Limited and Controlled Entities

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### 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. In the opinion of the Directors further information about likely developments in the operations of the consolidated entity and the expected results from those operations in future financial years has not been included because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

### 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

Except for the dividend declared after year end (refer to section 3 of Directors Report and also to Note 2 to the financial statements), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

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

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

### 10. Environmental Regulation

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

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

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

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

Further details with respect to the consolidated entity's sustainability credentials and environmental management policies are outlined in the Chairman's and CEO's Report on pages 2 to 11 of this 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 pages 12 to 21 of this Annual Report.

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 4360:2004 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.

## Tassal Group Limited and Controlled Entities

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### 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 38 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:

- 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
- 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 467,728 (2011: 453,464) performance rights were granted to the Chief Executive Officer and other members of the Company's Strategy Group pursuant to the Company's Long-term Incentive Plan.

Nil (2011: Nil) performance rights vested on 30 June 2012.

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

## Tassal Group Limited and Controlled Entities

### 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
<p>ALLAN McCALLUM (Chairman)</p> <p>Dip. Ag Science, FAICD</p>	<p>Allan is a Non-executive Director of Incitec Pivot Limited and Medical Developments International Limited.</p> <p>Allan is a member of the Rabobank Advisory Board.</p> <p>Allan is a former Chairman of Vicgrain Limited and CRF Group Ltd and Deputy Chairman of Graincorp Limited.</p> <p>Allan has extensive experience in the agribusiness sector across production, processing, logistics and marketing.</p>	<p>Chairman of the Board of Directors</p> <p>Independent Non-executive Director</p> <p>Chairman of the Remuneration and Nominations Committee</p> <p>Member of the Audit and Risk Committee</p>	<p>283,510 Ordinary Shares</p>
<p>TREVOR GERBER B.Acc, CA(SA) (Appointed 4 April 2012)</p>	<p>Trevor is lead independent director of Sydney Airport Holdings Limited. Trevor has been a professional director since 2000 and prior to that worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust.</p>	<p>Member of the Audit and Risk Committee</p> <p>Member of the Remuneration and Nominations Committee</p>	<p>50,000 Ordinary Shares</p>
<p>DAVID GROVES B.Com, M.Com, CA, FAICD (Resigned 29 March 2012)</p>	<p>David is a Non-executive Director of Equity Trustees Limited and until 26 March 2012 was also a Non-executive Director of Penrice Soda Holdings Limited. He is a Member of the MIR Management Limited Advisory Council and a Director of a number of private companies, including Pipers Brook Pty Limited. David is a Director of Kambala, a leading Australian girls' school in Sydney. He is formerly a Director of Mason Stewart Publishing, Non-executive Director of Graincorp Limited and Camelot Resources NL and an executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee</p>	<p>67,365 Ordinary shares (as at 29 March 2012)</p>
<p>GARY HELOU BE, M.Comm, FAICD, FAIM (Resigned 29 March 2012)</p>	<p>Gary was appointed as the Managing Director of Murray Goulburn Co-operative, effective 3 October 2011.</p> <p>Gary was Chief Executive of Ricegrowers Limited for twelve years. In addition to his central role in leading Ricegrowers to being an integrated global company with strong capabilities in product and brand innovation, Gary has strong experience across a broad range of roles encompassing the international and domestic food and agricultural industries.</p>	<p>Independent Non-executive Director</p>	<p>Nil</p>
<p>CLIVE HOOKE FCPA, FAICD (Resigned 29 March 2012)</p>	<p>Clive is a Non-executive Director of Goodman Fielder Limited.</p> <p>Clive is a former Chairman of Astra Capital Limited and Big Brothers Big Sisters Australia Limited. Clive has many years of experience in the agribusiness and food sectors, including seven years as Chief Financial Officer of National Foods Limited, and extensive experience as a Senior Executive and business and financial consultant.</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee</p>	<p>10,000 Ordinary shares (as at 29 March 2012)</p>
<p>JILL MONK B.Arts, B.Law, FAICD, FAI (Resigned 25 October 2011)</p>	<p>Jill holds a Bachelor of Arts, a Bachelor of Law and a Fellowship of Insurance. She has over 30 years experience in company secretarial, commercial legal, business risk, compliance and human resources. Jill spent several years in private legal practice and in legal practice with various companies including CGU Insurance Limited. Jill held general management roles including responsibility for legal, superannuation and compliance and the role of Director of Human Resources. Jill held numerous directorships across the CGU Group.</p>	<p>Independent Non-executive Director</p> <p>Member of the Remuneration and Nominations Committee</p>	<p>181,077 Ordinary Shares (as at 25 October 2011)</p>

## Tassal Group Limited and Controlled Entities

### 16. Information on Directors (cont.)

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
RUDI TSAI MSIA, BS AEM (Appointed 26 October 2011)	Rudi is the Director of Strategic Development with the Pacific Andes Group. Prior to Pacific Andes, he was in investment banking with over 20 years of experience in corporate finance advisory and capital raising and held senior management positions with Fubon Financial, DBS Bank, JP Morgan and Schroders.  Rudi holds a Master of Science in Industrial Administration and a Bachelor of Science in Applied Economics and Management. He was a Responsible Officer licenced by the Hong Kong Securities and Futures Commission to engage in regulated activities in securities and corporate finance.	Non-independent Non-executive Director	Nil
JOHN WATSON AM, MAICD	John has been a Non-executive Director and Chairman of Incitec Pivot Limited since December 1997 and retired from that position on 30 June 2012.  John has had extensive experience in the food production and processing industries as a producer and Non-executive Director. He has been a Non-executive Director 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.	Independent Non-executive Director  Chairman of the Audit and Risk Committee  Member of the Remuneration and Nominations Committee	148,230 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. He has held the role of Chief Executive Officer since November 2003. Mark holds a Bachelor of Commerce and is a Chartered Accountant. Mark is a Director of AFL Tasmania, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), Juicy Isle Pty Limited, Institute for Marine and Antarctic Science (IMAS) as well as a number of other industry related associations.  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	170,338 Ordinary Shares * 338,955 Performance Rights

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*.

\* During the current financial year Mark Ryan transferred 200,246 shares to the Trustee of the Ryan Family Trust. Any trading in relation to these shares will continue to be subject to the Company's Securities Trading Policy.

## Tassal Group Limited and Controlled Entities

### 17. Directorships of Other Listed Companies

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

Director	Company	Period of Directorship (last 3 years)
A. McCallum	Medical Developments International Limited	Throughout
	Incitec Pivot Limited	Throughout
T. Gerber (Appointed 4 April 2012)	Sydney Airport Holdings Limited	Throughout
	Valad Property Group	Throughout until 26 August 2011
D. Groves (Resigned 29 March 2012)	Equity Trustees Limited	Throughout
	Penrice Soda Holdings Limited	22 December 2010 to 23 March 2012
G. Helou (Resigned 29 March 2012)	Ricegrowers Limited	Throughout to 14 September 2011
C. Hooke (Resigned 29 March 2012)	Goodman Fielder Limited	Throughout
J. Monk (Resigned 25 October 2011)	–	None held
M. Ryan	–	None held
R. Tsai (Appointed 26 October 2011)	–	None held
J. Watson	Incitec Pivot Limited	Throughout to 30 June 2012

### 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, 13 Board meetings, 4 Remuneration and Nominations Committee meetings and 5 Audit and Risk Committee meetings were held.

Director	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
T. Gerber	4	4	1	1	2	2
D. Groves	8	7	4	3	*	*
G. Helou	8	6	*	*	*	*
C. Hooke	8	8	4	4	*	*
A. McCallum	13	13	1	1	4	4
J. Monk	3	3	*	*	1	1
M. Ryan	13	13	*	*	*	*
R. Tsai	9	9	*	*	*	*
J. Watson	13	13	5	5	4	4

(\* not a committee member)

### 19. Company Secretary

Peter Arthur Stuart Jones LLB, B.Surv., MAICD (Resigned 16 December 2011)

Mr Jones was admitted as a Solicitor of the Supreme Court of New South Wales in 1990 and is currently entitled to practice as a legal practitioner in Tasmania. Mr Jones worked at the law firm of Allens Arthur Robinson for 25 years, including 14 years as a partner. Mr Jones also acted as General Counsel and was a member of the Company's Strategy Group.

Monika Sylvia Maedler BEc, LLB, FCIS (Appointed 16 December 2011)

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.



## Tassal Group Limited and Controlled Entities

### 20. Remuneration Report – Audited

#### (a) Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2012 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, other Key Management Personnel and other employees. Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the Company for the year ended 30 June 2012.

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 2013.

At the 2011 Annual General Meeting greater than 25% of the votes were against the adoption of the Remuneration Report. During the current financial year, the Board reviewed the Company's remuneration practices and policies but also engaged with relevant stakeholders to address their concerns as raised in relation to their votes on the 2011 Remuneration Report. The Board believes that this consultation and the changes to the membership of the current Board has resulted in the concerns raised being appropriately addressed in the current Remuneration Report.

#### (b) Remuneration Philosophy

The Remuneration and Nominations Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Directors, the Managing Director and Chief Executive Officer and the Senior Executives. The primary

objectives of the Remuneration Policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice, is tailored to the specific circumstances of the Company and which reflects the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

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

#### (c) Remuneration Structure

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

#### (d) Relationship between the Remuneration Policy and Company Performance

The Consolidated entity's key operations performance indicators in the financial year ended 30 June 2012 and the previous four financial years are summarised below.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue (from all sources)	261,702	225,635	216,775	195,753	162,591
Net profit before tax	37,724	40,580	34,568	39,112	27,043
Net profit after tax	28,087	30,280	28,009	30,084	20,467

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
<b>Share price:</b>					
Share price at the start of the year	\$1.41	\$1.41	\$1.94	\$2.60	\$3.32
Share price at the end of the year	\$1.33	\$1.41	\$1.41	\$1.94	\$2.60

<b>Dividend per share:</b>					
Interim dividend (unfranked)	\$0.0400	N/A	\$0.0400	\$0.0400	\$0.0300
Final dividend (unfranked)	\$0.0400	\$0.0200	\$0.0200	\$0.0400	\$0.0350
	\$0.0800	\$0.0200	\$0.0600	\$0.0800	\$0.0650

<b>Earnings per share:</b>					
Basic	\$0.1920	\$0.2078	\$0.1996	\$0.2220	\$0.1646
Diluted	\$0.1911	\$0.2070	\$0.1993	\$0.2209	\$0.1639

## Tassal Group Limited and Controlled Entities

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) - 12.64%
- Net profit after tax - 8.23%
- Basic earnings per share - 3.92%

### (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 \$600,000 as approved by shareholders at the AGM on 2 November 2007. Legislated superannuation contributions made in respect of non-executive Directors are included in determining this shareholder approved maximum aggregate annual pool limit.

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

Non-executive Directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are not subject to a minimum shareholding requirement.

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

Fees payable to the non-executive Directors of the Company for the 2012 financial year (inclusive of legislated superannuation contributions) were as follows:

	Base	Remuneration and Nominations Committee	Audit and Risk Committee
Chairman of the Board	\$162,969	N/A	N/A
Each other non-executive director	\$62,047	\$6,566	\$9,529

The Chairman of the Audit and Risk Committee received an additional \$9,529 for chairing that Committee.

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

#### (i) Structure

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

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

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

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

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

#### (ii) Fixed annual remuneration

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

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

## Tassal Group Limited and Controlled Entities

### (iii) Variable remuneration – STI Plan

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

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

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

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

The target STI % range for the Chief Executive Officer and named Senior Executives and other Key Management Personnel in respect of the financial year ended 30 June 2012 is detailed below.

Executive	STI range calculated on fixed annual remuneration*
M. Ryan	15% – 60%
P. Bennett	7.5% – 30%
A. Creswell	7.5% – 30%
M. Maedler	0%
D. Kiemele	7.5% – 30%
K. Little	7.5% – 30%
J. O'Connor	7.5% – 30%
L. Sams	7.5% – 30%
D. Williams	7.5% – 30%

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

Tassal's STI for FY2012 was directly linked to the Company's net profit after tax (NPAT) performance on the following basis:

30 June 2012		30 June 2011	
NPAT <sup>(i)</sup> Threshold \$'000	% of STI Triggered %	NPAT <sup>(i)</sup> Threshold \$'000	% of STI Triggered %
<\$24,500	Nil	<\$23,700	Nil
\$24,500	25%	\$23,700	25%
\$24,500 – \$29,500	25% – 100%	\$23,700 – \$27,000	25% – 100%
>\$29,500	100%	>\$27,000	100%

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

The Chief Executive Officer and Senior Executives received 0% (2011: 0%) of their respective FY2012 maximum STI entitlements.

