Tassal Group Annual Report 2010

Company Directory

Tassal Group Limited and Controlled Entities

Directors

Allan McCallum, Dip.Ag Science, FAICD (Chairman)
David Groves, B.Com, M.Com, CA, FAICD
Jill Monk, B.Arts, B.Law, FAICD, FAII
Roderick Roberts, B.Ec, MBA, FAICD
John Watson, AM, MAICD
Mark Ryan, B.Com, CA, MAICD (Managing Director)

Chief Executive Officer

Mark Ryan
B.Com, CA, MAICD

Company Secretary

Peter Jones
LLB, B.Surv.

Registered Office*

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Website	www.tassal.com.au
ABN	15 106 067 270

(*Also principal administration office)

Auditors

Deloitte Touche Tohmatsu
Level 9
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
Mark Asman	Chief Operating Officer
Andrew Creswell	Chief Financial Officer
Peter Jones	General Counsel and Company Secretary
Dale Williams	Chief of Sales and Marketing

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Results and Performance Overview

Tassal Group Limited ("Tassal") has continued to perform in a strong and sustainable manner with excellent growth in salmon sales for the Year Ended 30 June 2010 ("FY2010"). FY2010 has been a transitional period as Tassal has completed two years of significant investment in its infrastructure and domestic market sales growth to position the business to deliver on its Strategic Plan FY2015 goals.

The key financial numbers and ratios for FY2010 were:

- reported revenue was $412.876 million, an increase of 15.40% on the 30 June 2009 ("FY2009") result of $357.781 million;
- accounting standard AASB 141 "Agriculture" increment of $7.024 million after tax, an increase of 114.70% on FY2009 of $3.272 million;
- reported earnings before interest, tax, depreciation and amortisation ("EBITDA") was $50.257 million, an increase of 0.66% on FY2009 results of $49.928 million;
- reported net profit after tax ("NPAT") was $28.009 million, a decrease of 6.90% on FY2009 results of $30.084 million;
- gearing ratio (net debt to equity) of 36.52%, which was in-line with Tassal's target range of 30% to 35%;
- return on equity (NPAT to net assets) of 11.42%; and
- return on assets (earnings before interest and tax to total assets) of 9.53%.

Key Financial Performance Indicators

The table below reports the key consolidated financial performance indicators for FY2010 and FY2009:

	Financial Year Ended 30 June 2010 $'000	Financial Year Ended 30 June 2009 $'000	Period Movement up/(down) $'000	Period Movement up/(down) %
Revenue (from all sources)	412,876	357,781	55,095	15.40%
EBITDA	50,257	49,928	329	0.66%
EBIT	40,033	41,899	(1,866)	(4.45)%
Profit before income tax expense	34,568	39,112	(4,544)	(11.62)%
Income tax expense	(6,559)	(9,028)	2,469	27.35%
Net profit after income tax expense	28,009	30,084	(2,075)	(6.90)%
Basic earnings per share (cents)	19.96	22.20	(2.24)	(10.08)%
Diluted earnings per share (cents)	19.93	22.08	(2.16)	(9.77)%
Gearing Ratio	36.52%	33.17%	3.35%	10.09%
Interest Cover (x)	7.32	15.03	(7.71)	(51.27)%
NTA ($'000)	206,167	172,211	33,956	19.72%
NTA per Share ($)	1.43	1.26	0.17	13.40%
ROE (NPAT)	11.42%	14.24%	(2.82)%	(19.79)%
ROCE (EBIT)	11.87%	14.66%	(2.79)%	(19.03)%
ROA (EBIT)	9.53%	11.84%	(2.31)%	(19.51)%

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): Profit after tax/Total equity

ROCE (EBIT): EBIT/Total assets less current liabilities

ROA (EBIT): EBIT/Total assets

EPS: Profit after tax/weighted average number of shares on issue

Reflecting the Company's reduced profits in FY2010, and continued investment in fish growth and operational initiatives, the Directors of Tassal have declared an unfranked final dividend of 2.00 cents per share. Together with an interim dividend of 4.00 cents per share, the total dividend for FY2010 is 6.00 cents per share unfranked (FY2009: 8.00 cents per share unfranked). The Directors currently expect that dividend payments for the Year Ended 30 June 2011 ("FY2011") will continue to be unfranked.

To support continued investment in fish growth and operational initiatives, participation in the Company's Dividend Re-investment Plan will again be available.

Overview

Overall, Tassal's statutory results for FY2010 reflected difficult market conditions and a number of factors outside Tassal's control. These included the economic impact of the global financial crisis, falling export prices, a high Australian dollar, increased feed costs, and warm summer water conditions affecting the growth of harvested fish.

In terms of the factors within Tassal's control, the Company's operational performance has been solid. Tassal was able to achieve revenue growth of 15.40% due to a strong domestic market performance and an increase in the fair value of its live fish.

Despite the difficulties of the warm summer conditions on the size of harvested fish, the performance of live fish not for harvest has been pleasing. Tassal has in both the sea and hatchery environment for the 2009 Year Class (i.e. fish for harvest in FY2011) and 2010 Year Class (i.e. fish input in calendar year 2010 and to be harvested in FY2012) achieved significant comparative growth increases. The 2009 Year Class fish were 16.36% bigger at 30 June 2010 than the 2008 Year Class at 30 June 2009, and the 2010 Year Class was 19.17% bigger at 30 June 2010 than the 2009 Year Class was at 30 June 2009. The growth in these Year Classes and the value created for Tassal shareholders reflects the Company's significant investment over the past two years in hatchery and seawater infrastructure assets, together with the Company's focus on fish husbandry and sustainability.

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

- 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 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 FY2015, 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 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. Summer remains a challenging period in terms of fish growth, and FY2010 presented a challenging summer period for the Company. Pleasingly, the Company's risk mitigants in place for summer proved effective in practice for the fish due for harvest in FY2011.

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

Tassal Group Limited and Controlled Entities

Strategic Plan FY2015

Tassal has a focused growth strategy in place to grow long term shareholder value as it progresses towards its Strategic Plan FY2015 goals. Early progress has been very encouraging, with Tassal on track to achieve the Strategic Plan FY2015 goals.

The Company's number one focus continues to be on achieving global best practice with respect to fish growing costs. Tassal is already achieving global best practice processing costs and yields.

An understanding of the main drivers of the Strategic Plan FY2015 (and their performance in FY2010) is essential in interpreting the results as against the Strategic Plan – both for FY2010 and beyond.

Set out below is a summary of the key financial and operational indicators that underpin the Strategic Plan:

	FY 2009 Actual	FY 2010 Actual	FY 2015 Target
Operational metrics			
Smolt input numbers	5.1m	5.6m	6.3m – 6.5m
Harvest size – hog	4.1kg	3.8kg	Circa 5kg
Harvest tonnes – hog	Circa 17,000	Circa 17,500	Circa 28,000 to 30,000
Domestic market sales revenue growth	10%	13%	10%
Pricing assumptions	Targeted price increases	Targeted price increases	Targeted price increases
Export market sales revenue %	4.7%	5.7%	Circa 5% to 10%
Capital expenditure	**Focus**	**Focus**	**Focus**
	expansionary	expansionary	replacement
	efficiency	efficiency	efficiency
	risk mitigation	risk mitigation	risk mitigation
Financial metrics			
(based on post AASB 141 impact – ie Statutory Results)			
Return on Equity (NPAT/Net Assets)	14.2%	11.4%	Circa 18%
Return on Capital Employed (EBIT/Total Assets less Current Liabilities)	14.7%	11.9%	Circa 25%
Effective Tax Rate	23%	19%	27%

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. The pre-tax non-recurring items of $2.250 million that Tassal incurred in FY2010 were:

- $1.134 million net foreign exchange loss as a result of a fair value adjustment; and
- $1.116 million loss on disposal and reduction in the carrying amount of the investment in Springfield Hatcheries Pty Ltd.

Full Year ended 30 June 2010	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	412,876	-	412,876	(178,899)	233,977
EBITDA	50,257	2,250	52,507	(10,034)	42,473
EBIT	40,033	2,250	42,283	(10,034)	32,249
Profit before income tax expense	34,568	2,250	36,818	(10,034)	26,784
Income tax expense	(6,559)	(675)	(7,234)	3,010	(4,224)
Net profit after income tax expense	28,009	1,575	29,584	(7,024)	22,560

Full Year ended 30 June 2009	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	357,781	-	357,781	(153,648)	204,133
EBITDA	49,928	-	49,928	(4,674)	45,254
EBIT	41,899	-	41,899	(4,674)	37,225
Profit before income tax expense	39,112	-	39,112	(4,674)	34,438
Income tax expense	(9,028)	-	(9,028)	1,402	(7,626)
Net profit after income tax expense	30,084	-	30,084	(3,272)	26,812

Operational Result

Operational Revenue was up 14.62% to $233.977 million due to a strong domestic market performance (FY2009: $204.133 million). Tassal continues to experience strong sales momentum within the domestic market with sales revenue up 13.40%, and in particular the retail market where sales revenue was up 19.80%. The Company's focus and investment in the retail channel is ensuring that Tassal remains on track to achieve domestic market growth of 10% per annum by FY2015.

Operational Earnings for FY2010 were lower due to:

- Increased cost of harvest fish reflecting:
  - a significant increase in underlying feed cost ($/kg) due to rising fishmeal and fish oil prices. Feed costs have reduced following 30 June 2010;
  - the acquisition of some third party fish for value add production in early FY2010 to allow Tassal's fish to maximise growth in the key winter and spring growing periods; and
  - difficult summer growing conditions for harvest fish that prevented the harvest fish from maximising final growth and therefore attaining an optimal size during the summer period.
- Decreased domestic market net margins due to:
  - increased trade spend underpinning retail sales growth and a change in sales mix % (from wholesale to retail), together with the implementation of an additional retail promotional program to recover revenue from lost export sales; and
  - sales and consequently production mix was moved more towards higher cost value added products as compared to lower cost fresh hog sales. The higher cost value added products, together with the lower cost fresh hog sales both provide sustainable long term sales growth.
- Reduced selling price under the contract growing arrangement with Petuna given Petuna smolt were supplied within a harvest year. FY2010 was the first full year of Petuna supply with Petuna supplied smolt and as a result no further reduction in the price to be paid by Petuna is expected going forward.
- Decreased export returns due to the global financial crisis, biomass gain in Norway and the appreciating Australian dollar.
- Increased marketing spend that was planned to leverage the extremely successful *Pure Beauty Foods* campaign that underpinned strong domestic sales performance, grew market share, and increased brand awareness.
- Increased focus on sustainability initiatives, including the establishment of a sustainability department.
- Increased depreciation due to the significant infrastructure investment undertaken during FY2009 and FY2010 to ensure Tassal's infrastructure is global best practice.
- Increased financing costs due to a higher underlying base interest rate and bank margins, together with higher debt levels.