The Board considers the FY2012 NPAT thresholds represented significant and challenging targets having regard to the challenging market conditions faced by the Company in FY2012.

## Tassal Group Limited and Controlled Entities

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### (iv) Variable remuneration – LTI Plan

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

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

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

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

The Board has retained the discretion to vary the performance hurdles and criteria for each offer under the LTI Plan. Once the Board has prescribed the performance hurdles for a specific offer under the LTI Plan, those performance hurdles cannot be varied in respect of that offer.

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

### Performance rights granted during the financial year ended 30 June 2012:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2012 is based on the Company's EPS and TSR growth over the performance period of the three years from 30 June 2011 (being the **Base Year**) to 30 June 2014 (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 2012).

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 FY2015. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

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

**Total Shareholder Return Hurdle ('TSR')** (Applies to 50% of performance rights granted in the financial year ended 30 June 2012).

The TSR hurdle requires that the Company's TSR must be at least equal to the TSR of the entity which is at the median of the Company's comparator group (the **comparator group**) ranked by their TSR performance. The comparator group is the S&P/ASX 300. TSR is defined as share price growth and dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the time of issue to the time of vesting.

## Tassal Group Limited and Controlled Entities

The TSR performance hurdle was chosen as it is recognised as an indicator of shareholder value creation. The comparator group for TSR purposes has been chosen as it represents the group with whom the Company competes for shareholders' capital. The hurdle is as follows:

- if Tassal's TSR performance over the Performance Period is below the TSR of the entity which is at the median (50th percentile) of the comparator group, no performance rights will vest;
- if Tassal's TSR performance over the Performance Period is between the 50th percentile and 75th percentile of the comparator group, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if Tassal's TSR performance over the Performance Period is equal to or above the TSR of the entity which is at the 75th percentile of the comparator group, all of the performance rights (and attached to this hurdle) will vest.

The TSR calculation, once completed, will be independently reviewed.

The Board considers that the selection and structuring of both absolute (EPS) and relative (TSR) 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 FY2015.

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ended 30 June 2012 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% – 50%
A. Creswell	7.5% – 30%
P. Bennett	7.5% – 30%
M. Maedler	0%
D. Kiemele	7.5% – 30%
K. Little	7.5% – 30%
J. O'Connor	7.5% – 30%
L. Sams	7.5% – 30%
D. Williams	7.5% – 30%

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

### Performance rights granted during the financial year ended 30 June 2011:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2011 is based on EPS growth over the Performance Period of the three years from 30 June 2010 (being the **Base Year**) to 30 June 2013 and is summarised as follows.

**Earnings Per Share Hurdle ('EPS')** (Applies to 50% of performance rights granted in the financial year ended 30 June 2011).

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 FY2015. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

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

**Total Shareholder Return Hurdle ('TSR')** (Applies to 50% of performance rights granted in the financial year ended 30 June 2011).

The TSR hurdle requires that the Company's TSR must be at least equal to the TSR of the entity which is at the median of the Company's comparator group (the **comparator group**) ranked by their TSR performance. The comparator group is the S&P/ASX 300. TSR is defined as share price growth and dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the time of issue to the time of vesting.

The TSR performance hurdle was chosen as it is recognised as an indicator of shareholder value creation. The comparator group for TSR purposes has been chosen as it represents the group with whom the Company competes for shareholders' capital.

## Tassal Group Limited and Controlled Entities

The hurdle is as follows:

- if Tassal's TSR performance over the Performance Period is below the TSR of the entity which is at the median (50th percentile) of the comparator group, no performance rights will vest;
- if Tassal's TSR performance over the Performance Period is between the 50th percentile and 75th percentile of the comparator group, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if Tassal's TSR performance over the Performance Period is equal to or above the TSR of the entity which is at the 75th percentile of the comparator group, all of the performance rights (and attached to this hurdle) will vest.

The TSR calculation, once completed, will be independently reviewed.

The Board considers that the selection and structuring of both absolute (EPS) and relative (TSR) 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 FY2015.

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ended 30 June 2010 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% – 50%
A. Creswell	7.5% – 30%
P. Bennett	7.5% – 30%
D. Kiemele	7.5% – 30%
K. Little	7.5% – 30%
J. O'Connor	7.5% – 30%
L. Sams	7.5% – 30%
D. Williams	2.5% – 10%

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

### Performance rights to be granted for the financial year ended 30 June 2013:

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 2013.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ending 30 June 2013 will be based on the Company's EPS (Earnings per Share) growth over the performance period of the three years from 30 June 2012 (being the **Base Year**) to 30 June 2015 (the **Performance Period**), and on the Company's ROA (Return on Assets) performance for the financial year ending 30 June 2015. 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 2013).

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

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

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

**Return on Assets Hurdle ('ROA')** (Applies to 50% of performance rights granted in the financial year ending 30 June 2013).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2015 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 2015 is less than 15% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2015 is equal to 15% but less than 17%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2015 is equal to or greater than 17% all of the performance rights (and attached to this hurdle) will vest.

## Tassal Group Limited and Controlled Entities

The ROA calculation, once completed, will be independently reviewed.

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

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

The minimum and maximum percentage of the Chief Executive Officer's, named Senior Executives' and other Key Management Personnel's fixed annual remuneration applicable to performance rights to be granted during the financial year ending 30 June 2013 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% – 50%
P. Bennett	7.5% – 30%
A. Creswell	7.5% – 30%
M. Maedler	7.5% – 30%
D. Kiemele	7.5% – 30%
K. Little	7.5% – 30%
J. O'Connor	7.5% – 30%
L. Sams	7.5% – 30%
D. Williams	7.5% – 30%

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

### (v) Contract for services – Chief Executive Officer

The structure of the Chief Executive Officer's compensation is in accordance with his employment agreement. The Chief Executive Officer's employment agreement is for an indefinite term. The Company may terminate the agreement by providing six months' notice and the Chief Executive Officer may terminate the agreement by providing three 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 three months' notice. There are no termination benefits beyond statutory leave and superannuation obligations associated with these notice requirements.

## (g) Key Management Personnel Compensation

### (i) Identity of Key Management Personnel

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

#### Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber <sup>4</sup>	Non-executive Director
D. Groves <sup>1</sup>	Non-executive Director
G. Helou <sup>1</sup>	Non-executive Director
C. Hooke <sup>1</sup>	Non-executive Director
J. Monk <sup>2</sup>	Non-executive Director
R. Tsai <sup>3</sup>	Non-executive Director
J. Watson	Non-executive Director

#### Notes:

1. Resigned 29 March 2012
2. Resigned 25 October 2011
3. From 26 October 2011
4. From 4 April 2012

### Other Key Management Personnel:

Name	Title
P. Bennett	Head of Processing
A. Creswell	Chief Financial Officer
P. Jones <sup>1</sup>	General Counsel and Company Secretary
D. Kiemele	Head of Farming
K. Little	Head of Human Resources, QA and OH&S
M. Maedler <sup>2</sup>	General Counsel and Company Secretary
J. O'Connor	Head of Risk
L. Sams	Head of Sustainability
D. Williams	Head of Sales and Marketing

#### Notes:

1. Until 16 December 2011
2. From 16 December 2011

### (ii) Compensation of Key Management Personnel and Executive Officers

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



## Tassal Group Limited and Controlled Entities

		Short-term employment benefits			Post employment		Share-based payment		Other	
		Salary & Fees <sup>1</sup> \$	Bonus <sup>2</sup> \$	Non-monetary <sup>3</sup> \$	Super-annuation \$	Prescribed Benefits \$	Equity settled Shares <sup>4</sup> \$	Performance Rights <sup>5</sup> \$	Termination <sup>6</sup> Benefits \$	Total \$
Directors:										
T. Gerber Appointed 04.04.12	2012 2011	17,163 -	- -	- -	1,545 -	- -	- -	- -	- -	18,707 -
D. Groves Resigned 29.03.12	2012 2011	50,102 62,223	- -	- -	4,403 5,732	- -	- -	- -	- -	54,505 67,955
G. Helou Appointed 04.11.10 Resigned 29.03.12	2012 2011	42,412 36,561	- -	- -	3,817 3,290	- -	- -	- -	- -	46,229 39,851
C. Hooke Appointed 04.11.10 Resigned 29.03.12	2012 2011	48,926 40,951	- -	- -	4,403 3,686	- -	- -	- -	- -	53,329 44,637
A. McCallum (Chairman)	2012 2011	153,896 145,001	- -	- -	13,441 13,050	- -	- -	- -	- -	167,337 158,051
J. Monk Resigned 25.10.11	2012 2011	19,542 64,923	- -	- -	1,759 5,843	- -	- -	- -	- -	21,301 70,766
R. Roberts Resigned 09.12.10	2012 2011	- 24,385	- -	- -	- 2,195	- -	- -	- -	- -	- 26,580
M. Ryan – Chief Executive Officer	2012 2011	516,484 498,599	- -	24,531 19,516	15,856 15,444	- -	- -	77,482 74,403	- -	634,353 607,962
R. Tsai Appointed 26.10.11	2012 2011	38,971 -	- -	- -	3,507 -	- -	- -	- -	- -	42,478 -
J. Watson	2012 2011	80,344 78,004	- -	- -	7,231 7,020	- -	- -	- -	- -	87,575 85,024
Other Key Management Personnel and Executive Officers:										
M. Asman * Resigned on 28.01.11	2012 2011	- 129,137	- -	- -	- 11,179	- -	- -	- -	- 34,683	- 174,999
P. Bennett * Appointed as Key Management on 28.01.11	2012 2011	170,997 171,314	- -	- 303	14,710 13,724	- -	- -	16,493 15,075	- -	202,200 200,416
A. Creswell *	2012 2011	211,965 201,100	- -	1,177 1,305	17,956 16,228	- -	- -	20,349 16,085	- -	251,446 234,718
P. Jones * Resigned 16.12.11	2012 2011	146,069 258,948	- -	885 1,305	11,561 20,604	- -	- -	- 22,345	- -	158,515 303,202
D. Kiemele * Appointed as Key Management on 28.01.11	2012 2011	182,559 144,537	- -	- -	14,434 12,159	- -	- -	16,852 12,268	- -	213,845 168,964
K. Little *	2012 2011	187,197 173,032	- -	3,859 2,489	15,888 14,570	- -	- -	17,950 16,085	- -	224,895 206,176
M. Maedler * Appointed as Key Management on 16.12.11	2012 2011	104,351 -	- -	293 -	8,508 -	- -	- -	- -	- -	113,151 -
J. O'Connor *	2012 2011	180,625 179,410	- -	1,177 1,305	16,396 14,032	- -	- -	16,736 14,983	- -	214,935 209,730
L. Sams *	2012 2011	173,335 164,436	- -	1,177 1,305	15,050 13,143	- -	- -	16,516 15,194	- -	206,078 194,078
D. Williams *	2012 2011	227,538 205,116	- -	11,509 14,820	19,773 19,170	- -	- -	27,693 15,404	- -	286,512 254,510
Total	2012	2,552,475	-	44,608	190,238	-	-	210,071	-	2,997,392
Total	2011	2,577,678	-	42,347	191,069	-	-	201,842	34,683	3,047,618

\*Designated Key Management Personnel

No Key Management Personnel or Executive Officer appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

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

- Salary and fees includes salary and leave on an accruals basis.
- Cash bonuses relate to performance bonuses and amounts payable pursuant to the STI Plan. The Chief Executive Officer and other Executive Officers received 0% (2011: 0%) of their respective STI maximum entitlement based on the STI percentages disclosed in section f (iii) of the Remuneration Report.

- Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.

- The notional value ascribed to the allocation of ordinary shares to the Executive pursuant to satisfaction of conditions on vesting of performance rights under the LTI Plan.

- Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model. Details of performance rights on issue are set out in the following tables.

- Termination benefits include notice or redundancy payments where applicable.

## Tassal Group Limited and Controlled Entities

### 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 2012

	Number	Grant date	Vested during the year %	Forfeited during the year <sup>1</sup> %	Year in which the grant vests	Value yet to vest	
						Minimum <sup>2</sup> \$	Maximum <sup>3</sup> \$
<b>Director:</b>							
M. Ryan	178,412	25 Nov 2011	-	-	30 Jun 2014	Nil	245,097
<b>Executive Officers:</b>							
P. Bennett	38,384	25 Nov 2011	-	-	30 Jun 2014	Nil	52,731
A. Creswell	44,444	25 Nov 2011	-	-	30 Jun 2014	Nil	61,056
D. Kiemele	38,384	25 Nov 2011	-	-	30 Jun 2014	Nil	52,731
K. Little	39,980	25 Nov 2011	-	-	30 Jun 2014	Nil	54,923
J. O'Connor	39,117	25 Nov 2011	-	-	30 Jun 2014	Nil	53,737
L. Sams	38,384	25 Nov 2011	-	-	30 Jun 2014	Nil	52,731
D. Williams	50,623	25 Nov 2011	-	-	30 Jun 2014	Nil	69,545

(1) The % 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 values presented above represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$1.374.

#### Performance rights granted during the financial year ended 30 June 2011

	Number	Grant date	Vested during the year %	Forfeited during the year <sup>1</sup> %	Year in which the grant vests	Value yet to vest	
						Minimum <sup>2</sup> \$	Maximum <sup>3</sup> \$
<b>Director:</b>							
M. Ryan	160,543	10 Nov 2010	-	-	30 Jun 2013	Nil	199,569
<b>Executive Officers:</b>							
P. Bennett	32,529	10 Nov 2010	-	-	30 Jun 2013	Nil	40,436
A. Creswell	37,448	10 Nov 2010	-	-	30 Jun 2013	Nil	46,551
P. Jones	48,214	10 Nov 2010	-	100%	-	Nil	Nil
D. Kiemele	28,086	10 Nov 2010	-	-	30 Jun 2013	Nil	34,913
K. Little	35,976	10 Nov 2010	-	-	30 Jun 2013	Nil	44,721
J. O'Connor	32,329	10 Nov 2010	-	-	30 Jun 2013	Nil	40,188
L. Sams	32,786	10 Nov 2010	-	-	30 Jun 2013	Nil	40,756
D. Williams	45,553	10 Nov 2010	-	-	30 Jun 2013	Nil	56,626

(1) The % 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 values presented above represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$1.243.

## Tassal Group Limited and Controlled Entities

### Performance rights granted during the financial year ended 30 June 2010

	Number	Grant date	Vested during the year %	Forfeited during the year <sup>1</sup> %	Year in which the grant vests	Value vested during the year <sup>2</sup> \$	Value lapsed during the year <sup>3</sup> \$
<b>Director:</b>							
M. Ryan	128,918	9 Nov 2009	-	-	30 Jun 2012	Nil	187,189
<b>Executive Officers:</b>							
P. Bennett	26,121	9 Nov 2009	-	-	30 Jun 2012	Nil	37,928
A. Creswell	24,645	9 Nov 2009	-	-	30 Jun 2012	Nil	35,785
P. Jones	38,717	18 Dec 2009	-	100%	-	Nil	Nil
D. Kiemele	19,358	9 Nov 2009	-	-	30 Jun 2012	Nil	28,108
K. Little	26,379	9 Nov 2009	-	-	30 Jun 2012	Nil	38,302
J. O'Connor	25,961	9 Nov 2009	-	-	30 Jun 2012	Nil	37,695
L. Sams	26,327	9 Nov 2009	-	-	30 Jun 2012	Nil	38,227
A. Sloman	27,566	9 Nov 2009	-	-	30 Jun 2012	Nil	40,026
D. Williams	12,193	9 Nov 2009	-	-	30 Jun 2012	Nil	17,704

(1) The % 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 value of the performance rights vested based on the fair value at grant date of \$1.452.

(3) The value of performance rights lapsed as the performance criteria were not met and consequently the right did not vest, based on the fair value at grant date of \$1.452.

### 21. Rounding off of Amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Annual Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors.



A. D. McCallum  
Chairman

Hobart this 23rd day of August 2012

# Auditor's Independence Declaration

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## Tassal Group Limited and Controlled Entities

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# Deloitte.

The Board of Directors  
Tassal Group Limited  
2 Salamanca Square  
Battery Point Tasmania 7004

Deloitte Touche Tohmatsu  
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23 August 2012

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 2012, 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



Carl Harris  
Partner  
Chartered Accountants

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

## Tassal Group Limited and Controlled Entities

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# Income Statement

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

	Note	Consolidated 2012	Consolidated <sup>(i)</sup> 2011	Company 2012	Company 2011
		\$'000	\$'000	\$'000	\$'000
Revenue	3(a)	257,210	222,618	8,778	2,884
Other income	3(b)	4,198	3,790	-	-
Fair value adjustment of biological assets		9,537	12,404	-	-
Share of profits/(losses) of associates and jointly controlled entities accounted for using the equity method	12	294	(773)	-	-
Changes in inventories of finished goods and work in progress		11,884	8,361	-	-
Raw materials and consumables used		(160,075)	(132,174)	-	-
Employee benefits expense	3(c)	(46,650)	(40,709)	-	-
Depreciation and amortisation expense	3(c)	(15,343)	(11,869)	-	-
Finance costs	3(c)	(6,491)	(6,752)	-	-
Other expenses		(16,840)	(14,316)	-	-
<b>Profit before income tax expense</b>		<b>37,724</b>	<b>40,580</b>	<b>8,778</b>	<b>2,884</b>
Income tax expense	4	(9,637)	(10,300)	-	-
<b>Net profit for the period attributable to members of the Company</b>		<b>28,087</b>	<b>30,280</b>	<b>8,778</b>	<b>2,884</b>

	Note	Cents per share	Cents per share
		2012	2011
<b>Earnings per ordinary share:</b>			
Basic (cents per share)	29	19.20	20.78
Diluted (cents per share)	29	19.11	20.70

Notes to the financial statements are included on pages 46 to 87.

# Statement of Comprehensive Income

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

Note	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Profit for the period	28,087	30,280	8,778	2,884
<b>Other comprehensive income</b>				
Gain/(loss) on revaluation of property	(315)	-	-	-
Transfer to profit or loss on cash flow hedges	-	-	-	-
Income tax relating to components of other comprehensive income	94	-	-	-
Other comprehensive income for the period (net of tax)	(221)	-	-	-
<b>Total comprehensive income for the period attributed to owners of the parent</b>	<b>27,866</b>	<b>30,280</b>	<b>8,778</b>	<b>2,884</b>

Notes to the financial statements are included on pages 46 to 87.

# Statement of Financial Position

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

	Note	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
		\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>					
Cash and cash equivalents		15,830	7,960	-	-
Trade and other receivables	7	8,677	8,477	124,918	123,205
Inventories	8	60,230	48,346	-	-
Biological assets	9	145,411	147,938	-	-
Other financial assets	10	511	511	-	-
Other	11	1,376	828	-	-
<b>Total Current Assets</b>		<b>232,035</b>	<b>214,060</b>	<b>124,918</b>	<b>123,205</b>
<b>Non-Current Assets</b>					
Investments accounted for using the equity method	12	6,948	6,654	-	-
Other financial assets	13	92	103	28,119	28,119
Property, plant and equipment	14	212,106	200,169	-	-
Deferred tax assets	4	-	-	5,073	6,497
Goodwill	15	14,851	14,851	-	-
Other intangible assets	16	24,184	24,184	-	-
Other	17	492	522	-	-
<b>Total Non-Current Assets</b>		<b>258,673</b>	<b>246,483</b>	<b>33,192</b>	<b>34,616</b>
<b>Total Assets</b>		<b>490,708</b>	<b>460,543</b>	<b>158,110</b>	<b>157,821</b>
<b>Current Liabilities</b>					
Trade and other payables	19	39,822	38,208	-	-
Borrowings	20	42,258	46,299	-	-
Current tax liability	4	-	-	-	-
Provisions	21	4,272	3,743	-	-
Other	22	4,060	844	-	-
<b>Total Current Liabilities</b>		<b>90,412</b>	<b>89,094</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>					
Borrowings	23	48,984	49,115	-	-
Deferred tax liabilities	4	55,501	45,959	-	-
Provisions	24	753	692	-	-
Other	25	-	2	-	-
<b>Total Non-Current Liabilities</b>		<b>105,238</b>	<b>95,768</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>195,650</b>	<b>184,862</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>295,058</b>	<b>275,681</b>	<b>158,110</b>	<b>157,821</b>
<b>Equity</b>					
Issued capital	26	154,027	154,027	154,027	154,027
Reserves	27	9,933	9,865	639	350
Retained earnings	28	131,098	111,789	3,444	3,444
<b>Total Equity</b>		<b>295,058</b>	<b>275,681</b>	<b>158,110</b>	<b>157,821</b>

Notes to the financial statements are included on pages 46 to 87.



# Statement of Changes in Equity

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

### Consolidated

	Issued capital	Asset revaluation reserve	Hedging reserve	Equity-settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the entity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2010</b>	<b>151,177</b>	<b>9,515</b>	<b>-</b>	<b>117</b>	<b>84,393</b>	<b>245,202</b>
Profit for the period	-	-	-	-	30,280	30,280
Gain/(loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Transfer to profit or loss on cash flow hedges (net of any related tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	30,280	30,280
Payment of dividends	-	-	-	-	(2,884)	(2,884)
Issue of shares pursuant to Dividend Reinvestment Plan	911	-	-	-	-	911
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	1,971	-	-	-	-	1,971
Share issue costs (net of any related tax)	(32)	-	-	-	-	(32)
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	233	-	233
<b>Balance as at 30 June 2011</b>	<b>154,027</b>	<b>9,515</b>	<b>-</b>	<b>350</b>	<b>111,789</b>	<b>275,681</b>
<b>Balance as at 1 July 2011</b>	<b>154,027</b>	<b>9,515</b>	<b>-</b>	<b>350</b>	<b>111,789</b>	<b>275,681</b>
Profit for the period	-	-	-	-	28,087	28,087
Gain/(loss) on revaluation of property (net of any related tax)	-	(221)	-	-	-	(221)
Transfer to profit or loss on cash flow hedges (net of any related tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	(221)	-	-	28,087	27,866
Payment of dividends	-	-	-	-	(8,778)	(8,778)
Issue of shares pursuant to Dividend Reinvestment Plan	-	-	-	-	-	-
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	-	-	-	-	-	-
Share issue costs (net of any related tax)	-	-	-	-	-	-
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	289	-	289
<b>Balance as at 30 June 2012</b>	<b>154,027</b>	<b>9,294</b>	<b>-</b>	<b>639</b>	<b>131,098</b>	<b>295,058</b>

Notes to the financial statements are included on pages 46 to 87.

# Statement of Changes in Equity (cont.)

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

### Company

	Issued capital	Asset revaluation reserve	Hedging reserve	Equity-settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the entity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2010</b>	<b>151,177</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>3,444</b>	<b>154,738</b>
Profit for the period	-	-	-	-	2,884	2,884
Total comprehensive income for the period	-	-	-	-	2,884	2,884
Payment of dividends	-	-	-	-	(2,884)	(2,884)
Issue of shares pursuant to Dividend Reinvestment Plan	911	-	-	-	-	911
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	1,971	-	-	-	-	1,971
Share issue costs (net of any related tax)	(32)	-	-	-	-	(32)
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	233	-	233
<b>Balance as at 30 June 2011</b>	<b>154,027</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>3,444</b>	<b>157,821</b>
<b>Balance as at 1 July 2011</b>	<b>154,027</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>3,444</b>	<b>157,821</b>
Profit for the period	-	-	-	-	8,778	8,778
Total comprehensive income for the period	-	-	-	-	8,778	8,778
Payment of dividends	-	-	-	-	(8,778)	(8,778)
Issue of shares pursuant to Dividend Reinvestment Plan	-	-	-	-	-	-
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	-	-	-	-	-	-
Share issue costs (net of any related tax)	-	-	-	-	-	-
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	289	-	289
<b>Balance as at 30 June 2012</b>	<b>154,027</b>	<b>-</b>	<b>-</b>	<b>639</b>	<b>3,444</b>	<b>158,110</b>

Notes to the financial statements are included on pages 46 to 87.