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

Tassal Group Limited and Controlled Entities

Statement of Financial Position

Tassal has a strong financial position, with net assets up 16.07% to $245.202 million, and the value of live fish (a key measure of shareholder value) up 28.06% to $128.281 million.

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

($'000)	30 June 2010	30 June 2009
Cash	4,265	3,682
Trade and other receivables	24,827	23,590
Inventories	39,985	48,311
Biological assets	128,281	100,169
Other current assets	1,464	1,303
Total current assets	**198,822**	**177,055**
Trade and other receivables	561	–
Investments	7,427	7,907
Property, plant & equipment	173,562	129,170
Goodwill and intangibles	39,035	39,035
Other non current assets	665	707
Total non current assets	**221,250**	**176,819**
Total assets	**420,072**	**353,874**
Borrowings	37,869	26,193
Trade and other payables	39,932	35,442
Other current liabilities	5,012	6,458
Total current liabilities	**82,813**	**68,093**
Borrowings	55,943	47,566
Deferred tax liabilities	35,478	26,327
Other	636	641
Total non-current liabilities	**92,057**	**74,534**
Total liabilities	**174,870**	**142,627**
Net assets	**245,202**	**211,247**

- Trade and other receivables increased by $1.798 million to $25.388 million, with average debtor days at 49 days (FY2009: 52 days). It should be noted that Tassal insures most sales to domestic customers, but not Coles and Woolworths.
- The underlying inventory holding at 30 June 2010 of $39.985 million reflected the Company's sales mix:

($'000)	30 June 2010	30 June 2009	Change
Biological asset component	5,143	7,675	(33)%
Tassal finished goods	25,091	29,581	(15)%
Superior Gold finished good	1,164	4,635	(75)%
Raw materials	8,587	6,420	34%
Total	39,985	48,311	(17)%

(Hog tonnes)	30 June 2010	30 June 2009	Change
Tassal finished goods	2,607	3,240	(20)%
Superior Gold finished goods	96	429	(78)%
Total	2,703	3,669	(26)%

- FY2010 saw significant growth in biological assets (i.e. live fish) from $100.169 million to $128.281 million, together with planned growth in infrastructure and operating assets (property, plant and equipment) from $129.170 million to $173.562 million. This growth underpins Tassal's ability to deliver on its Strategic Plan FY2015.
- Trade and other payables increased by $4.490 million to $39.932 million, with average creditor days at 47 days (FY2009: 50 days).
- Borrowings (net of cash and cash equivalents) increased by $19.470 million to $89.547 million:
  - Gearing (i.e. net debt/equity) remained conservative at 36.52% and was in line with expectations and prior year experience. Tassal has a target range of 30% to 35% at June and 40% to 45% at December.
  - Prior to the end of FY2010, Tassal has:
    - secured core working capital debt funding jointly from Westpac Banking Corporation Limited ("Westpac") and Bankwest Limited ("Bankwest") for $48.000 million, with $24.000 million secured to 31 October 2011 and $24.000 million to 31 October 2012;
    - operational working capital facilities with Westpac; and
    - asset purchase debt lines with Westpac, Bankwest and National Australia Bank Limited.

Cash flow

($'000)	FY2010	FY2009
Operating cash flow	28,487	23,986
Investing cash flow	(47,797)	(54,668)
Financing cash flow	19,880	27,271
Net increase/(decrease) in cash and cash equivalents	570	(3,411)

- Overall, net cash provided by operating activities was up 18.76% to $28.487 million (FY2009: $23.986 million), with strong domestic sales growth underpinning the funding of underlying business and biomass growth.
- Net cash used in investing activities reduced by 12.57% to $47.797 million due to:
  - Capex spend of $47.913 million that completed Tassal's major infrastructure requirements to drive further growth, efficiencies and risk mitigation, and to enable delivery of the Company's Strategic Plan FY2015. The major infrastructure projects completed over FY2009 and FY2010 included Rookwood Road Hatchery, Huonville Factory Expansion, Harvest Vessels, Automatic Feeders, Filleting Machine, Pin-boning Machines and Trimming Machines. This has ensured that Tassal now has global best practice infrastructure in place.
  - The level of capital spend was commensurate with the level of growth of Tassal's live fish – and more importantly, to ensure appropriate risk mitigation was in place to underpin the Company's sustainability.
- Net cash provided by financing activities reduced by 27.10% to $19.880 million:
  - Traditionally (i.e. prior to the global financial crisis) Tassal would mostly match its leasing tenor with the useful life of an asset – which in most instances was 5 years with nil residual value. As a result of the global financial crisis, asset finance tenors in general have been reassessed and some were reduced to 3 years with nil residual. At the same time, a significant amount of Tassal's capital spend was on assets with a longer useful life (i.e. buildings and vessels). The combined effect has been that Tassal has had to amortise its asset finance facilities too quickly, with the over-amortisation amounting to around $5.6 million in FY2010. Given the three year tenor of the Company's asset finance facilities compared to the five year useful lives of the assets, Tassal will benefit in FY2012 (for FY2009 spend) and FY2013 (for FY2010 spend) when cash amortisation levels will reduce by around $5 million to $6 million, significantly improving the Company's net debt position.

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

Tassal Group Limited and Controlled Entities

Outlook for the Full Year to 30 June 2011

- Tassal will continue to focus its sales and marketing efforts on the domestic market to ensure that the Company delivers its Strategic Plan FY2015. This requires an annual compound sales revenue growth target of 10% per annum by FY2015.
- Tassal continues to experience strong sales momentum in the domestic market despite the current challenging economic environment, with significant retail growth and penetration achieved in FY2010. Sales momentum is expected to continue in FY2011, particularly given the Company's retail focus and the marketing and promotional strategies in place. With the ability to better match domestic market demand and supply, Tassal expects to achieve improved domestic market returns.
- It is expected that the overall return from the retail channel will improve in FY2011. Higher base sales and negotiated price increases, together with targeted marketing and promotional strategies will improve returns from the retail channel. Given the Company's long term supermarket focus and continued sustained growth in the retail channel, improving returns from the retail channel will continue to be targeted by the Company.
- Trading conditions in the wholesale market should improve with restaurants and caterers forecast to benefit from improved trading conditions in FY2011. Marketing and promotional strategies, together with seasonal pricing, will maximise the return from the wholesale market.
- Tassal has now completed its major infrastructure spend underpinning the Strategic Plan FY2015. As such, ongoing capital expenditure will be significantly reduced as compared to the levels of FY2009 and FY2010.
- Increasing fish production growth in FY2011 will require additional funding. This growth will be important in delivering the key operational financial metrics underpinning the Strategic Plan FY2015.
- With a strong financial position and funding arrangements in place, Tassal is well positioned to continue to pursue the growth underpinning its Strategic Plan FY2015. Tassal's focus for FY2011 is to bridge the lag between the cash and profit effects from the capital expenditure implemented, and to extend its lease facility tenor back out to five years. The benefit of the current over-amortisation of Tassal's asset finance facilities will flow through in FY2012 and beyond, with cash amortisation levels reducing by around $5 million to $6 million per annum.
- Disease issues currently being experienced in both Norway and Chile are underpinning further supply decreases in the global salmon market. Tassal's strategy is to treat the export market as a sales market that will be supplied only when beneficial rather than relying on it to drive sales. Given the current favourable supply and demand dynamics, export sales are likely to be a real sales alternative to the domestic market with improved gross sales prices forecast (albeit noting the volatility in the AUD/USD exchange rate).

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 FY2015. Tassal believes that this will ensure it is globally cost competitive in aquaculture production and processing, and achieves premium returns on its sales and marketing initiatives. The Company believes that it now has in place the platform to deliver on the operational and financial metrics of the Strategic Plan FY2015.
- The Company has two key sales priorities:
  - to better match domestic supply and demand – through replacing imports for Superior Gold production with domestically grown fish, marketing, new product development and stimulating core domestic sales growth; and
  - targeting improving returns from Tassal's retail sales through:
    - managing retail sales within plan and growing margins by increasing base sales faster than direct selling spend;
    - putting greater focus on Tassal branded products that generate higher margins and are more responsive to Tassal's brand and marketing activities;
    - increasing prices for fresh fish for both the domestic wholesale and retail markets, which occurred at the start of FY2011, and ensuring prices are maximised across fresh and frozen fish; and
    - targeting higher prices when the fish are maximising their growth (i.e. seasonal pricing strategy).
- Tassal has several operational priorities, including:
  - maximising harvest size to increase average harvest weight and drive benefits from economies of scale. This remains Tassal's number one operational focus:
    - Tassal is currently capturing significant fish growth in its current Year Classes, with the growth in line with Strategic Plan FY2015 targets;
    - inputting more fish earlier and bigger to underpin future growth efforts, with Tassal's Selective Breeding Program ("SBP") providing a significant risk mitigant against agricultural risk associated with fish growth, together with reducing the incidence and cost of amoeba gill disease; and
    - summer water temperature is still the Company's biggest risk, albeit through the SBP Tassal will be well placed to be an early adapter to climate change.
  - mitigating the effect of increasing movements in the key raw materials making up Tassal's feed diet:
    - underlying fishmeal and fish oil raw material prices together with foreign exchange rates have been extremely volatile with an overall upward trend of the price of fish feed across both FY2009 and FY2010. This trend has reversed at the start of FY2011;

    - partially absorbing the effects of this price movement through scale benefits in labour and overheads, albeit fish feed accounts for around half of the total cost of fish; and
    - significant work has been undertaken on diet and raw material substitution, however, the pace of this substitution was outpaced by the increase in feed price in FY2010. Whilst there has been a reduction in the cost of fish feed during the last quarter of FY2010 and further price reductions have been forecast in the short term, Tassal is not assuming that the cost of fishmeal and fish oil raw materials will continue to decrease.
  - whilst depreciation has increased, the Company has now finished the majority of its investment in infrastructure to be able to deliver its Strategic Plan FY2015 targets:
    - global best practice infrastructure is now in place, giving Tassal the ability to potentially bring forward some of the operational and financial returns targeted for the later years of the Strategic Plan FY2015; and
    - Tassal now has an excellent platform in place to achieve global cost competitiveness, with all major assets now in place to not only deliver scale benefits, but also increase efficiency and risk mitigation measures.
  - feed conversion, with the focus on maximising the feeding of the fish to maximise average harvest size, whilst also focusing on growing the fish more efficiently; and
  - maximising pen and lease usage, with any further lease expansion needing to clearly deliver a bottom-line benefit.
- The three key financial priorities are:
  - maximising sales price and sales returns in both the domestic and export markets. With both markets appearing to have an overall reduction in supply for FY2011, Tassal will monitor this position carefully;
  - maximising efficiency with respect to working capital management, 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
    - base interest rates and bank margins, as well as net debt increased over FY2010.
  - to ensure that Tassal progresses towards achieving the underlying financial metrics underpinning the Strategic Plan FY2015.

Sustainability

Tassal has maintained its proactivity in taking an industry leadership 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.

Tassal is focussed on ways to drive business opportunity through improved sustainability practices. Developing a framework to support the release of an annual sustainability report will remain a focus for Tassal in the upcoming year.

Tassal is committed to protecting the quality of the air, water and soil environments and seeks to prevent pollution and minimise the environmental impact of all its operations.

Through the SBP, Tassal is ensuring that it takes a proactive approach to potential increasing water temperatures. The Program is focussed on breeding a more tolerant and robust Atlantic salmon species to warm water temperature.

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.

Climate Change

Tassal considers that increasing greenhouse gas concentrations in the atmosphere and associated climate change risks need to be addressed at both a global and local level.

As a responsible corporate member of the community, Tassal seeks to conduct a profitable business with a commitment to reduce our contribution to greenhouse gas emissions and reduce the risks of adverse effects from climate change while operating in an emission constrained environment.

Tassal believes that the risks of climate change associated with increasing greenhouse gas concentrations needs to be addressed through accelerated action. Behavioural change, innovation and technical progress are essential to achieve a balance in meeting natural resource and energy needs. Tassal will take action within our own business and work with industry, governments and other stakeholders to address this global challenge and find lasting solutions congruent with our goals.

Tassal has calculated its carbon footprint and energy consumption to establish the requirement to register with the National Greenhouse and Energy Reporting Act as managed by the Commonwealth Department of Climate Change (DCC). According to the threshold limits established by the DCC, Tassal is significantly below the limits required for registration. At this stage the Board has decided not to adopt the option of voluntary registration until such time as the Greenhouse Gas Emission (GHGE) estimates can be further defined.

Tassal has a Climate Change Policy which gives consideration and commitment to lowering the operational greenhouse gas emissions and overall energy consumption of the operations.

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

Tassal Group Limited and Controlled Entities

OH&S

Tassal is committed to providing a healthy and safe workplace that is, as far as is reasonably practicable, without risk of injury or illness. 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 various specific other accreditations to meet the food safety and hygiene requirements of our major retail customers.

Tassal believe 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 this is upheld and turned into action. 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 OH&S 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 program throughout the Company and will allocate sufficient resources to enhance both engineering and system based solutions in the workplace.

Improvement in safety performance remains a focus point in FY2011. 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 us with our vision and strategy.

A. D. McCallum
Chairman

M. A. Ryan
Chief Executive Officer

Hobart, this 27th day of September 2010

Corporate Governance Statement

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 the Company 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 the Company 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 Tassal 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 the Company's website (Investor Relations Section), www.tassal.com.au

		Reference material	Compliance
Principle 1	**Lay solid foundations for management and oversight** ***Establish and disclose the respective roles and responsibilities of Board and management.***		**Yes**
Recommendation 1.1	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.	• Board Charter • Statement of Delegated Authority • Role of the Chairman • Role of the CEO	
Recommendation 1.2	Disclose the process for performance evaluation of senior executives.		Yes
Tassal Board Response	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, against annually established and mutually agreed performance criteria. The senior Executives' compensation arrangements and performance is reviewed, monitored and evaluated by the Chief Executive Officer against annually established and mutually agreed performance criteria. A formal performance review methodology is in place. 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. Formal performance evaluations have been undertaken for the Chief Executive Officer and senior Executives during the current financial year in accordance with disclosed Company policy. Formal induction programs are undertaken for all new senior Executive appointments.	• Remuneration Report – section 20 of the Directors' Report • Board Charter • Remuneration Policy • Remuneration and Nominations Committee Charter	

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 2	**Structure the Board to add value** ***Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.***		**Yes**
Recommendation 2.1	A majority of the Board should be independent directors.		Yes
Tassal Board Response	The Board is conscious of the need to have independent Directors but must also ensure that Board members can add value in the context of Tassal's business. Therefore, the Board will seek to ensure that the Board comprises Directors who have a strong understanding of Tassal's business. The Company has adopted a Policy on Independence. The fundamental premise of the policy is that an independent Director must be independent of management and free to exercise his or her unfettered and independent judgement. The Directors considered by the Board to constitute independent Directors are identified, along with their period in office, in the Directors' Report. The Company presently has five Non-executive Directors, four 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. The Board is accordingly comprised of a majority of independent Directors.	• Board Charter • Policy – Independence of Directors • Refer section 1 of the Directors' Report for details of Director's length of service • Refer section 16 of the Directors' Report for names of Directors considered to be independent	
Recommendation 2.2	The Chairman should be an independent Director.		Yes
Tassal Board Response	The Chairman, Mr Allan McCallum, is an independent Director.	• Board Charter • Role of the Chairman	
Recommendation 2.3	The roles of the Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual.		Yes
Tassal Board Response	Mr Mark Ryan is the Company's Chief Executive Officer/Managing Director. In line with the Board Charter, the roles of Chairman and Chief Executive Officer/Managing Director are separated. Board policy is that the Chief Executive Officer/Managing Director cannot become Chairman.	• Board Charter • Role of the Chairman • Role of the CEO	
Recommendation 2.4	The Board should establish a nomination committee.		Yes
Tassal Board Response	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. The Committee is structured so that it consists of at least three Non-Executive Directors, all of whom must be independent.	• Remuneration and Nominations Committee Charter	

		Reference material	Compliance
Principle 2 (cont.)	**Structure the Board to add value** ***Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.***		**Yes**
Recommendation 2.5	Disclose the process for performance evaluation of the Board, its Committees and individual Directors.		Yes
Tassal Board Response	The Board Charter requires that each year the Board will conduct an evaluation of its performance that: • compares the performance of the Board with the requirements of its Charter; • sets forth goals and objectives of the Board for the upcoming year; and • effects any improvement to the Board Charter deemed necessary or desirable. The respective Board Committee Charters also require the Committees to evaluate their performance and composition at least annually to determine whether it is functioning effectively by reference to current best practice. This evaluation is presented to the Board for review. 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 Company policy. Formal induction programs are undertaken for all new Board appointments.	• Remuneration Report – section 20 of the Directors' Report • Board Charter • Remuneration Policy • Remuneration and Nominations Committee Charter • Audit and Risk Committee Charter	
Recommendation 2.6	Provide the information set out in Guide to reporting on Principle 2: • The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report.		Yes
Tassal Board Response	All Directors have an understanding of Tassal's business. The Board considers the Directors' diverse range of skills and experience is appropriate to discharge its responsibilities and duties.	• Refer sections 16 and 17 of the Directors' Report	
	• The names of the Directors considered by the Board to constitute independent Directors and the Company's materiality thresholds.		
Tassal Board Response	See Tassal Board response to recommendation 2.1. The Company's independence criteria guidelines for the Board to use in determining the independence of Directors are detailed in the Board's Policy on Independence of Directors.	• Refer sections 16 and 17 of the Directors' Report • Policy – Independence of Directors	
	• 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.		
Tassal Board Response	Mr R. Roberts is the Non-executive Chairman of Webster Limited, a substantial shareholder of the Company pursuant to the Corporations Act 2001, and is accordingly not an independent Director. All other non-executive Directors are considered to be independent and there are no relationships in existence affecting that status.		
	• 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.		
Tassal Board Response	Tassal Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Chairman, or in his absence, the Board.	• Board Charter • Director's Deed of Indemnity and Right of Access to Documents – this document is not publicly available	

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 2 (cont.)	**Structure the Board to add value** ***Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.***		**Yes**
Recommendation 2.6 (cont.)	• The term of office held by each Director in office at the date of the Annual Financial Report.		
Tassal Board Response	This information is provided in the Directors' Report.	• Refer section 1 of the Directors' Report	
	• The names of members of the Remuneration and Nominations Committee and their attendance at meetings of the Committee.		
Tassal Board Response	This information is provided in the Directors' Report.	• Refer sections 16 and 18 of the Director's Report	
	• Description of the procedure for the selection and appointment of Directors.		
Tassal Board Response	The procedures for the appointment of Directors are ultimately governed by the Company's constitution. The Board has delegated to the Remuneration and Nominations Committee the responsibility for recommending to the Board candidates to be nominated to act as new Directors and for recommending to the Board the reappointment of retiring Directors. Where appropriate, external consultants are used to access a wide base of potential candidates and to review the suitability of candidates for appointment based on formally adopted criteria for Director selection.	• Policy for Selection and Appointment of Directors • Remuneration and Nominations Committee Charter	
Principle 3	**Promote ethical and responsible decision making** ***Actively promote ethical and responsible decision making.***		**Yes**
Recommendation 3.1	Establish a code of conduct to clarify the standards of ethical behaviour required of the Board, senior Executives and all employees as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		Yes
Tassal Board Response	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. 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. Ethical conduct relates to standards of behaviour characterised not only by complying with the law and the various policies of the Company which are referred to in the Code of Conduct, but also by acting fairly, honestly and with integrity. The Code addresses, among other things: • ethical conduct and expected behaviours based on the principles of fairness, honesty and integrity; • compliance with the law; • confidentiality and inside information; • disclosure of interests; • trading in Tassal securities; • integrity of records; • protection of Tassal assets; • personal transactions; • improper payments, gifts, entertainment and travel; • political contributions; and • whistleblower protection.	• Code of Conduct	