# Statement of Cash Flows

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

	Note	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
		\$'000	\$'000	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>					
Receipts from customers		279,307	259,882	-	-
Receipts from government grants		3,924	-	-	-
Payments to suppliers and employees		(225,787)	(211,464)	-	-
Interest received		244	161	-	-
Interest and other costs of finance paid		(7,301)	(7,057)	-	-
<b>Net cash (used in)/provided by operating activities</b>	<b>38(b)</b>	<b>50,387</b>	<b>41,522</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>					
Payment for property, plant and equipment		(29,609)	(39,398)	-	-
Proceeds from sale of property, plant and equipment		39	-	-	-
<b>Net cash (used in)/provided by investing activities</b>		<b>(29,570)</b>	<b>(39,398)</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from borrowings		26,647	28,287	-	-
Repayment of borrowings		(30,816)	(26,671)	-	-
Payment for share issue costs		-	(32)	-	-
Dividends paid to members of the parent entity		(8,778)	-	-	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(12,947)</b>	<b>1,584</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,870</b>	<b>3,708</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the financial year		7,960	4,252	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>38(a)</b>	<b>15,830</b>	<b>7,960</b>	<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 46 to 87.

# Notes to the Financial Statements

For the year ended 30 June 2012

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## Tassal Group Limited and Controlled Entities

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## Tassal Group Limited and Controlled Entities

### 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. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the consolidated entity and Company comply with International Financial Reporting Standards ('IFRS').

The Annual Financial Report includes separate financial statements of the Company and the consolidated entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Annual Financial Report was authorised for issue by the Directors on 23 August 2012.

#### 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.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Annual Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

#### Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

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

They include the following:

- Goodwill (refer to Note 15)
- Brand names (refer to Note 16)
- Biological assets (refer to Note 9)

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 2012, and the comparative information presented in these financial statements.

#### Adoption of New and Revised Accounting Standards

##### (i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in (ii).

##### Standards affecting presentation and disclosure

###### Amendments to AASB 7 'Financial Instruments: Disclosure'

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

###### Amendments to AASB 101 'Presentation of Financial Statements'

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

###### AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'

The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 1. Summary of Accounting Policies (cont.)

#### *Standards and Interpretations affecting the reported results or financial position*

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

#### *(ii) Standards and Interpretations adopted with no effect on financial statements*

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

#### *AASB 2009-12 'Amendments to Australian Accounting Standards'*

The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.

#### *AASB 2010-5 'Amendments to Australian Accounting Standards'*

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

#### *(iii) Standards and Interpretations in issue not yet adopted*

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The impact of these standards and interpretations are in the process of being reviewed by the Company.

#### *AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 10 'Consolidated Financial Statements'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 11 'Joint Arrangements'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 12 'Disclosure of Interests in Other Entities'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 127 'Separate Financial Statements' (2011)*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 128 'Investments in Associates and Joint Ventures' (2011)*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'*

Effective for annual reporting periods beginning on or after 1 January 2012 and expected to be initially applied in the financial year ending 30 June 2013.

#### *AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

#### *AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'*

Effective for annual reporting periods beginning on or after 1 January 2012 and expected to be initially applied in the financial year ending 30 June 2013.

## Tassal Group Limited and Controlled Entities

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

*Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

Effective for annual reporting periods beginning on or after 1 January 2014 and expected to be initially applied in the financial year ending 30 June 2015.

*Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied in the financial year ending 30 June 2014.

*Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)*

Effective for annual reporting periods beginning on or after 1 January 2015 and expected to be initially applied in the financial year ending 30 June 2016.

### 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 127 'Consolidated and Separate Financial Statements' (the **Group**). 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 Company and consolidated entity use derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rate and interest rate movements. Further details of derivative financial instruments are disclosed in Note 39 to the financial statements.

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

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

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

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

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 1. Summary of Accounting Policies (cont.)

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 (cash flow 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.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow 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. 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', 'held-to-maturity' investments 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.

#### Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Loans and receivables

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



## Tassal Group Limited and Controlled Entities

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### 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 cash flows of the investment have been impacted.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows 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(v).

#### 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.

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

### *(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.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 1. Summary of Accounting Policies (cont.)

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 cash flows 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 cash flows 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 cash flows 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(t).

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(t).

#### (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.

## Tassal Group Limited and Controlled Entities

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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.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 1. Summary of Accounting Policies (cont.)

#### (p) Inventories

Agricultural produce harvested from an entity's biological assets shall be measured at its 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) Joint Ventures

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method is used in the Company financial statements.

#### (r) Leased Assets

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

##### Consolidated entity as lessee

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

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

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

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

##### Lease incentives

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

#### (s) 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.

#### (t) 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 19 June 2010, 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] 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.

## Tassal Group Limited and Controlled Entities

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

### (u) 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery 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 at the reporting date.

### (v) 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.

### (w) 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.

### (x) Biological Assets – Live Finfish

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



# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 1. Summary of Accounting Policies (cont.)

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

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.

#### **(y) Financial Risk Management Strategies Relating to Agricultural Activities**

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

#### **(z) Business Combinations**

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

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

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

#### **(aa) 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 23 August 2012, the Directors declared a final unfranked dividend of \$5.852 million (4.00 cents per ordinary share) in respect of the financial year ended 30 June 2012. The record date for determining entitlements to this final dividend was 20 September 2012. The final dividend will be paid on 11 October 2012.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2012.

## Tassal Group Limited and Controlled Entities

### 3. Profit for the Year Before Tax

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

	Note	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
		\$'000	\$'000	\$'000	\$'000
<b>(a) Revenue</b>					
Revenue from the sale of goods		256,950	222,441	-	-
Dividends received from controlled entities		-	-	8,778	8,778
Rental revenue		16	16	-	-
Interest revenue		244	161	-	-
<b>Total revenue</b>		<b>257,210</b>	<b>222,618</b>	<b>8,778</b>	<b>2,884</b>
<b>(b) Other income</b>					
Gain/(loss) on disposal of property, plant and equipment		42	(56)	-	-
Government grants received		2,471	1,879	-	-
Other		1,685	1,967	-	-
<b>Total other income</b>		<b>4,198</b>	<b>3,790</b>	<b>-</b>	<b>-</b>
<b>(c) Expenses</b>					
Depreciation of non-current assets		15,313	11,839	-	-
Amortisation of non-current assets		30	30	-	-
<b>Total depreciation and amortisation</b>		<b>15,343</b>	<b>11,869</b>	<b>-</b>	<b>-</b>
Interest – other entities		3,752	3,906	-	-
Finance lease charges		2,739	2,846	-	-
<b>Total finance costs <sup>(i)</sup></b>		<b>6,491</b>	<b>6,752</b>	<b>-</b>	<b>-</b>
<b>Notes:</b>					
(i) Additional finance costs of \$2.602 million were included in the cost of qualifying assets during the current year (2011: \$2.622 million).					
(ii) The weighted average capitalisation rate on funds borrowed generally is 5.439% (2011: 6.356%).					
<b>Cost of sales</b>		<b>255,046</b>	<b>217,603</b>	<b>-</b>	<b>-</b>
Employee benefits expense:					
Share-based payments:					
Equity settled share-based payments		289	233	-	-
Post employment benefits		3,219	3,089	-	-
Other employee benefits		43,142	37,387	-	-
<b>Total employee benefits expense</b>		<b>46,650</b>	<b>40,709</b>	<b>-</b>	<b>-</b>
Net bad and doubtful debts – other entities		389	281	-	-
Write-downs of inventories to net realisable value		187	433	-	-
Operating lease rental expenses		4,424	3,580	-	-
Research and development costs immediately expensed		108	141	-	-

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 4. Income Taxes

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>(a) Income tax recognised in profit or loss:</b>				
<b>Tax (expense)/income comprises:</b>				
Current tax (expense)/income	-	-	-	-
Adjustment recognised in the current year in relation to the current tax of prior years	-	195	-	-
Deferred tax (expense)/income relating to the origination and reversal of temporary differences and use of carry forward tax losses	(9,637)	(10,495)	-	-
<b>Total tax (expense)/income</b>	<b>(9,637)</b>	<b>(10,300)</b>	<b>-</b>	<b>-</b>
<b>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:</b>				
<b>Profit from operations</b>	<b>37,724</b>	<b>40,580</b>	<b>8,778</b>	<b>2,884</b>
Income tax (expense)/benefit calculated at 30%	(11,317)	(12,174)	(2,633)	(865)
Non-tax deductible items	(17)	(12)	-	-
Dividends from wholly-owned subsidiaries	-	-	2,633	865
Investment allowance	-	70	-	-
Research and development concession	982	790	-	-
Other	-	(69)	-	-
Adjustment recognised in the current year in relation to prior years	715	1,095	-	-
<b>Income tax (expense)/benefit</b>	<b>(9,637)</b>	<b>(10,300)</b>	<b>-</b>	<b>-</b>
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>(b) Income tax recognised directly in equity</b>				
<b>Deferred tax:</b>				
Property, Plant and equipment	94	-	-	-
Revaluation of financial instruments treated as cash flow hedges	-	-	-	-
Share issue expenses deductible over 5 years	-	14	-	14
	<b>94</b>	<b>14</b>	<b>-</b>	<b>14</b>
<b>(c) Current tax balances:</b>				
<b>Current tax liabilities comprise:</b>				
Income tax payable attributable to:				
Entities in the tax-consolidated group	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Deferred tax balances:</b>				
<b>Deferred tax assets comprise:</b>				
Revenue tax losses and R&D offset	5,045	6,358	5,046	6,358
Temporary differences	2,340	2,164	27	139
	<b>7,385</b>	<b>8,522</b>	<b>5,073</b>	<b>6,497</b>
<b>Deferred tax liabilities comprise:</b>				
Temporary differences	(62,886)	(54,481)	-	-
<b>Net deferred tax asset/(liability)</b>	<b>(55,501)</b>	<b>(45,959)</b>	<b>5,073</b>	<b>6,497</b>



## Tassal Group Limited and Controlled Entities

*(d) Deferred tax balances: (cont.)*

Taxable and deductible temporary differences arise from the following:

Consolidated	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>2012</b>				
<b>Gross deferred tax liabilities:</b>				
Biological assets	(38,423)	(4,137)	-	(42,560)
Inventories	(7,315)	(982)	-	(8,297)
Trade and other receivables	-	-	-	-
Property, plant and equipment	(8,255)	(3,292)	94	(11,453)
Investment in associates and jointly controlled entities	(423)	(88)	-	(511)
Other intangible assets	(64)	-	-	(64)
Cash flow hedges	-	-	-	-
Other financial assets	(1)	-	-	(1)
	(54,481)	(8,499)	94	(62,886)
<b>Gross deferred tax assets:</b>				
Provisions	1,375	159	-	1,534
Accruals	91	9	-	100
Deferred income	260	85	-	345
Share issue expenses deductible over 5 years	139	(111)	-	28
Trade and other payables	30	34	-	64
Cash flow hedges	-	-	-	-
Investments in associates and jointly controlled entities	269	-	-	269
Other	-	-	-	-
	2,164	176	-	2,340
	(52,317)	(8,323)	94	(60,546)
<b>Reduction arising from:</b>				
Revenue tax losses and R&D offset	6,358	(1,313)	-	5,045
<b>Net deferred tax asset/(liability)</b>	<b>(45,959)</b>	<b>(9,636)</b>	<b>94</b>	<b>(55,501)</b>
<b>2011</b>				
<b>Gross deferred tax liabilities:</b>				
Biological assets	(32,033)	(6,390)	-	(38,423)
Inventories	(1,931)	(5,384)	-	(7,315)
Trade and other receivables	-	-	-	-
Property, plant and equipment	(5,574)	(2,681)	-	(8,255)
Investment in associates and jointly controlled entities	(655)	232	-	(423)
Other intangible assets	(64)	-	-	(64)
Cash flow hedges	-	-	-	-
Other financial assets	(15)	14	-	(1)
	(40,272)	(14,209)	-	(54,481)
<b>Gross deferred tax assets:</b>				
Provisions	1,253	122	-	1,375
Accruals	82	9	-	91
Deferred income	268	(8)	-	260
Share issue expenses deductible over 5 years	233	(108)	14	139
Trade and other payables	32	(2)	-	30
Cash flow hedges	-	-	-	-
Investments in associates and jointly controlled entities	269	-	-	269
Other	-	-	-	-
	2,137	13	14	2,164
	(38,135)	(14,196)	14	(52,317)
<b>Reduction arising from:</b>				
Tax losses – revenue	2,657	3,701	-	6,358
<b>Net deferred tax asset/(liability)</b>	<b>(35,478)</b>	<b>(10,495)</b>	<b>14</b>	<b>(45,959)</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 4. Income Taxes (cont.)