		Reference material	Compliance
Principle 3 (cont.)	**Promote ethical and responsible decision making** ***Actively promote ethical and responsible decision making.***		**Yes**
Recommendation 3.2	Establish a policy concerning trading in Company securities by Directors, senior Executives and employees, and disclose the policy or a summary of the policy.		Yes

Tassal Board Response	The Company has a Securities Trading Policy which regulates dealings by the following Restricted Persons in Tassal securities and securities of any other entity that may be affected by inside information:
	• Tassal Directors;
	• Designated Tassal Employees:
	  • Chief Executive Officer
	  • All members of Tassal's Executive
	  • All direct reports to members of Tassal Executive
	  • All Tassal employees employed or engaged in the Information Services Centre (Administration and Finance) Department
	  • All Tassal employees employed or engaged in the Information Technology Department
	  • Any other Tassal employee(s) designated as a Restricted Person by the Company Secretary from time to time for the purposes of the Policy;
	• All Immediate Family Members (as defined) of Tassal Directors and Designated Tassal Employees; and
	companies, trusts and entities controlled by any of the above.
	The rationale for the Policy is to establish a best practice procedure relating to buying and selling Tassal Securities that provides protection to the Company and to Restricted Persons to ensure that they do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of Tassal's results, and to explain the type of conduct that is prohibited under the Corporations Act.
	Restricted Persons are prohibited from trading in Tassal securities and any other entity (e.g. another listed company with which Tassal is confidentially negotiating a significant transaction) whilst in the possession of what they ought reasonably to know is inside information, being price sensitive information not generally available and that a reasonable person would expect to have a material effect on the price or value of Tassal shares.
	Restricted Persons are prohibited from trading in Tassal securities during "Black Out" periods defined as follows:
	• From midnight, 31 December until midday Hobart Local Time (HLT) on the next ASX trading day after the day on which Tassal's half-year results are released to ASX; and
	• From midnight, 30 June until midday HLT on the next ASX trading day after the day on which Tassal's full year results are released to ASX.
	The Policy provides specific "pre and post" deal notification procedures that must be followed when, in the absence of possession of inside information, Restricted Persons intend to trade in Tassal securities.
	Directors must advise the Company which in turn advises the ASX, of any transactions conducted by them in the Company's securities within five business days after the transaction occurs.
	Pursuant to the Company's Securities Trading Policy, a Restricted Person must not engage in hedging instruments, deal in derivatives or enter into arrangements which limit the economic risk related to Tassal Securities (including the use of put and call options, contracts for difference and other contracts intended to secure a profit or avoid a loss based on fluctuations in the price of Tassal Securities).
	This prohibition includes, without exception, engaging in hedging or other arrangements which limit the economic risk in connection with unvested Securities issued pursuant to any equity-based Employee Long Term Incentive Plan or Security Plan.
		• Securities Trading Policy
		• Board Charter
		• Code of Conduct	

Recommendation 3.3	Provide the information set out in Guide to reporting on Principle 3:		Yes
Tassal Board Response	Tassal's Code of Conduct and Securities Trading Policy are available for public inspection on the Company's website (Investor Relations Section), www.tassal.com.au		

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 4	**Safeguard integrity in financial reporting** ***Have a structure to independently verify and safeguard the integrity of the company's financial reporting.***		**Yes**
Recommendation 4.1	The Board should establish an Audit Committee.		Yes
Tassal Board Response	The Board has established an Audit and Risk Committee.	• Audit and Risk Committee Charter	
Recommendation 4.2	Structure the Audit Committee so that it consists of: • only Non-executive Directors; • a majority of independent Directors; • an independent Chairman who is not Chairman of the Board; and • at least three members.		Yes
Tassal Board Response	Tassal's Audit and Risk Committee is structured in compliance with this best practice recommendation. All Committee members are independent Directors.	• Audit and Risk Committee Charter • Refer section 16 of the Directors' Report for names of Committee members and their independence status	
Recommendation 4.3	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.	• Audit and Risk Committee Charter	
Recommendation 4.4	Provide the information set out in Guide to reporting on Principle 4: • Details of the names and qualifications of those appointed to the Audit Committee. • The number of meetings of the Audit Committee and names of the attendees.		Yes
Tassal Board Response	This information is provided in the Directors' Report.	• Refer sections 16, 17 and 18 of the Directors' Report	
	• Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.		
Tassal Board Response	The external auditor, Deloitte Touche Tohmatsu (retained following a scheduled formal tender process conducted during the previous financial year), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. 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. • Guidelines on External Auditor Selection, Evaluation and Rotation (this document is not publicly available); and • Guidelines on Provision of Audit and Other (Non-Audit) Services by the External Auditor (this document is not publicly available). No Director has any association, past or present, with Tassal's external auditor.	• Audit and Risk Committee Charter	

		Reference material	Compliance
Principle 5	**Make timely and balanced disclosure** ***Promote timely and balanced disclosure of all material matters concerning the Company.***		**Yes**
Recommendation 5.1	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 polices 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. The policy encompasses comprehensive procedures to ensure that matters are identified that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with its Listing Rule disclosure requirements. The procedures relating to the notification of price sensitive matters to the ASX and the subsequent positing of them on the Company's website are detailed in policy documentation. Tassal's website contains copies of all ASX releases covering such publications as Annual Financial Reports, half-year results, Notices of Meeting, media releases and analyst briefings, with the latter released prior to the commencement of the briefing. The Company Secretary is responsible for all communications with the ASX.	• Continuous Disclosure Policy	
Recommendation 5.2	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 (Investor Relations Section), www.tassal.com.au		
Principle 6	**Respect the rights of shareholders** ***Respect the rights of shareholders and facilitate the effective exercise of those rights.***		**Yes**
Recommendation 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose those polices or a summary of those policies.		Yes
Tassal Board Response	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. The Company's website (www.tassal.com.au) 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. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Important issues are presented to shareholders as single resolutions. The Company's Notice of Annual General Meeting provides details of the location, time and date of the meeting, the business to be considered by shareholders and details about each candidate standing for election or re-election as a Director of the Company. The Board has developed guidelines for the format and content of Notices of Meetings.	• Communications Policy • Guidelines for Notices of Meetings • Notice of Meeting for 2010 Annual General Meeting	
Recommendation 6.2	Provide the information set out in Guide to reporting on Principle 6:		
Tassal Board Response	Tassal's Communications Policy is available for public inspection on the Company's website (Investor Relations Section), www.tassal.com.au		

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 7	**Recognise and manage risk** ***Establish a sound system of risk oversight and management and internal control.***		**Yes**
Recommendation 7.1	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 polices 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 for public inspection on the Company's website (Investor Relations Section), www.tassal.com.au The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Audit and Risk Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer and senior Executives having ultimate responsibility to the Board for the risk management and control framework. Areas of material business risks to the Company are highlighted in the annual operating plan and presented to the Board by the Chief Executive Officer and senior Executives each year. The Company has an established formalised "Risk Map and Mitigation Plan". The Plan identifies and quantifies material business risks across the Company and highlights management action plans and timelines for risk mitigation. Management regularly reports to the Audit and Risk Committee as to whether material business risks have been managed effectively. The Audit and Risk Committee Charter outlines the principal risk related functions of the Committee which, in accordance with the Company's Procedures for the Oversight and Management of Material Business Risks, is to ensure that Management has established and operates a business risk management system which is designed to identify, assess, monitor and manage material business risk. Note 41 in the notes to the financial statements provides further overview of risk oversight and management policies.	• Procedures for the Oversight and Management of Material Business Risks • Audit and Risk Committee Charter • Board Charter	

		Reference material	Compliance
Principle 7 (cont.)	**Recognise and manage risk** ***Establish a sound system of risk oversight and management and internal control.***		**Yes**
Recommendation 7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company'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 the Company'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 the Company's material business risks through the establishment and formalisation of the Company's "Risk Map and Mitigation Plan". The Plan identifies and quantifies material business risks across the Company and highlights management action plans and timelines for risk mitigation. Management regularly reports to Board and Audit and Risk Committee that material business risks are being managed correctly, with the provision of such reports scheduled as part of the Board and Audit and Risk Committee's respective Annual Program Schedules. As part of this process, Management has reported to the Board as to the effectiveness of the Company's management of its material business risks. In particular, the Company's Chief Risk Officer also has provided a letter of assurance to the Board 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 mechanisms are in place; and • the Company's risk management systems are operating efficiently and effectively. (See also Tassal response to 7.1)	• Procedures for the Oversight and Management of Material Business Risks • Audit and Risk Committee Charter • Board Charter	
Recommendation 7.3	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.	• Audit and Risk Committee Charter • Refer section 11 of the Directors' Report	
Recommendation 7.4	Provide the information indicated in Guide to reporting on Principle 7: • Statement whether the Board has received the report from management under Recommendation 7.2.		Yes
Tassal Board Response	The Board has received the report from management under Recommendation 7.2. • 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.		
Tassal Board Response	The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 7.3.		

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 8	**Remunerate fairly and responsibly** ***Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.***		**Yes**
Recommendation 8.1	The Board should establish a Remuneration Committee.		Yes
Tassal Board Response	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. The Committee is structured so that it consists of at least three Non-Executive Directors, all of whom must be independent.	• Remuneration Report – section 20 of the Directors' Report • Remuneration and Nominations Committee Charter	
Recommendation 8.2	Clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior Executives.		Yes
Tassal Board Response	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 the Company's strategy. 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 the Company and based on the achievement of specific Company and individual/ team goals. 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 the Company achieving certain performance criteria. Details of Tassal's remuneration policies are set out in the Remuneration Report.	• Remuneration Report – section 20 of the Directors' Report	
Recommendation 8.3	Provide the information set out in Guide to Reporting on Principle 8: • The names of the members of the Remuneration Committee and their attendance at meetings of the Committee.		Yes
Tassal Board Response	This information is provided in the Directors' Report.	• Refer sections 16 and 18 of the Directors' Report	
	• The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.		
Tassal Board Response	Non-executive Directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations.	• Remuneration Report – section 20 of the Directors' Report	

Directors' Report

Tassal Group Limited and Controlled Entities

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 2010 and the independent auditor's report thereon.

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 David Groves
(Director since 27 February 2007)

Ms Jill Monk
(Director since 7 October 2003)

Mr Roderick Roberts
(Director since 18 March 2005)

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 25 August 2009, the Directors declared a final unfranked dividend of 4.00 cents per ordinary share amounting to $5.481 million in respect of the financial year ended 30 June 2009. The record date for determining entitlements to this dividend was 18 September 2009. The final dividend was paid on 8 October 2009.
- On 23 February 2010, the Directors declared an interim unfranked dividend of 4.00 cents per ordinary share amounting to $5.614 million in respect of the half-year ended 31 December 2009. The record date for determining entitlements to this dividend was 12 March 2010. The interim dividend was paid on 1 April 2010.
- On 25 August 2010, the Directors declared a final unfranked dividend of 2.00 cents per ordinary share amounting to $2.884 million in respect of the financial year ended 30 June 2010. The record date for determining entitlements to this dividend was 20 September 2010. The final dividend will be paid on 11 October 2010.

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 2010 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2010.

4. Review of Operations

The consolidated net profit after tax for the financial year was $28.009 million. (For the financial year ended 30 June 2009: $30.084 million).

The consolidated entity's revenue was $412.876 million compared with $357.781 million for the financial year to 30 June 2009.

Earnings before interest and tax (*EBIT*) was $40.033 million compared with $41.899 million the financial year to 30 June 2009.

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 19.96 cents per share compared with 22.20 cents per share for the financial year to 30 June 2009.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 to 10 of this Annual Financial Report.

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

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 Financial 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 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 Secretary, Mr P. Jones and all Executive officers of the Company against a liability incurred as such a Director, Secretary or Executive 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 Chief Sustainability Officer 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 environmental policy, climate change policy and carbon footprint are outlined in the Chairman's and CEO's Report on pages 2 to 10 of the Annual Financial Report.

The Directors believe that all regulations have been materially met during the period covered by this Annual Financial 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 11 to 20 of this Annual Financial Report.

The CEO and Chief Financial Officer have declared, in writing to the Board, that the Company's Annual Financial 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 Chief Risk Officer 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.

12. Auditor's Independence Declaration

Mr Craig Barling was appointed as Chief of Strategy and Planning on 30 November 2009. Mr Barling was a former partner of Deloitte Touche Tohmatsu, the Company's auditor, but has had no prior involvement in the Group's audit in any way or at any time, whether in respect of the current reporting period or any prior reporting periods.

There were no other 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 Group.

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 35 and forms part of this Directors' Report. Craig Barling left the employment of the Company on 10 December 2009.

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 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 608,298 (2009: 402,586) performance rights were granted to the Chief Executive Officer and other members of the Company's Leadership Group pursuant to the Company's Long-term Incentive Plan.

Nil (2009: 433,770) performance rights vested on 30 June 2010.

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

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

16. Information on Current Directors

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
ALLAN McCALLUM (Chairman) Dip. Ag Science, FAICD	Allan is a Non-executive Director of Incitec Pivot Limited, Director of Medical Developments International Limited and Chairman of CRF Group Ltd. Allan is a former Chairman of Vicgrain Limited and Deputy Chairman of Graincorp Limited. Allan has over 30 years experience in the primary industry sector with representation on industry bodies at state, national and international levels.	Chairman of the Board of Directors Independent Non-executive Director Chairman of the Remuneration and Nominations Committee	253,062 Ordinary Shares
DAVID GROVES B.Com, M.Com, CA, FAICD	David is a Director of Equity Trustees Limited. He is a Member of the MIR Management Limited Advisory Council and an Executive Director of a number of private companies. David is a Director of Kambala, a leading Australian girls' school in Sydney. He is formerly an Executive 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.	Independent Non-executive Director Member of the Audit and Risk Committee	3,157 Ordinary shares
JILL MONK B.Arts, B.Law, FAICD, FAII	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 various companies including CGU Insurance Limited. Jill held general management roles including responsibility for legal, superannuation, compliance and the role of Director of Human Resources. Jill held numerous directorships across the CGU Group.	Independent Non-executive Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	178,468 Ordinary Shares
RODERICK ROBERTS B.Ec, MBA, FAICD	Rod is presently the Non-executive Chairman of Webster Limited, Deputy Chancellor of the University of Tasmania, Council Member for Australian Institute of Company Directors (Tas division) and a Director of a number of proprietary companies. Rod has previously held senior roles in manufacturing and investment banking, including Head of Corporate Finance Bain & Co, Director County NatWest Australia Limited, Chairman Ossa Limited and Chairman Harris and Company Limited.	Non-executive Director	28,910,367 Ordinary Shares Mr Roberts is a Director of Webster Limited which holds 28,910,367 Ordinary Shares
JOHN WATSON AM, MAICD	John is Non-executive Chairman of Incitec Pivot Limited and Tasman Farms Limited, Director of Wool Partners International Limited (NZ), a Councillor of the Royal Agricultural Society of Victoria and a Member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. John has a long history in food and agricultural industries, having served on numerous industry advisory councils, including advisory roles to the Victorian and Commonwealth Governments.	Independent Non-executive Director Chairman of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	146,094 Ordinary Shares
MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, MAICD	Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited. Mark holds a Bachelor of Commerce and is a Chartered Accountant. Mark also holds Board positions with AFL Tasmania, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), Juicy Isle Pty Limited, National Aquaculture Council and the Food Industry Council of Tasmania as well as a number of other industry related associations. Mark has over 20 years 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 Chief Executive Officer	370,584 Ordinary Shares 226,331 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 Securities Exchange Limited in accordance with the S205G(1) of the Corporations Act 2001.

17. Directorships of Other Listed Companies

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

Director	Company	Period of Directorship (last 3 years)
A. McCallum	Medical Developments International Limited	Throughout
	Incitec Pivot Limited	Throughout
D. Groves	Graincorp Limited	August 1994 to May 2009
	Equity Trustees Limited	Throughout
J. Monk		None held
R. Roberts	Webster Limited	Throughout
M. Ryan		None held
J. Watson	Incitec Pivot Limited	Throughout

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, 12 Board meetings, 3 Remuneration and Nominations Committee meetings and 6 Audit and Risk Committee meetings were held.

	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings	
Director	Number held	Number attended	Number held	Number attended	Number held	Number attended
D. Groves	12	12	6	6	*	*
A. McCallum	12	12	*	*	3	3
J. Monk	12	12	6	6	3	3
R. Roberts	12	12	*	*	*	*
M. Ryan	12	12	*	*	*	*
J. Watson	12	11	6	6	3	3

(* not a committee member)

19. Company Secretary

Peter Arthur Stuart Jones LLB, B.Surv.

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 acts as General Counsel and is a member of the Company's Strategy Group.

Directors' Report (cont.)

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 2010 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, and comprise part of the five Executives receiving the highest remuneration for the year ended 30 June 2010.

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 2011.

(b) Remuneration Philosophy

The Remuneration and Nominations Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior Executives of the Company. 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 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. 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 senior 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 2010 and the previous four financial years are summarised below.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	$'000	$'000	$'000	$'000	$'000
Revenue (from all sources)	412,876	357,322	287,883	245,606	202,709
Net proft before tax	34,568	39,112	27,043	28,157	14,521
Net profit after tax	28,009	30,084	20,467	20,145	10,549

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price:					
Share price at the start of the year	$1.94	$2.60	$3.32	$1.13	$0.89
Share price at the end of the year	$1.41	$1.94	$2.60	$3.32	$1.13
Dividend per share:					
Interim dividend (unfranked)	$0.400	$0.0400	$0.0300	$0.0250	$0.0225
Final dividend (unfranked) (i)	$0.200	$0.0400	$0.0350	$0.0275	$0.0250
	$0.600	$0.0800	$0.0650	$0.0525	$0.0475
Earnings per share:					
Basic	$0.1996	$0.2220	$0.1646	$0.1764	$0.0940
Diluted	$0.1993	$0.2209	$0.1639	$0.1757	$0.0940

(i) Declared after balance date and not reflected in the financial statements.

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) - 24.2%
- Net profit after tax - 16.2%
- Basic earnings per share - 5.8%

(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 or 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 conduct 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 regularly takes 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 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. However, they may hold shares in the Company subject to the Tassal Securities Trading Policy.

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 2010 financial year (inclusive of legislated superannuation contributions) were as follows:

	Base	Remuneration and Nominations Committee	Audit and Risk Committee
Chairman of the Board	$153,614	N/A	N/A
Each other Non-executive Director	$58,485	$6,189	$8,972

The Chairman of the Audit and Risk Committee received an additional $8,972 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.

Directors' Report (cont.)

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 2010 is detailed below.

Executive	Minimum STI calculated on fixed annual remuneration*	Maximum STI calculated on fixed annual remuneration*
M. Ryan	15%	60%
M. Asman	12.5%	50%
A. Creswell	10%	40%
P. Jones	10%	40%
K. Little	10%	40%
J. O'Connor	10%	40%
L. Sams	10%	40%
A. Sloman	10%	40%
D. Williams	15%	60%

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

Tassal's STI for FY2010 was directly linked to the Company's net profit after tax (NPAT) performance on the following basis:

30 June 2010		30 June 2009	
NPAT (i) Threshold $'000	% of STI Triggered %	NPAT (i) Threshold $'000	% of STI Triggered %
<$26,200	Nil	<$26,200	Nil
$26,200	25%	$26,200	50%
$26,201 – $32,199	25% – 100%	$26,201 – $29,999	50% – 100%
>$32,200	100%	>$30,000	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% (2009: 72%) of their respective FY2010 maximum STI entitlements.

The Board considers the FY2010 NPAT thresholds represented significant and challenging uplifts on the prior year's equivalents, particularly given the magnitude of the Global Financial Crisis.

(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.

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

The performance hurdle for the grants of performance rights to the Chief Executive Officer and senior Executives in the financial year ended 30 June 2010 is based on the Company's EPS and TSR growth over the performance period of the three years from 30 June 2009 (being the ***Base Year***) to 30 June 2012 (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 2010).