#### (d) Deferred tax balances: (cont.)

Taxable and deductible temporary differences arise from the following:

Company	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>2012</b>				
<b>Gross deferred tax assets:</b>				
Share issue expenses deductible over 5 years	139	(111)	-	28
	139	(111)	-	28
<b>Addition arising from:</b>				
Revenue tax losses and R&D offset (members of the tax-consolidated group)	6,358	(1,313)	-	5,045
<b>Net deferred tax asset/(liability)</b>	<b>6,497</b>	<b>(1,424)</b>	<b>-</b>	<b>5,073</b>
<b>2011</b>				
<b>Gross deferred tax assets:</b>				
Share issue expenses deductible over 5 years	233	(108)	14	139
	233	(108)	14	139
<b>Addition arising from:</b>				
Tax losses – revenue (members of the tax-consolidated group)	2,657	3,701	-	6,358
<b>Net deferred tax asset/(liability)</b>	<b>2,890</b>	<b>3,593</b>	<b>14</b>	<b>6,497</b>

#### (e) Tax consolidation

##### Relevance of tax consolidation to the consolidated entity

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

##### Nature of tax funding arrangements and tax sharing agreements

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

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

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

## Tassal Group Limited and Controlled Entities

### 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.

#### Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber <sup>4</sup>	Non-executive Director
D. Groves <sup>1</sup>	Non-executive Director
G. Helou <sup>1</sup>	Non-executive Director
C. Hooke <sup>1</sup>	Non-executive Director
J. Monk <sup>2</sup>	Non-executive Director
R. Tsai <sup>3</sup>	Non-executive Director
J. Watson	Non-executive Director

#### Notes:

1. Resigned 29 March 2012
2. Resigned 25 October 2011
3. From 26 October 2011
4. From 4 April 2012

#### Other Key Management Personnel:

Name	Title
P. Bennett	Head of Processing
A. Creswell	Chief Financial Officer
P. Jones <sup>1</sup>	General Counsel and Company Secretary
D. Kiemele	Head of Farming
K. Little	Head of Human Resources, QA and OH&S
M. Maedler <sup>2</sup>	General Counsel and Company Secretary
J. O'Connor	Head of Risk
L. Sams	Head of Sustainability
D. Williams	Head of Sales and Marketing

#### Notes:

1. Until 16 December 2011
2. From 16 December 2011

#### (b) Key Management Personnel Compensation

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

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Short-term employee benefits	2,597,083	2,620,025	-	-
Post-employment benefits	190,238	191,068	-	-
Share-based payment	210,071	201,842	-	-
Other	-	34,683	-	-
	2,997,392	3,047,618	-	-

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. Compensation for all Key Management Personnel is expensed through Tassal Operations Pty Ltd, therefore Company disclosures are nil balances. An allocation of Key Management Personnel compensation to the Company is considered impractical as such an allocation would be purely arbitrary in nature.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 5. Key Management Personnel Compensation (cont.)

#### (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)
9 Nov 2009	30 Jun 2012	470,278	-	-	470,278	-
10 Nov 2010	30 Jun 2013	453,464	-	-	48,214	405,250
25 Nov 2011	30 Jun 2014	-	511,674	-	-	511,674
		923,742	511,674	-	518,492	916,924

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 Note 37 (a).

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 2010, 30 June 2011 and 30 June 2012 and applicable to participants was:

Performance condition	Value at grant date
	\$
Performance rights issued during the financial year ended 30 June 2010:	
Earnings per share ('EPS')	144,712
Total shareholder return ('TSR')	207,359
	352,071
Performance rights issued during the financial year ended 30 June 2011:	
Earnings per share ('EPS')	188,837
Total shareholder return ('TSR')	185,952
	374,789
Performance rights issued during the financial year ended 30 June 2012:	
Earnings per share ('EPS')	235,479
Total shareholder return ('TSR')	310,220
	545,699
	<b>1,272,559</b>

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.

## Tassal Group Limited and Controlled Entities

### (c) Share-based Remuneration (cont.)

#### (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 2012 is \$210,071 (2011: \$201,842).

50% of the performance rights granted to Key Management Personnel during the financial years ended 30 June 2011 and 30 June 2012 attach respectively to each of the EPS and TSR performance hurdles.

The fair value of the performance rights subject to the EPS performance hurdle vesting criteria has been determined by projecting a range of earnings and EPS growth outcomes with reference to sensitivities applied to Management approved forecasts and cash flow projections. The probability weighted number of performance rights to vest under each sensitivity modelled was valued using the share price at grant date of \$1.54 (2011: \$1.42) adjusted for the present value of expected dividends over the vesting Performance Period.

The fair value of the performance rights subject to the TSR performance hurdle vesting criteria (applicable to performance rights issued during the financial years ended 30 June 2011 and 30 June 2012) was determined using a Monte Carlo simulation model utilising the following input metrics:

Grant date	10 November 2010
Grant date share price	\$1.42
Performance (vesting) period	1 July 2010 to 30 June 2013
Expected volatility <sup>(i)</sup>	36%
Dividend yield	4.14%
Risk-free interest rate	5.14%
Grant date	25 November 2011
Grant date share price	\$1.54
Performance (vesting) period	1 July 2011 to 30 June 2014
Expected volatility <sup>(i)</sup>	30%
Dividend yield	1.29%
Risk-free interest rate	3.03%

(i) Expected volatility is based on historical monthly share price volatility over a three year period.

#### (ii) Share Options

There were no options granted to Key Management Personnel during or since the end of the financial year.

### 6. Remuneration of Auditors

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Audit or review of the financial reports	163,250	186,980	-	-
Non-audit services <sup>(i)</sup>	8,775	990	-	-
	172,025	187,970	-	-

#### Notes:

(i) The "non-audit services" principally refers to the provision of employee data analysis. 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.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 7. Current Trade and Other Receivables

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Trade receivables (i)	4,193	4,132	-	-
Allowance for doubtful debts	(90)	(11)	-	-
	4,103	4,121	-	-
Goods and services tax (GST) receivable	1,507	1,302	-	-
Amount receivable from wholly-owned controlled entities (ii)	-	-	124,918	123,205
Other receivables	3,067	3,054	-	-
	8,677	8,477	124,918	123,205

#### Notes:

- (i) The average credit period on sales of goods is 30 days from the previous month's statement date. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 2% per month on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. During the current financial year the allowance for doubtful debts increased by \$0.079 million (2011: decreased by \$0.017 million). This movement was recognised in the profit or loss for the current financial year.
- Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.873 million (2011: \$3.403 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.
- (ii) Amounts receivable from the entities in the wholly-owned group include amounts arising out of the entity's tax-funding agreement. (refer to Note 4 for details).
- (iii) Transfer of Financial Assets:
- During the financial year, Westpac Banking Corporation ('Westpac') continued to provide an Uncommitted 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 outstanding at any time under the facility was \$55.000 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 10% 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 uncommitted and revolving. Uncommitted means that the Company is not obliged to make offers or pay commitment fees and Westpac is not obliged to accept offers of receivables. It should be noted that since its inception with the Company, Westpac has accepted all offers for sale of receivables that the Company has proposed.
- The funded value of the Company's Receivables Purchase Facility was \$47.676 million as at 30 June 2012. The receivables sold by the Company into this facility are de-recognised as an asset as the contractual rights to cash flows 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 2012 was \$6.371 million.

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>Ageing of past due but not impaired</b>				
90 – 120 days	1,180	814	-	-
120+ days	693	2,589	-	-
<b>Total</b>	1,873	3,403	-	-
<b>Movement in allowance for doubtful debts</b>				
Balance at the beginning of the year	(11)	(28)	-	-
Doubtful debts recognised	(389)	(281)	-	-
Amounts written off as uncollectible	310	298	-	-
<b>Balance at the end of the year</b>	(90)	(11)	-	-

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

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>Ageing of impaired receivables</b>				
120+ days	90	11	-	-
	90	11	-	-

## Tassal Group Limited and Controlled Entities

### 8. Current Inventories

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Raw materials	8,609	8,320	-	-
Finished goods	51,621	40,026	-	-
	60,230	48,346	-	-

### 9. Biological Assets

#### Livestock at fair value <sup>(i)</sup>

Opening balance	147,938	128,281	-	-
Gain or loss arising from changes in fair value less estimated point of sale costs	197,659	199,929	-	-
Increases due to purchases	9,190	7,907	-	-
Decreases due to harvest	(209,376)	(188,179)	-	-
<b>Closing balance</b>	<b>145,411</b>	<b>147,938</b>	<b>-</b>	<b>-</b>

(i) Tassal Operations Pty Ltd grows fish from juveniles through to harvest (approximately 16 months).  
Total weight of live finfish at the end of the year was 15,538 tonnes (2011: 18,979 tonnes).

### 10. Other Current Financial Assets

Loans carried at amortised cost:

Loans to other parties	511	511	-	-
	511	511	-	-

### 11. Other Current Assets

Prepayments	1,376	828	-	-
	1,376	828	-	-

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 12. Investments Accounted for Using the Equity Method

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Investments in associates	6,948	6,654	-	-
Investments in jointly controlled entities	-	-	-	-
	6,948	6,654	-	-
<b>Reconciliation of movement in investments accounted for using the equity method</b>				
Balance at the beginning of the financial year	6,654	7,427	-	-
Share of profit/(loss) for the year	294	(773)	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Balance at the end of the financial year</b>	<b>6,948</b>	<b>6,654</b>	<b>-</b>	<b>-</b>

Name of entity	Principal activity	Country of Incorporation	Ownership interest	
			2012	2011
			%	%
<b>Associates:</b>				
Salmon Enterprises of Tasmania Pty Ltd <sup>(i)</sup>	Atlantic salmon hatchery	Australia	68.94	68.94

#### Notes:

- (i) Consolidated entity owns 68.94% (2011: 68.94%) of the issued capital and 61.22% (2011: 61.22%) of the voting shares of Salmon Enterprises of Tasmania Pty Ltd (**Saltas**). Saltas supplies smolt to the Tasmanian aquaculture industry.
- Saltas is an Associate of the Company, however the Board does not consider it appropriate to consolidate Saltas as the nature of the voting powers of the Board members as detailed in the Constitution of Saltas is such that the consolidated entity does not have the capacity to control Saltas.