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 2010).

The TSR hurdle requires that the Company's TSR must be at or above the median of the Company's comparator group (the ***comparator group***). The comparator group is S&P/ASX 300. TSR is defined as share price growth and dividends paid and reinvestment 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. 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 ranked by their TSR performance, 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 ranked by their TSR performance, 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 ranked by their TSR performance, 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.

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

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	Minimum LTI calculated on fixed annual remuneration*	Maximum LTI calculated on fixed annual remuneration*
M. Ryan	12.5%	50%
M. Asman	10%	35%
A. Creswell	7.5%	30%
P. Jones	7.5%	30%
K. Little	7.5%	30%
J. O'Connor	7.5%	30%
L. Sams	7.5%	30%
A. Sloman	2.5%	10%
D. Williams	2.5%	10%

* 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 2009:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and senior Executives in the financial year ended 30 June 2009 is based on EPS growth over the Performance Period of the three years from 30 June 2008 (being the ***Base Year***) to 30 June 2011 (the ***Performance Period***) and is summarised as follows.

Earnings Per Share Hurdle ('EPS') (Applies to 100% of performance rights granted in the financial year ended 30 June 2009).

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 15% 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 15% 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.

Performance rights to be granted for the financial year ended 30 June 2011:

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 2011.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and senior Executives in the financial year ended 30 June 2011 will be based on the Company's EPS and TSR growth over the performance period of the three years from 30 June 2010 (being the ***Base Year***) to 30 June 2013 (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 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 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 2011).

The TSR hurdle requires that the Company's TSR must be at or above the median of the Company's comparator group (the ***comparator group***). The comparator group is S&P/ASX 300. TSR is defined as share price growth and dividends paid and reinvestment 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. 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 ranked by their TSR performance, 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 ranked by their TSR performance, 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 ranked by their TSR performance, 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 2011 is detailed below.

Executive	Minimum LTI calculated on fixed annual remuneration*	Maximum LTI calculated on fixed annual remuneration*
M. Ryan	12.5%	50%
M. Asman	-	-
A. Creswell	7.5%	30%
P. Jones	7.5%	30%
K. Little	7.5%	30%
J. O'Connor	7.5%	30%
L. Sams	7.5%	30%
A. Sloman	-	-
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 contract is for an indefinite term. The Company may terminate the contract by providing six months notice and the Chief Executive Officer may terminate the contract 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

At the date of this report there are no formal contracts for services in place in respect of other Senior Executives.

(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
D. Groves	Non-executive Director
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
M. Asman	Chief Operating Officer
N. Burrows [1]	Chief Financial Officer and Company Secretary
A. Creswell [2]	Chief Financial Officer
P. Jones [2]	General Counsel and Company Secretary
K. Little	General Manager – Human Resources and Quality
J. O'Connor [3]	Chief Risk Officer
L. Sams [4]	Chief Sustainability Officer
D. Williams	Chief of Sales and Marketing

Notes:

1. Until 18 December 2009
2. From 18 December 2009
3. From 15 January 2010
4. From 2 July 2009

(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.

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

Directors:		Short-term employment benefits: Salary & Fees [1] $	Short-term employment benefits: Bonus [2] $	Short-term employment benefits: Non-monetary [3] $	Post employment: Super-annuation $	Post employment: Prescribed Benefits $	Share-based payment: Equity settled Shares [4] $	Share-based payment: Performance Rights [5] $	Other: Termination [6] Benefits $	Total $
C. Bright (resigned 30 September 2008)	2010	-	-	-	-	-	-	-	-	-
	2009	14,401	-	-	1,296	-	-	-	-	15,697
D. Groves	2010	61,896	-	-	5,571	-	-	-	-	67,467
	2009	60,093	-	-	5,408	-	-	-	-	65,501
A. McCallum (Chairman)	2010	140,930	-	-	12,684	-	-	-	-	153,614
	2009	136,825	-	-	12,314	-	-	-	-	149,139
J. Monk	2010	67,574	-	-	6,082	-	-	-	-	73,656
	2009	61,606	-	-	5,544	-	-	-	-	67,150
R. Roberts	2010	53,656	-	-	4,829	-	-	-	-	58,485
	2009	56,093	-	-	5,042	-	-	-	-	61,135
M. Ryan – Chief Executive Officer	2010	525,642	-	16,840	25,100	-	-	(3,074)	-	564,508
	2009	473,746	222,849	4,611	38,829	-	-	70,810	-	810,845
J. Watson	2010	75,814	-	-	6,823	-	-	-	-	82,637
	2009	70,850	-	-	6,376	-	-	-	-	77,226
D. Robinson (appointed 30 September 2008, resigned 20 November 2008)	2010	-	-	-	-	-	-	-	-	-
	2009	8,682	-	-	782	-	-	-	-	9,464
Other Key Management Personnel and Executive Officers:										
M. Asman *	2010	296,313	-	-	24,397	-	-	(1,195)	-	319,515
	2009	264,585	103,166	-	20,649	-	-	21,807	-	410,207
D. Williams *	2010	229,786	-	14,820	20,479	-	-	(291)	-	264,794
	2009	201,383	105,386	14,715	17,893	-	-	14,306	-	353,683
N. Burrows * Resigned 18.12.09	2010	90,198	-	3,575	14,362	-	-	(9,254)	-	98,882
	2009	205,691	68,919	5,191	18,483	-	-	20,415	-	318,699
P. Jones * Appointed 18.12.09	2010	123,899	-	333	10,400	-	-	9,062	-	143,693
	2009	-	-	-	-	-	-	-	-	-
A. Creswell * Appointed 18.12.09	2010	185,416	-	1,517	17,565	-	-	(588)	-	203,910
	2009	-	-	-	-	-	-	-	-	-
A. Sloman	2010	173,443	-	3,393	19,550	-	-	4,011	-	200,397
	2009	166,222	81,802	3,645	13,211	-	-	(7,599)	-	257,281
K. Little *	2010	171,340	-	3,911	17,377	-	-	(500)	-	192,128
	2009	150,236	49,701	1,039	12,428	-	-	14,723	-	228,127
L. Sams * Appointed 02.07.09	2010	155,325	-	1,139	12,711	-	-	6,162	-	175,337
	2009	-	-	-	-	-	-	-	-	-
J. O'Connor * Appointed 15.01.10	2010	155,967	-	1,517	17,502	-	-	(491)	-	174,495
	2009	-	-	-	-	-	-	-	-	-
N. Petracca * Ceased as Key Management on 30.06.09	2010	-	-	-	-	-	-	-	-	-
	2009	191,977	62,482	4,697	15,866	-	-	18,509	-	293,531
Total	**2010**	**2,507,199**	**-**	**47,045**	**215,432**	**-**	**-**	**3,842**	**-**	**2,773,518**
Total	2009	2,062,390	694,305	33,898	174,121	-	-	152,971	-	3,117,685

(* 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).

1. Salary and fees includes salary and leave on an accruals basis.
2. Cash bonuses relate to performance bonuses and amounts payable pursuant to the STI Plan. The Chief Executive Officer and other Executive Officers received 0% (2009: 72%) of their respective STI maximum entitlement based on the STI percentages disclosed in section f (iii) of the Remuneration Report.
3. Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.
4. 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.
5. 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.
6. Termination benefits include notice or redundancy payments where applicable.

Analysis of LTI performance rights granted as remuneration

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

Performance rights granted during the financial year ended 30 June 2010

						Value yet to vest	
	Number	Grant date	Vested during the year %	Forfeited during the year [1] %	Year in which the grant vests	Minimum [2] $	Maximum [3] $
Director:							
M. Ryan	128,918	9 Nov 2009	-	-	30 June 2012	Nil	187,189
Executive Officers:							
M. Asman	50,133	9 Nov 2009	-	-	30 June 2012	Nil	72,793
N. Burrows	36,580	9 Nov 2009	-	36,580	-	Nil	Nil
A. Creswell	24,645	9 Nov 2009	-	-	30 June 2012	Nil	35,785
P. Jones	38,717	18 Dec 2009	-	-	30 June 2012	Nil	56,217
K. Little	26,379	9 Nov 2009	-	-	30 June 2012	Nil	38,302
J. O'Connor	25,961	9 Nov 2009	-	-	30 June 2012	Nil	37,695
L. Sams	26,327	9 Nov 2009	-	-	30 June 2012	Nil	38,227
A. Sloman	27,566	9 Nov 2009	-	-	30 June 2012	Nil	40,026
D. Williams	12,193	9 Nov 2009	-	-	30 June 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 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 $1.452.

Performance rights granted during the financial year ended 30 June 2009

						Value yet to vest	
	Number	Grant date	Vested during the year %	Forfeited during the year [1] %	Year in which the grant vests	Minimum [2] $	Maximum [3] $
Director:							
M. Ryan	97,413	6 Nov 2008	-	-	30 June 2011	Nil	151,125
Executive Officers:							
M. Asman	37,881	6 Nov 2008	-	-	30 June 2011	Nil	58,768
N. Burrows	27,114	6 Nov 2008	-	27,114	-	Nil	Nil
A. Creswell	18,622	6 Nov 2008			30 June 2011	Nil	28,890
P. Jones	-	-	-	-	-	Nil	Nil
K. Little	19,553	6 Nov 2008	-	-	30 June 2011	Nil	30,334
J. O'Connor	19,243	6 Nov 2008	-	-	30 June 2011	Nil	29,853
L. Sams	-	-	-	-	-	Nil	Nil
A. Sloman	7,152	6 Nov 2008	-	-	30 June 2011	Nil	11,095
D. Williams	9,213	6 Nov 2008	-	-	30 June 2011	Nil	14,293

(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 $1.55138.