#### Summarised financial information of associates: <sup>(i)</sup>

	Consolidated 2012	Consolidated 2011
	\$'000	\$'000
Current assets	6,007	5,412
Non-current assets	27,123	27,348
	33,130	32,760
Current liabilities	(1,568)	(2,143)
Non-current liabilities	(9,767)	(10,518)
	(11,335)	(12,661)
Net assets	21,795	20,099
Revenue	9,932	7,642
Net profit/(loss)	1,715	797
<b>Share of associates' profit/(loss):</b>		
Share of profit/(loss) before income tax	402	(900)
Income tax (expense)/benefit	(108)	127
Share of associates' profit/(loss) – current period	294	(773)

- (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 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Shares in other entities at cost	43	43	-	-
Shares in controlled entities at cost	-	-	28,119	28,119
Loans to other parties	49	60	-	-
	92	103	28,119	28,119



## Tassal Group Limited and Controlled Entities

## 14. Property, Plant and Equipment

Consolidated: 2012	Freehold land at fair value	Buildings at fair value	Plant and equipment at cost	Equipment under finance lease at cost	Capital works in progress at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>						
Balance at 30 June 2011	5,385	40,471	75,458	116,082	15,491	252,887
Additions	-	1,848	3,749	2,151	20,876	28,624
Disposals	-	-	(189)	-	-	(189)
Transfers to asset categories	-	-	(4,270)	19,761	(15,491)	-
Net revaluation decrement	(315)	-	-	-	-	(315)
<b>Balance at 30 June 2012</b>	<b>5,070</b>	<b>42,319</b>	<b>74,748</b>	<b>137,994</b>	<b>20,876</b>	<b>281,007</b>
<b>Accumulated depreciation</b>						
Balance at 30 June 2011	-	(2,080)	(28,478)	(22,160)	-	(52,718)
Depreciation expense	-	(1,393)	(9,931)	(4,873)	-	(16,197)
Disposals	-	-	14	-	-	14
Transfers to asset categories	-	-	-	-	-	-
Net adjustments from revaluations	-	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>(3,473)</b>	<b>(38,395)</b>	<b>(27,033)</b>	<b>-</b>	<b>(68,901)</b>
<b>Net book value</b>						
Balance at 30 June 2011	5,385	38,392	46,980	93,922	15,491	200,169
<b>Balance at 30 June 2012</b>	<b>5,070</b>	<b>38,846</b>	<b>36,353</b>	<b>110,961</b>	<b>20,876</b>	<b>212,106</b>

Consolidated: 2011	Freehold land at fair value	Buildings at fair value	Plant and equipment at cost	Equipment under finance lease at cost	Capital works in progress at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>						
Balance at 30 June 2010	5,365	38,101	68,188	91,466	9,460	212,580
Additions	20	2,273	6,917	15,691	15,491	40,392
Disposals	-	-	(85)	-	-	(85)
Transfers to asset categories	-	97	438	8,925	(9,460)	-
Net revaluation decrement	-	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>5,385</b>	<b>40,471</b>	<b>75,458</b>	<b>116,082</b>	<b>15,491</b>	<b>252,887</b>
<b>Accumulated depreciation</b>						
Balance at 30 June 2010	-	(713)	(20,294)	(18,011)	-	(39,018)
Depreciation expense	-	(1,380)	(8,256)	(4,149)	-	(13,785)
Disposals	-	-	85	-	-	85
Transfers to asset categories	-	13	(13)	-	-	-
Net adjustments from revaluations	-	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>(2,080)</b>	<b>(28,478)</b>	<b>(22,160)</b>	<b>-</b>	<b>(52,718)</b>
<b>Net book value</b>						
Balance at 30 June 2010	5,365	37,388	47,894	73,455	9,460	173,562
<b>Balance at 30 June 2011</b>	<b>5,385</b>	<b>38,392</b>	<b>46,980</b>	<b>93,922</b>	<b>15,491</b>	<b>200,169</b>

An independent valuation of the Group's freehold land and freehold and leasehold buildings was performed by Mr M.J.Page [B.Bus.(Property) AAPJ] to determine the fair value of the land and buildings. The valuation conforms to Australian Valuations Standards, and was effective as at 19 June 2010 and remains current.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 15. Goodwill

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at the beginning of financial year	14,851	14,851	-	-
Additional amounts recognised from business combinations occurring during the period	-	-	-	-
Balance at the end of financial year	14,851	14,851	-	-
<b>Accumulated impairment losses</b>				
Balance at the beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at the end of the financial year	-	-	-	-
<b>Net book value</b>				
Balance at the beginning of the financial year	14,851	14,851	-	-
Balance at the end of the financial year	14,851	14,851	-	-

### Impairment test for goodwill

Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entity, Aquatas Pty Ltd. The recoverable amount of goodwill is determined based on the value-in-use calculation. This calculation uses a discounted cash flow projection using a pre-tax discount rate of 12.17% (2011: 12.17%). The calculation is based on management approved cash flows and financial projections to 2017, and a further five year forecast to 2022, of the continued and incremental cash flow synergies to be derived from the acquisition of Aquatas Pty Ltd. The forecast period has been selected as this approximates a sufficient number of finfish growth cycles which deliver the related synergies underpinning the projected cash flows to be generated. The incremental cash flows have been derived from a comparison of the consolidated entity's profit performance achieved during the current reporting period and the respective stand alone profitability of Aquatas Pty Ltd and the consolidated entity immediately prior to the acquisition, with the latter as detailed in the Independent Expert's Report which accompanied the Notice of General Meeting held on 17 March 2005 approving the issue of shares to Webster Limited. The recoverable amount calculated exceeds the carrying value of goodwill. The cash flows beyond a five-year period have been extrapolated using a 0% per annum growth rate.

## Tassal Group Limited and Controlled Entities

### 16. Other Intangible Assets

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at the beginning of financial year	24,184	24,184	-	-
Additional amounts recognised from acquisition of Superior Gold Brand	-	-	-	-
Balance at the end of financial year	24,184	24,184	-	-
<b>Accumulated impairment losses</b>				
Balance at the beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at the end of financial year	-	-	-	-
<b>Net book value</b>				
Balance at the beginning of financial year	24,184	24,184	-	-
Balance at the end of financial year	24,184	24,184	-	-

#### Impairment test and useful life assessment for other intangible assets

The carrying value of other intangible assets relating to the Superior Gold brand as at 30 June 2012 is \$24.184 million (2011: \$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 cash flow projection using a pre-tax discount rate of 12.17% (2011: 12.17%). The calculation is based on management approved cash flows and financial projections expected to be derived from the contribution of Superior Gold branded product sales for the financial year ended 30 June 2012, and projections over a further forecast period to 2022. The forecast period has been selected as this approximates a sufficient number of sales cycles for the projected cash flows to be generated and over which the benefits of continued marketing and brand support initiatives are expected to be derived. The recoverable amount calculated exceeds the carrying value of the Superior Gold brand. The cash flows beyond a five-year period have been extrapolated using a 0% per annum growth rate.

### 17. Other Non-current Assets

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Marine farming lease – at cost	827	827	-	-
Accumulated amortisation <sup>(i)</sup>	(335)	(305)	-	-
	492	522	-	-

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

### 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.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>19. Current Trade and Other Payables</b>				
Trade payables <sup>(i)</sup>	32,537	33,462	-	-
Other creditors and accruals	6,775	4,712	-	-
Goods and services tax (GST) payable	510	34	-	-
	<b>39,822</b>	<b>38,208</b>	<b>-</b>	<b>-</b>

- (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

### Secured:

#### At amortised cost

Bank overdrafts <sup>(i)</sup>	-	-	-	-
Finance lease liabilities <sup>(ii)</sup>	14,454	16,502	-	-
Bank loans <sup>(iii)</sup>	27,801	29,794	-	-
	<b>42,255</b>	<b>46,296</b>	<b>-</b>	<b>-</b>

### Unsecured:

#### At amortised cost

Other loans	3	3	-	-
	<b>42,258</b>	<b>46,299</b>	<b>-</b>	<b>-</b>

- (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:

Employee benefits (refer to Note 24)	4,272	3,743	-	-
	<b>4,272</b>	<b>3,743</b>	<b>-</b>	<b>-</b>

- (i) The current provision for employee entitlements includes \$0.663 million (2011: \$0.599 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

## Tassal Group Limited and Controlled Entities

**22. Other Current Liabilities**

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Deferred government grants	4,059	836	-	-
Other	1	8	-	-
	4,060	844	-	-

**23. Non-current Borrowings****Secured:****At amortised cost:**

Cash advance <sup>(i)</sup>	32,688	35,755	-	-
Finance lease liabilities <sup>(ii)</sup>	16,286	13,346	-	-
	48,974	49,101	-	-

**Unsecured:****At amortised cost:**

Other loans	10	14	-	-
	48,984	49,115	-	-

(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**

<b>Employee benefits</b>	<b>753</b>	<b>692</b>	<b>-</b>	<b>-</b>
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
<b>Provision for employee benefits</b>				
Current (refer to Note 21)	4,272	3,743	-	-
Non-current	753	692	-	-
	5,025	4,435	-	-

**25. Other Non-current Liabilities**

Other	-	2	-	-
	-	2	-	-

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 26. Issued Capital

	Note	Consolidated and Company			
		2012		2011	
		Number	\$'000	Number	\$'000
<b>(a) Ordinary share capital (fully paid):</b>					
Ordinary shares		<b>146,304,404</b>	<b>154,027</b>	146,304,404	154,027
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>(b) Movements in ordinary share capital</b>					
Balance as at the beginning of the financial year		<b>146,304,404</b>	<b>154,027</b>	144,197,882	151,177
Issue of shares pursuant to Dividend Reinvestment Plan	(i)	-	-	665,861	911
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	(ii)	-	-	1,440,661	1,971
Share issue costs		-	-	-	(32)
Issue of shares pursuant to Executive Long Term Incentive Plan	(iii)	-	-	-	-
<b>Balance as at the end of the financial year</b>		<b>146,304,404</b>	<b>154,027</b>	146,304,404	154,027

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

(i) Shares issued pursuant to the Company's Dividend Reinvestment Plan:

**Previous financial year:**

On October 11 2010, 665,861 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$1.3680 per share. A discount of 5% was applicable.

(ii) Shares issued pursuant to underwriting agreement relating to the Company's Dividend Reinvestment Plan:

**Previous financial year:**

On October 11 2010, 1,440,661 ordinary shares were issued to Austock Securities Limited at an issue price of \$1.3680 per share and pursuant to an underwriting agreement relating to the Company's Dividend Reinvestment Plan.

## Tassal Group Limited and Controlled Entities

### 27. Reserves

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Equity-settled employee benefits	639	350	639	350
Asset revaluation	9,294	9,515	-	-
	9,933	9,865	639	350

#### (a) Equity-settled employee benefits reserve

Balance at the beginning of the financial year	350	117	350	117
Share-based payment	289	233	289	233
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-
<b>Balance at the end of the financial year</b>	<b>639</b>	<b>350</b>	<b>639</b>	<b>350</b>

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.

#### (b) Asset revaluation reserve

Balance as at the beginning of the financial year	9,515	9,515	-	-
Revaluation increments/(decrements)	(315)	-	-	-
Deferred tax liability arising on revaluation	94	-	-	-
<b>Balance at the end of the financial year</b>	<b>9,294</b>	<b>9,515</b>	<b>-</b>	<b>-</b>

The asset revaluation reserve arises on the revaluation of freehold land and freehold and leasehold buildings. Where a revalued land or building is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits. (Refer to Note 14 for details of independent valuation of freehold land and freehold and leasehold buildings).

### 28. Retained Earnings

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	111,789	84,393	3,444	3,444
Net profit attributable to members of the parent entity	28,087	30,280	8,778	2,884
Dividends provided for or paid (refer to Note 30)	(8,778)	(2,884)	(8,778)	(2,884)
<b>Balance at the end of the financial year</b>	<b>131,098</b>	<b>111,789</b>	<b>3,444</b>	<b>3,444</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 29. Earnings Per Share (EPS)

	Consolidated 2012 (Cents per share)	Consolidated 2011 (Cents per share)
<b>Earnings per ordinary share</b>		
Basic (cents per share) <sup>(i)</sup>	19.20	20.78
Diluted (cents per share) <sup>(ii)</sup>	19.11	20.70
<p>(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.</p> <p>(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.</p>		
	2012	2011
	No. '000	No. '000
<b>Weighted average number of ordinary shares used as the denominator in the calculation of EPS</b>		
Number for basic EPS	146,304	145,716
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	698	544
Number for diluted EPS	147,002	146,260
	2012	2011
	\$'000	\$'000
<b>Earnings used as the numerator in the calculation of EPS <sup>(i)</sup></b>		
Earnings for basic EPS	28,087	30,280
Earnings for diluted EPS	28,087	30,280
<p>(i) Earnings used in the calculation of basic and diluted earnings per share is as per net profit in the income statement.</p>		



## Tassal Group Limited and Controlled Entities

## 30. Dividends

	Year Ended 30 June 2012		Year Ended 30 June 2011	
	Cents per share	\$'000	Cents per share	\$'000
<i>(a) Recognised amounts</i>				
<b>Fully paid ordinary shares</b>				
Interim dividend in respect of current financial year (Unfranked)	4.00	5,852	-	-
Final dividend paid in respect of prior financial year (Unfranked)	2.00	2,926	2.00	2,884
	<b>6.00</b>	<b>8,778</b>	2.00	2,884

The Company has not paid tax and therefore has no franking credits available at the reporting date.