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

Performance rights granted during the financial year ended 30 June 2008

	Number	Grant date	Vested during the year %	Forfeited during the year [1] %	Year in which the grant vests	Minimum [2] $	Maximum [3] $
Director:							
M. Ryan	66,771	2 Nov 2007	-	-	30 June 2010	Nil	236,530
Executive Officers:							
M. Asman	23,147	2 Nov 2007	-	-	30 June 2010	Nil	81,996
N. Burrows	19,841	2 Nov 2007	-	19,841	-	Nil	Nil
A. Creswell	13,627	2 Nov 2007			30 June 2010	Nil	48,272
P. Jones	-	-	-	-	-	Nil	Nil
K. Little	14,308	2 Nov 2007	-	-	30 June 2010	Nil	50,685
J. O'Connor	-	-	-	-	-	Nil	Nil
L. Sams	-	-	-	-	-	Nil	Nil
A. Sloman	14,435	2 Nov 2007	-	-	30 June 2010	Nil	51,135
D. Williams	19,841	2 Nov 2007	-	-	30 June 2010	Nil	70,285

(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 $3.5424.

(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 $3.5424

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 27th day of September 2010

Auditor's Independence Declaration

Tassal Group Limited and Controlled Entities

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Tassal Group Limited
2 Salamanca Square
Hobart
Tasmania, 7000

27 September 2010

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 2010, 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

D Harradine
Partner
Chartered Accountants

Table of Contents

Tassal Group Limited and Controlled Entities

Income Statement

For the year ended 30 June 2010

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
Revenue	3(a)	408,891	354,391	11,624	11,148
Other income	3(b)	3,840	2,931	-	-
Share of profits of associates and jointly controlled entities accounted for using the equity method	13	145	459	-	-
Changes in inventories of finished goods and work in progress		(8,326)	11,072	-	-
Raw materials and consumables used		(303,240)	(270,829)	-	-
Employee benefits expense	3(c)	(35,238)	(30,946)	-	-
Depreciation and amortisation expense	3(c)	(10,224)	(8,029)	-	-
Finance costs	3(c)	(5,465)	(2,787)	-	-
Other expenses		(15,815)	(17,150)	-	-
Profit before income tax expense		34,568	39,112	11,624	11,148
Income tax expense	4	(6,559)	(9,028)	-	-
Net profit for the period attributable to members of the Company		28,009	30,084	11,624	11,148

	Note	Cents per share	Cents per share
		2010	2009
Earnings per ordinary share:			
Basic (cents per share)	31	19.96	22.20
Diluted (cents per share)	31	19.93	22.09

Notes to the financial statements are included on pages 43 to 84.

Statement of Comprehensive Income

For the year ended 30 June 2010

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
Profit for the period		28,009	30,084	11,624	11,148
Other comprehensive income					
Gain/(loss) on cash flow hedges taken to equity		-	(2,228)	-	-
Gain/(loss) on revaluation of property		6,975	-	-	-
Transfer to profit or loss on cash flow hedges		1,826	253	-	-
Income tax relating to components of other comprehensive income		(2,640)	668	-	-
Other comprehensive income for the period (net of tax)		6,161	(1,307)	-	-
Total comprehensive income for the period attributed to owners of the parent		34,170	28,777	11,624	11,148

Notes to the financial statements are included on pages 43 to 84.

Statement of Financial Position

As at 30 June 2010

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
Current Assets					
Cash and cash equivalents		4,265	3,682	-	-
Trade and other receivables	7	24,827	23,590	123,729	113,451
Inventories	8	39,985	48,311	-	-
Biological assets	9	128,281	100,169	-	-
Other financial assets	10	511	511	-	-
Other	11	953	792	-	-
Total Current Assets		198,822	177,055	123,729	113,451
Non-Current Assets					
Trade and other receivables	12	561	-	-	-
Investments accounted for using the equity method	13	7,427	7,907	-	-
Other financial assets	14	113	124	28,119	28,119
Property, plant and equipment	15	173,562	129,170	-	-
Deferred tax assets	4	-	-	2,890	1,953
Goodwill	16	14,851	14,851	-	-
Other intangible assets	17	24,184	24,184	-	-
Other	18	552	583	-	-
Total Non-Current Assets		221,250	176,819	31,009	30,072
Total Assets		420,072	353,874	154,738	143,523
Current Liabilities					
Trade and other payables	20	39,932	35,442	-	-
Borrowings	21	37,869	26,193	-	-
Other financial liabilities	22	-	2,186	-	-
Current tax liability	4	-	194	-	194
Provisions	23	3,199	3,812	-	-
Other	24	1,813	266	-	-
Total Current Liabilities		82,813	68,093	-	194
Non-Current Liabilities					
Borrowings	25	55,943	47,566	-	-
Deferred tax liabilities	4	35,478	26,327	-	-
Provisions	26	626	623	-	-
Other	27	10	18	-	-
Total Non-Current Liabilities		92,057	74,534	-	-
Total Liabilities		174,870	142,627	-	194
Net Assets		245,202	211,247	154,738	143,329
Equity					
Issued capital	28	151,177	139,605	151,177	139,605
Reserves	29	9,632	4,163	117	809
Retained earnings	30	84,393	67,479	3,444	2,915
Total Equity		245,202	211,247	154,738	143,329

Notes to the financial statements are included on pages 43 to 84.

Statement of Changes in Equity

For the year ended 30 June 2010

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
Balance as at 1 July 2008	**136,272**	**4,632**	**29**	**625**	**47,530**	**189,088**
Profit for the period	-	-	-	-	30,084	30,084
Gain/(loss) on cash flow hedge (net of any related tax)	-	-	(1,560)	-	-	(1,560)
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)	-	-	253	-	-	253
Total comprehensive income for the period	-	-	(1,307)	-	30,084	28,777
Payment of dividends	-	-	-	-	(10,135)	(10,135)
Issue of shares pursuant to Dividend Reinvestment Plan	3,333	-	-	-	-	3,333
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	-	-	-	184	-	184
Balance as at 30 June 2009	**139,605**	**4,632**	**(1,278)**	**809**	**67,479**	**211,247**
Balance as at 1 July 2009	**139,605**	**4,632**	**(1,278)**	**809**	**67,479**	**211,247**
Profit for the period	-	-	-	-	28,009	28,009
Gain/(loss) on cash flow hedge (net of any related tax)	-	-	-	-	-	-
Gain/(loss) on revaluation of property (net of any related tax)	-	4,883	-	-	-	4,883
Transfer to profit or loss on cash flow hedges (net of any related tax)	-	-	1,278	-	-	1,278
Total comprehensive income for the period	-	4,883	1,278	-	28,009	34,170
Payment of dividends	-	-	-	-	(11,095)	(11,095)
Issue of shares pursuant to Dividend Reinvestment Plan	4,873	-	-	-	-	4,873
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	6,212	-	-	-	-	6,212
Share issue costs (net of any related tax)	(112)	-	-	-	-	(112)
Issue of shares pursuant to Executive Long Term Incentive Plan	599	-	-	(599)	-	-
Recognition of share-based payments	-	-	-	(93)	-	(93)
Balance as at 30 June 2010	**151,177**	**9,515**	**-**	**117**	**84,393**	**245,202**

Notes to the financial statements are included on pages 43 to 84.

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
Balance as at 1 July 2008	**136,272**	**-**	**-**	**625**	**1,902**	**138,799**
Profit for the period	-	-	-	-	11,148	11,148
Total comprehensive income for the period	-	-	-	-	11,148	11,148
Payment of dividends	-	-	-	-	(10,135)	(10,135)
Issue of shares pursuant to Dividend Reinvestment Plan	3,333	-	-	-	-	3,333
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	-	-	-	184	-	184
Balance as at 30 June 2009	**139,605**	**-**	**-**	**809**	**2,915**	**143,329**
Balance as at 1 July 2009	**139,605**	**-**	**-**	**809**	**2,915**	**143,329**
Profit for the period	-	-	-	-	11,624	11,624
Total comprehensive income for the period					11,624	11,624
Payment of dividends	-	-	-	-	(11,095)	(11,095)
Issue of shares pursuant to Dividend Reinvestment Plan	4,873		-	-	-	4,873
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	6,212	-	-	-	-	6,212
Share issue costs (net of any related tax)	(112)	-	-	-	-	(112)
Issue of shares pursuant to Executive Long Term Incentive Plan	599	-	-	(599)	-	-
Recognition of share-based payments	-	-	-	(93)	-	(93)
Balance as at 30 June 2010	**151,177**	**-**	**-**	**117**	**3,444**	**154,738**

Notes to the financial statements are included on pages 43 to 84.

Statement of Cash Flows

For the year ended 30 June 2010

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
Cash Flows from Operating Activities					
Receipts from customers		251,841	220,079	-	-
Payments to suppliers and employees		(217,042)	(192,401)	-	-
Interest received		105	139	-	-
Interest and other costs of finance paid		(6,417)	(3,831)	-	-
Net cash (used in)/provided by operating activities	40(b)	28,487	23,986	-	-
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(47,913)	(53,475)	-	-
Proceeds from sale of property, plant and equipment		107	26	-	-
Advance from/(to) controlled entities		-	-	-	6,802
Payment for intangible assets		-	(1,066)	-	-
Additional interests acquired in associates and jointly controlled entities		-	(9)	-	-
Net cash inflow on disposal of associated and jointly controlled entities		9	-	-	-
Payment for other non-current assets		-	(144)	-	-
Net cash (used in)/provided by investing activities		(47,797)	(54,668)	-	6,802
Cash Flows from Financing Activities					
Proceeds from borrowings		52,715	42,222	-	-
Repayment of borrowings		(32,675)	(8,149)	-	-
Payment for share issue costs		(160)	-	-	-
Dividends paid to members of the parent entity		-	(6,802)	-	(6,802)
Net cash (used in)/provided by financing activities		19,880	27,271	-	(6,802)
Net increase/(decrease) in cash and cash equivalents		570	(3,411)	-	-
Cash and cash equivalents at the beginning of the financial year		3,682	7,093	-	-
Cash and cash equivalents at the end of the financial year	40(a)	4,252	3,682	-	-

Notes to the financial statements are included on pages 43 to 84.

Notes to the Financial Statements

For the Year Ended 30 June 2010

Tassal Group Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

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.

The Annual Financial Report was authorised for issue by the Directors on 27 September 2010.

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 16)
- Brand names (refer to note 17)
- 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 2010, 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

AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.

AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

AASB 8 *Operating Segments*.

AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments.

AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*.

The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. This has not impacted on disclosures made by the Group.

(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 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.

The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*.

The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

AASB 123 – *Borrowing Costs* (as revised in 2007) and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*.

The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items*.