*(b) Unrecognised amounts***Fully paid ordinary shares**

Final dividend in respect of current financial year (Unfranked)	4.00	5,852	2.00	2,926
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On 23 August 2012, the Directors declared a final unfranked dividend of \$5.852 million (4.00 cents per ordinary share) in respect of the financial year ended 30 June 2012. The record date for determining entitlements to this dividend is 20 September 2012. The final dividend will be paid on 11 October 2012.

The Company will not have any franking credits available for distribution at the date of the dividend payment. Franking credits will arise when the Company makes income tax payments.

The final dividend in respect of ordinary shares for the year ended 30 June 2012 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2012.

No portion of the unfranked final dividend declared for the financial year ended 30 June 2012 constitutes Conduit Foreign Income.

31. Commitments for Expenditure <sup>(i)</sup>

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
Not longer than 1 year	7,043	4,859	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<b>7,043</b>	4,859	-	-

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

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 32. Leases

#### (a) Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	16,324	18,301	-	-	14,454	16,502	-	-
Later than 1 year and not later than 5 years	17,896	14,727	-	-	16,275	13,210	-	-
Later than 5 years	11	143	-	-	11	136	-	-
Minimum lease payments*	34,231	33,171	-	-	30,740	29,848	-	-
Less future finance charges	(3,491)	(3,323)	-	-	-	-	-	-
Present value of minimum lease payments	30,740	29,848	-	-	30,740	29,848	-	-
Included in the financial statements as:							-	-
Current borrowings (refer to Note 20)					14,454	16,502	-	-
Non-current borrowings (refer to Note 23)					16,286	13,346	-	-
					30,740	29,848	-	-

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

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

#### (b) Non-cancellable operating leases

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	2,394	2,794	-	-
Longer than 1 year and not longer than 5 years	6,183	5,097	-	-
Longer than 5 years	698	1,681	-	-
	9,275	9,572	-	-

The consolidated entity leases property and equipment under non-cancellable operating leases with terms of one to ten years. Contracts for specific property leases for hatchery, processing and marine lease infrastructure are for terms of 10 years, with options to renew for a further 5 year term incorporating contract CPI review clauses.

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

### 33. Contingent Liabilities and Contingent Assets

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

## Tassal Group Limited and Controlled Entities

### 34. Investments in Controlled Entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2012	2011
Parent entity:			
Tassal Group Limited <sup>(i)</sup>	Australia		
Controlled entities: <sup>(ii)</sup>			
Tassal Operations Pty Ltd <sup>(iii)</sup> <sup>(v)</sup>	Australia	100%	100%
Aquatas Pty Ltd <sup>(iv)</sup> <sup>(v)</sup>	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 these wholly-owned subsidiaries entered into a deed of cross guarantee with Tassal Group Limited 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 relieves these wholly-owned subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they satisfied the conditions set out in ASIC Class Order 98/1418.

### 35. Segment Information

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

### 36. Seasonality

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

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

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### 37. Related Party Disclosures

#### Identity of related parties

The following persons and entities are regarded as related parties:

(i) **Controlled entities:**

Tassal Operations Pty Ltd

Aquatas Pty Ltd

(Refer to Note 34 for details of equity interests in the above controlled companies).

(ii) **Associates:**

Salmon Enterprises of Tasmania Pty Ltd

(Refer to Note 12 for details of equity interests in the above associates).

(iii) **Key Management Personnel:**

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

#### Transactions between related parties

(a) **Key Management Personnel**

In determining the disclosures noted below, the Key Management Personnel have made appropriate enquiries to their best 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.

## Tassal Group Limited and Controlled Entities

**37. Related Party Disclosures (cont.)****(a) Key Management Personnel (cont.)****(iii) 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.

<b>2012:</b>	<b>Balance as at 01.07.11</b>	<b>Balance at appointment date (if applicable)</b>	<b>On exercise of performance rights</b>	<b>On exercise of options</b>	<b>Net other change</b>	<b>Balance at resignation date (if applicable)</b>	<b>Balance as at 30.06.12</b>	<b>Balance held nominally</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Directors:</b>								
T. Gerber (appointed 04.04.12)	-	-	-	-	50,000	-	50,000	-
D. Groves (resigned 29.03.12)	29,203	-	-	-	38,162	67,365	N/A	-
G. Helou (resigned 29.03.12)	-	-	-	-	-	-	N/A	-
C. Hooke (resigned 29.03.12)	-	-	-	-	10,000	10,000	N/A	-
A. McCallum	256,761	-	-	-	26,749	-	283,510	-
J. Monk (resigned 25.10.11)	181,077	-	-	-	-	181,077	N/A	-
M. Ryan <sup>1</sup>	370,584	-	-	-	(200,246)	-	170,338	-
R. Tsai (appointed 26.10.11)	-	-	-	-	-	-	-	-
J. Watson	148,230	-	-	-	-	-	148,230	-
<b>Other Key Management Personnel:</b>								
P. Bennett	-	-	-	-	-	-	-	-
A. Creswell	29,202	-	-	-	-	-	29,202	-
P. Jones (resigned 16.12.11)	-	-	-	-	-	-	N/A	-
D. Kiemlele	-	-	-	-	-	-	-	-
K. Little	-	-	-	-	-	-	-	-
M. Maedler (appointed as key management on 16.12.11)	-	-	-	-	-	-	-	-
J. O'Connor	-	-	-	-	-	-	-	-
L. Sams	-	-	-	-	-	-	-	-
D. Williams	50,614	-	-	-	-	-	50,614	-
<b>Total</b>	<b>1,065,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75,335)</b>	<b>258,442</b>	<b>731,894</b>	<b>-</b>

<sup>1</sup> During the current financial year Mark Ryan transferred 200,246 shares to the Trustee of the Ryan Family Trust. Any trading in relation to these shares will continue to be subject to Company's Securities Trading Policy.

<b>2011:</b>	<b>Balance as at 01.07.10</b>	<b>Balance at appointment date (if applicable)</b>	<b>On exercise of performance rights</b>	<b>On exercise of options</b>	<b>Net other change</b>	<b>Balance at resignation date (if applicable)</b>	<b>Balance as at 30.06.11</b>	<b>Balance held nominally</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Directors:</b>								
D. Groves	3,157	-	-	-	26,046	-	29,203	-
G. Helou (appointed 04.11.10)	-	-	-	-	-	-	-	-
C. Hooke (appointed 04.11.10)	-	-	-	-	-	-	-	-
A. McCallum	253,062	-	-	-	3,699	-	256,761	-
J. Monk	178,468	-	-	-	2,609	-	181,077	-
R. Roberts* (resigned 09.12.10)	28,910,367	-	-	-	-	28,910,367	N/A	-
M. Ryan <sup>1</sup>	370,584	-	-	-	-	-	370,584	-
J. Watson	146,094	-	-	-	2,136	-	148,230	-
<b>Other Key Management Personnel:</b>								
M. Asman (resigned 28.01.11)	53,346	-	-	-	-	53,346	N/A	-
P. Bennett (appointed as key management on 28.01.11)	-	-	-	-	-	-	-	-
A. Creswell	29,202	-	-	-	-	-	29,202	-
P. Jones	-	-	-	-	-	-	-	-
D. Kiemlele (appointed as key management on 28.01.11)	-	-	-	-	-	-	-	-
K. Little	-	-	-	-	-	-	-	-
J. O'Connor	-	-	-	-	-	-	-	-
L. Sams	-	-	-	-	-	-	-	-
D. Williams	50,614	-	-	-	-	-	50,614	-
<b>Total</b>	<b>29,994,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,490</b>	<b>28,963,713</b>	<b>1,065,671</b>	<b>-</b>

\* 28,910,367 ordinary shares were held by Webster Limited. Mr Roberts was a Director of Webster Limited throughout his appointment as a director of the Company.

<sup>1</sup> Details of Mr Ryan's share-based remuneration arrangements are separately disclosed in the Remuneration Report and Note 5(c).

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 37. Related Party Disclosures (cont.)

#### (a) Key Management Personnel (cont.)

(iii) Equity Holdings (cont.)

*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 and prior reporting periods of each member of the Key Management Personnel of the consolidated entity:

2012:	Balance as at 01.07.11	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.12	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
<b>Directors:</b>								
T. Gerber (appointed 04.04.12)	-	-	-	-	-	-	-	-
D. Groves (resigned 29.03.12)	-	-	-	-	-	-	-	-
G. Helou (resigned 29.03.12)	-	-	-	-	-	-	-	-
C. Hooke (resigned 29.03.12)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
J. Monk (resigned 25.10.11)	-	-	-	-	-	-	-	-
M. Ryan <sup>1</sup>	289,461	-	178,412	-	(128,918)	-	338,955	-
R. Tsai (appointed 26.10.11)	-	-	-	-	-	-	-	-
J. Watson	-	-	-	-	-	-	-	-
<b>Other Key Management Personnel:</b>								
P. Bennett	58,650	-	38,384	-	(26,121)	-	70,913	-
A. Creswell	62,093	-	44,444	-	(24,645)	-	81,892	-
P. Jones (resigned 16.12.11)	86,931	-	-	-	(86,931)	-	-	-
D. Kiemlele	47,444	-	38,384	-	(19,358)	-	66,470	-
K. Little	62,355	-	39,980	-	(26,379)	-	75,956	-
M. Maedler (appointed as key management on 16.12.11)	-	-	-	-	-	-	-	-
J. O'Connor	58,290	-	39,117	-	(25,961)	-	71,446	-
L. Sams	59,113	-	38,384	-	(26,327)	-	71,170	-
D. Williams	57,746	-	50,623	-	(12,193)	-	96,176	-
<b>Total</b>	<b>782,083</b>	<b>-</b>	<b>467,728</b>	<b>-</b>	<b>(376,833)</b>	<b>-</b>	<b>872,978</b>	<b>-</b>

2011:	Balance as at 01.07.10	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.11	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
<b>Directors:</b>								
D. Groves	-	-	-	-	-	-	-	-
G. Helou (appointed 04.11.10)	-	-	-	-	-	-	-	-
C. Hooke (appointed 04.11.10)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
J. Monk	-	-	-	-	-	-	-	-
R. Roberts (resigned 09.12.10)	-	-	-	-	-	-	-	-
M. Ryan <sup>1</sup>	226,331	-	160,543	-	(97,413)	-	289,461	-
J. Watson	-	-	-	-	-	-	-	-
<b>Other Key Management Personnel:</b>								
M. Asman (resigned on 28.01.11)	88,014	-	-	-	(88,014)	-	-	-
P. Bennett (appointed as key management on 28.01.11)	45,859	78,388	-	-	(19,738)	-	58,650	-
A. Creswell	43,267	-	37,448	-	(18,622)	-	62,093	-
P. Jones	38,717	-	48,214	-	-	-	86,931	-
D. Kiemlele (appointed as key management on 28.01.11)	19,358	47,444	-	-	-	-	47,444	-
K. Little	45,932	-	35,976	-	(19,553)	-	62,355	-
J. O'Connor	45,204	-	32,329	-	(19,243)	-	58,290	-
L. Sams	26,327	-	32,786	-	-	-	59,113	-
D. Williams	21,406	-	45,553	-	(9,213)	-	57,746	-
<b>Total</b>	<b>600,415</b>	<b>125,832</b>	<b>392,849</b>	<b>-</b>	<b>(271,796)</b>	<b>-</b>	<b>782,083</b>	<b>-</b>

<sup>1</sup> Details of Mr Ryan's share-based remuneration arrangements are separately disclosed in the Remuneration Report and Note 5 (c).

## Tassal Group Limited and Controlled Entities

### 37. Related Party Disclosures (cont.)

#### (a) Key Management Personnel (cont.)

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.

#### (iv) 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) Controlled entities

Tassal Group Limited is the ultimate parent entity in the wholly-owned group comprising the Company and its wholly-owned controlled entities. Details of dividend revenue derived by the entity from entities in the wholly-owned group are disclosed in Note 3 to the financial statements. Transactions between the Company and its controlled entities have been eliminated in the consolidated financial statements.

The aggregate amounts of transactions between the Company and its controlled entities are in the respective classification categories in the financial statements. The nature, terms and conditions of each different type of transaction area as follows:

- Inter-entity loans:  
Loans between the Company and its controlled entities are unsecured and advanced on an interest free basis (refer to Note 7 to the financial statements).

#### (c) Associates and jointly controlled entities

#### (i) Purchase (sales) of goods and services

The Company and 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 2012	Consolidated 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Salmon Enterprises of Tasmania Pty Ltd	7,623,334	6,182,237	-	-
	7,623,334	6,182,237	-	-

#### (ii) Loans due from associates and jointly controlled entities

During the 2011 financial year the consolidated entity became party to a \$7.02 million facility that Salmon Enterprises of Tasmania Pty Ltd entered into with BankWest through a financial guarantee contract. The consolidated entity's guarantee is for \$5.88 million.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 38. Notes to the Statement of Cash Flows

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<i>(a) For the purposes of the Statement of Cash Flows, 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 Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:</i>				
Cash and cash equivalents	15,830	7,960	-	-
Bank overdrafts	-	-	-	-
	15,830	7,960	-	-
<i>(b) Reconciliation of profit for the period to net cash flows from operating activities:</i>				
Profit for the period	28,087	30,280	8,778	2,884
Depreciation and amortisation of non-current assets	15,343	11,869	-	-
Depreciation – impact of allocation to cost of live and processed fish inventories	916	1,968	-	-
Net increment in biological assets	(9,537)	(12,404)	-	-
(Profit)/loss on divestment of jointly controlled entities	-	-	-	-
(Profit)/loss on sale of fixed assets	-	-	-	-
Increase/(decrease) in deferred tax balances	9,543	10,480	1,424	(3,607)
Increase/(decrease) in current tax liability	-	-	-	-
Share of associates' and jointly controlled entities' profits	(294)	773	-	-
Equity settled share-based payment	289	233	289	233
<b>(Increase)/decrease in assets:</b>				
Inventories <sup>(i)</sup>	(5,218)	(5,640)	-	-
Biological assets <sup>(i)</sup>	5,398	(9,974)	-	-
Trade and other receivables	(200)	16,911	(10,491)	490
Prepayments	(549)	126	-	-
Other current financial assets	-	-	-	-
Other non-current other financial assets	11	-	-	-
<b>Increase/(decrease) in liabilities:</b>				
Current trade and other payables	2,797	(2,740)	-	-
Other current liabilities	3,216	(969)	-	-
Other current financial liabilities	-	-	-	-
Current provisions	529	544	-	-
Other non-current liabilities	(5)	(1)	-	-
Non-current provisions	61	66	-	-
<b>Net cash provided by operating activities</b>	<b>50,387</b>	<b>41,522</b>	<b>-</b>	<b>-</b>

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



## Tassal Group Limited and Controlled Entities

### 38. Notes to the Statement of Cash Flows (cont.)

	Consolidated 2012	Consolidated 2011	Company 2012	Company 2011
	\$'000	\$'000	\$'000	\$'000
<b>(c) Financing facilities</b>				
Secured revolving bank overdraft facility subject to annual review and payable at call				
– Amount used	-	-	-	-
– Amount unused	5,500	5,500	-	-
	5,500	5,500	-	-
Secured facilities with various maturity dates through to 2015 and payable at call				
– Amount used	36,687	35,755	-	-
– Amount unused	11,313	2,245	-	-
	48,000	38,000	-	-
Revolving lease finance facilities subject to annual review and payable at call with individual lease terms no greater than 10 years				
– Amount used	54,002	59,023	-	-
– Amount unused	18,998	23,977	-	-
	73,000	83,000	-	-

### 39. Financial Instruments

#### (a) Significant accounting policies

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

#### (b) Financial risk management objectives and derivative financial instruments

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

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

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

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

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

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

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

#### (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 27, 28 and 29 respectively.

Operating cash flows 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.

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 39. 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		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Debt <sup>(i)</sup>	91,242	95,414	-	-
Cash and cash equivalents	(15,830)	(7,960)	-	-
<b>Net debt</b>	<b>75,412</b>	<b>87,454</b>	<b>-</b>	<b>-</b>
<b>Equity <sup>(ii)</sup></b>	<b>295,058</b>	<b>275,681</b>	<b>158,110</b>	<b>157,821</b>
<b>Net debt to equity ratio</b>	<b>25.56%</b>	<b>31.72%</b>	<b>0.00%</b>	<b>0.00%</b>

(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 39 (e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer Note 39 (f)].

#### (e) Foreign currency risk management

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

#### Forward foreign exchange contracts

The consolidated entity regularly assesses the need to enter into forward exchange contracts where it agrees to buy and sell specified amounts of foreign currencies in the future at a pre-determined exchange rate. The objective is to match the contracts with anticipated future cash flows 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.

#### (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.

#### 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		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	158	80	-	-
<b>Total Profit/(Loss)</b>	<b>158</b>	<b>80</b>	<b>-</b>	<b>-</b>

## Tassal Group Limited and Controlled Entities

## 39. Financial Instruments (cont.)

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

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

## Liquidity and interest rate tables

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

## Consolidated

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2012	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
<i>Non-interest bearing:</i>					
Trade receivables	-	4,103	-	-	4,103
Other receivables	-	4,574	-	-	4,574
Other financial assets	-	500	-	43	543
<i>Variable interest rate:</i>					
Cash and cash equivalents	2.75%	15,830	-	-	15,830
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	11	43	6	60
		<b>25,018</b>	<b>43</b>	<b>49</b>	<b>25,110</b>
<b>Financial liabilities</b>					
<i>Non-interest bearing:</i>					
Financial Guarantees	-	8,330	-	-	8,330
Trade payables	-	32,537	-	-	32,537
Other payables	-	7,285	-	-	7,285
<i>Variable interest rate:</i>					
Bank overdraft	-	-	-	-	-
<i>Fixed interest rate maturity:</i>					
Cash advance	3.54%	4,000	32,688	-	36,688
Finance lease liabilities	7.48%	14,454	16,275	11	30,740
Bank loans	5.73%	23,801	-	-	23,801
Other loans	8.20%	3	10	-	13
		<b>90,410</b>	<b>48,973</b>	<b>11</b>	<b>139,394</b>

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

## Company

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2012	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
<i>Non-interest bearing:</i>					
Other receivables	-	124,918	-	-	124,918
	-	<b>124,918</b>	<b>-</b>	<b>-</b>	<b>124,918</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2012 (cont.)

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## Tassal Group Limited and Controlled Entities

### 39. Financial Instruments (cont.)

#### (g) Liquidity risk management (cont.)

#### Liquidity and interest rate tables (cont.)

##### Consolidated

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2011	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
<i>Non-interest bearing:</i>					
Trade receivables	-	4,121	-	-	4,121
Other receivables	-	4,356	-	-	4,356
Other financial assets	-	500	-	43	543
<i>Variable interest rate:</i>					
Cash and cash equivalents	3.80%	7,960	-	-	7,960
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	11	42	18	71
		<b>16,948</b>	<b>42</b>	<b>61</b>	<b>17,051</b>
<b>Financial liabilities</b>					
<i>Non-interest bearing:</i>					
Financial Guarantees	-	8,330	-	-	8,330
Trade payables	-	33,462	-	-	33,462
Other payables	-	4,746	-	-	4,746
<i>Variable interest rate:</i>					
Bank overdraft	-	-	-	-	-
<i>Fixed interest rate maturity:</i>					
Cash advance	4.88%	-	35,755	-	35,755
Finance lease liabilities	7.59%	16,502	13,210	136	29,848
Bank loans	6.89%	29,794	-	-	29,794
Other loans	8.20%	3	14	-	17
		<b>92,837</b>	<b>48,979</b>	<b>136</b>	<b>141,952</b>

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

##### Company

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2011	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
<i>Non-interest bearing:</i>					
Other receivables	-	123,205	-	-	123,205
	-	<b>123,205</b>	<b>-</b>	<b>-</b>	<b>123,205</b>

## Tassal Group Limited and Controlled Entities

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### 39. Financial Instruments (cont.)

#### *(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 cash flows.

## Tassal Group Limited and Controlled Entities

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### 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 40-87 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2012 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. The order made by ASIC relieves the Company's subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they satisfied the conditions set out in 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 35 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 2012.

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

On behalf of the Directors



A. D. McCallum  
Chairman

Hobart, this 23rd day of August 2012

## Tassal Group Limited and Controlled Entities



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

#### Report on the Financial Report

We have audited the accompanying financial report of Tassal Group Limited, which comprises the statement of financial position as at 30 June 2012, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 40 to 87.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### Auditor's Responsibility

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

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

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

#### Auditor's Independence Declaration

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

In our opinion:

- (a) the financial report of Tassal Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 37 of the directors' report for the year ended 30 June 2012.

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

#### Opinion

In our opinion the Remuneration Report of Tassal Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu  
DELOITTE TOUCHE TOHMATSU

Carl Harris  
Partner  
Chartered Accountants  
Hobart, 23 August 2012

# Additional Securities Exchange Information

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## Tassal Group Limited and Controlled Entities

The following additional information is provided in accordance with the ASX Listing Rules as at 20 August 2012.

### Number of holder of equity securities

#### Ordinary share capital (quoted)

146,304,404 fully paid ordinary shares are held by 3,680 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)

923,922 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 15 employees. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

### Distribution of holders of equity securities

Number of equity securities held	Ordinary Shares			Performance Rights		
	No. of holders	No. of shares	% of shares	No. of holders	No. of rights	% of rights
1 – 1,000	1,018	491,199	0.33	-	-	-
1,001 – 5,000	1,524	4,060,291	2.77	-	-	-
5,001 – 10,000	544	4,021,730	2.77	-	-	-
10,001 – 100,000	555	13,815,625	9.44	10	577,969	63.03
100,001 and over	39	123,916,559	4.69	1	338,955	36.97
	<b>3,680</b>	<b>146,304,404</b>	<b>100.00</b>	<b>11</b>	<b>916,924</b>	<b>100.00</b>

The number of shareholders holding less than a marketable parcel of 417 fully paid ordinary shares on 20 August 2012 is 462 and they hold 70,178 fully paid ordinary shares.

### Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to ASX.

Name	Number of ordinary shares	% of voting power advised
Pacific Andes Resources Development Limited	33,299,499	22.76%
Allan Gray Australia Pty Ltd (formerly Orbis Investment Management (Australia) Pty Ltd)	27,568,260	18.84%
Maple-Brown Abbott Limited	14,158,300	9.68%



## Tassal Group Limited and Controlled Entities

### Twenty largest holders of quoted ordinary shares

Name	Number of Shares	% of issued capital
Quality Food (Singapore) Pte Limited	33,299,499	22.76
J P Morgan Nominees Australia Limited	21,734,237	14.86
National Nominees Limited	15,611,063	10.67
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	14,232,750	9.73
Citicorp Nominees Pty Limited	10,539,128	7.20
HSBC Custody Nominees (Australia) Limited	8,913,747	6.09
JP Morgan Nominees Australia Limited <Cash Income A/C>	8,304,486	5.68
Mirabooka Investments Limited	2,189,245	1.50
BNP Paribas Noms Pty Ltd <Master Cust DRP>	1,096,896	0.75
Brazil Farming Pty Ltd	900,000	0.62
Bond Street Custodians Limited <Mosaic Special Situat A/C>	875,000	0.60
Amcil Limited	761,696	0.52
Queensland Investment Corporation	351,276	0.24
UOB Kay Hian (Hong Kong) Limited <Clients A/C>	348,864	0.24
HSBC Custody Nominees (Australia) Limited-Gsco Eca	331,111	0.23
Garmaral Pty Ltd	294,539	0.20
Gowing Bros Limited	285,000	0.19
Mullacam Pty Ltd <McCallum Family S/Fund A/C>	283,071	0.19
Maleela Holdings Pty Ltd	250,000	0.17
Equity Trustees Limited <SGH PI Smaller Co's Fund>	240,017	0.16
<b>Total</b>	<b>120,841,625</b>	<b>82.60</b>
<b>Total Remaining Holders Balance</b>	<b>25,462,779</b>	<b>17.40</b>

### On-market buy-back

There is no current on-market buy-back.



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