The amendments provide clarification on two aspects of hedge accounting; identifying inflation as a hedged risk or portion, and hedging with options.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

(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.

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

Effective for annual reporting periods beginning on or after 1 January 2010 and expected to be initially applied in the financial year ending 30 June 2011.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*.

Effective for annual reporting periods beginning on or after 1 January 2010 and expected to be initially applied in the financial year ending 30 June 2011.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*.

Effective for annual reporting periods beginning on or after 1 February 2010 and expected to be initially applied in the financial year ending 30 June 2011.

AASB 124 *Related Party Disclosures* (revised December 2009), AASB 2009-12 *Amendments to Australian Accounting Standards*.

Effective for annual reporting periods beginning on or after 1 January 2011 and expected to be initially applied in the financial year ending 30 June 2012.

AASB 9 Financial Instruments, AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9.

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.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

Effective for annual reporting periods beginning on or after 1 July 2010 and expected to be initially applied in the financial year ending 30 June 2011.

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

Effective for annual reporting periods beginning on or after 1 July 2010 and expected to be initially applied in the financial year ending 30 June 2011.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

Effective for annual reporting periods beginning on or after 1 July 2011 and expected to be initially applied in the financial year ending 30 June 2012.

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 incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(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 41 to the financial statements.

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

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

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

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

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

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

The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (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.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are 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.

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)).

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(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 arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

1. Summary of Accounting Policies (cont.)

(o) Intangible Assets (cont.)

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.

(p) Inventories

The value attributed to non-living produce extracted is the net market value immediately after extraction. The net market value, less the costs of extraction, is recognised as revenue in the financial year in which the extraction occurs.

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.

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.

Where an active and liquid market is not available the net present value of cash flows expected to be generated by the finfish is applied having regard to the expected harvest biomass, future selling prices and expected costs. Historic cost is used as an estimate of fair value where little or no biological change has taken place, or where cost is a more relevant and reliable estimate than any other indicator.

The value attributed to non-living produce extracted is the net market value immediately after extraction. The net market value, less point of sale costs, is recognised as revenue in the financial year in which the extraction occurs.

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

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(z) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(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 25 August 2010, the Directors declared a final unfranked dividend of $2.884 million (2.00 cents per ordinary share) in respect of the financial year ended 30 June 2010. The record date for determining entitlements to this final dividend was 20 September 2010. The final dividend will be paid on 11 October 2010.

The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 5% has been determined by the Directors.

The Company has executed an Underwriting Agreement to underwrite that portion of the Final Dividend payment that is not taken up by shareholders pursuant to the Dividend Reinvestment Plan. This will assist funding the Company's ongoing capital investment initiatives underpinning the Company's Strategic Plan FY2015.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2010.

3. Profit for the Year Before Tax

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

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
(a) Revenue					
Revenue from the sale of goods		229,872	200,592	-	-
Net market value of non-living produce extracted	(i)	158,885	147,203	-	-
Increment in net market value of biological assets	(ii)	20,014	6,445	-	-
Dividends received from controlled entities		-	-	11,624	11,148
Rental revenue		15	12	-	-
Interest revenue		105	139	-	-
Total revenue		408,891	354,391	11,624	11,148
(b) Other income					
Gain on disposal of property, plant and equipment		103	22	-	-
Government grants received		1,752	1,329	-	-
Other		1,985	1,580	-	-
Total other income		3,840	2,931	-	-

Notes: AASB 141 "Agriculture":

(i) Pursuant to the requirements of AASB 141, this amount represents the fair value of finfish harvested during the year less point of sale costs at the point of harvest.

(ii) Pursuant to the requirements of AASB 141, this amount represents the difference between the fair value of finfish reflected in the Statement of Financial Position as at the respective reporting dates (net of estimated point of sale costs) less costs incurred in acquiring smolt (juvenile fish).

(iii) The impact on net profit before tax of applying AASB 141 for the year is an increase of $10.034 million [2009: an increase of $4.674 million].

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
(c) Expenses				
Depreciation of non-current assets	10,194	8,001	-	-
Amortisation of non-current assets	30	28	-	-
Total depreciation and amortisation	10,224	8,029	-	-
Interest – other entities	2,675	1,014	-	-
Finance lease charges	2,790	1,773	-	-
Total finance costs [(i)]	5,465	2,787	-	-

Notes:

(i) Finance costs of $1.623 million were included in the cost of qualifying assets during the current year (2009: $1.928 million).

(ii) The weighted average capitalisation rate on funds borrowed generally is 6.098% (2009: 5.148%).

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Cost of sales	222,683	195,990	-	-
Employee benefits expense:				
Share-based payments:				
Equity settled share-based payments	(93)	184	-	-
Post employment benefits	2,715	2,322	-	-
Other employee benefits	32,616	28,440	-	-
Total employee benefits expense	35,238	30,946	-	-
Net bad and doubtful debts – other entities	73	135	-	-
Write-downs of inventories to net realisable value	10	10	-	-
Operating lease rental expenses	3,766	3,575	-	-
Research and development costs immediately expensed	15	21	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

4. Income Taxes

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
(a) Income tax recognised in profit or loss:				
Tax (expense)/income comprises:				
Current tax (expense)/income	255	(3,542)	107	111
Adjustment recognised in the current year in relation to the current tax of prior years	741	(51)	-	-
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(7,555)	(5,435)	(107)	(111)
Total tax (expense)/income	(6,559)	(9,028)	-	-
The prima facie income tax (expense)/income on pre-tax accounting profit from operations reconciles to the income tax (expense)/income in the financial statements as follows:				
Profit from operations	34,568	39,112	11,624	11,148
Income tax (expense)/benefit calculated at 30%	(10,370)	(11,734)	(3,487)	(3,344)
Non-tax deductible items	(18)	(71)	-	-
Dividends from wholly-owned subsidiaries	-	-	3,487	3,344
Investment allowance	2,604	2,372	-	-
Research and development concession	456	456	-	-
Other	28	-	-	-
Adjustment recognised in the current year in relation to the current tax of prior years	741	(51)	-	-
Income tax (expense)/benefit	(6,559)	(9,028)	-	-
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.				
(b) Income tax recognised directly in equity				
Deferred tax:				
Property, Plant and equipment	(2,092)	-	-	-
Revaluation of financial instruments treated as cash flow hedges	(548)	(560)	-	-
Share issue expenses deductible over 5 years	48	-	48	-
	(2,592)	(560)	48	-
(c) Current tax balances:				
Current tax liabilities comprise:				
Income tax payable attributable to:				
Entities in the tax-consolidated group	-	194	-	194
	-	194	-	194
(d) Deferred tax balances:				
Deferred tax assets comprise:				
Tax losses – revenue	2,657	1,661	2,657	1,661
Temporary differences	2,137	2,543	233	292
	4,794	4,204	2,890	1,953
Deferred tax liabilities comprise:				
Temporary differences	(40,272)	(30,531)	-	-
	(40,272)	(30,531)	-	-
Net deferred tax asset/(liability)	(35,478)	(26,327)	2,890	1,953

(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
2010				
Gross deferred tax liabilities:				
Biological assets	(25,734)	(6,299)	-	(32,033)
Inventories	(1,375)	(556)	-	(1,931)
Property, plant and equipment	(2,756)	(726)	(2,092)	(5,574)
Investment in associates and jointly controlled entities	(645)	(10)	-	(655)
Other intangible assets	(20)	(44)	-	(64)
Other financial assets	(1)	(14)	-	(15)
	(30,531)	(7,649)	(2,092)	(40,272)
Gross deferred tax assets:				
Provisions	1,412	(159)	-	1,253
Accruals	32	50	-	82
Deferred income	85	183	-	268
Share issue expenses deductible over 5 years	292	(107)	48	233
Trade and other payables	-	32	-	32
Cash flow hedges	655	(107)	(548)	-
Investments in associates and jointly controlled entities	-	269	-	269
Other	67	(67)	-	-
	2,543	94	(500)	2,137
	(27,988)	(7,555)	(2,592)	(38,135)
Reduction arising from:				
Tax losses – revenue	1,661	996	-	2,657
Net deferred tax asset/(liability)	**(26,327)**	**(6,559)**	**(2,592)**	**(35,478)**
2009				
Gross deferred tax liabilities:				
Biological assets	(21,207)	(4,527)	-	(25,734)
Inventories	(626)	(749)	-	(1,375)
Trade and other receivables	(58)	58	-	-
Property, plant and equipment	(2,527)	(229)	-	(2,756)
Investment in associates and jointly controlled entities	(489)	(156)	-	(645)
Other intangible assets	(14)	(6)	-	(20)
Cash flow hedges	(13)	-	13	-
Other financial assets	(1)	-	-	(1)
	(24,935)	(5,609)	13	(30,531)
Gross deferred tax assets:				
Provisions	1,238	174	-	1,412
Accruals	40	(8)	-	32
Deferred income	100	(15)	-	85
Share issue expenses deductible over 5 years	403	(111)	-	292
Cash flow hedges	-	108	547	655
Other	41	26	-	67
	1,822	174	547	2,543
	(23,113)	(5,435)	560	(27,988)
Reduction arising from:				
Tax losses – revenue	5,061	(3,400)	-	1,661
Net deferred tax asset/(liability)	**(18,052)**	**(8,835)**	**560**	**(26,327)**

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

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	Transfer from subsidiaries	Charged to equity	Closing balance
	$'000	$'000	$'000	$'000	$'000
2010					
Gross deferred tax assets:					
Share issue expenses deductible over 5 years	292	(107)	-	48	233
	292	(107)	-	48	233
Addition arising from:					
Tax losses – revenue (members of the tax-consolidated group)	1,661	-	996	-	2,657
Net deferred tax asset/(liability)	**1,953**	**(107)**	**996**	**48**	**2,890**
2009					
Gross deferred tax assets:					
Share issue expenses deductible over 5 years	403	(111)	-	-	292
	403	(111)	-	-	292
Addition arising from:					
Tax losses – revenue (members of the tax-consolidated group)	5,061	-	(3,400)	-	1,661
Net deferred tax asset/(liability)	**5,464**	**(111)**	**(3,400)**	**-**	**1,953**

(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 36.

Nature of tax funding arrangements and tax sharing agreements

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

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

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

5. Key Management Personnel Compensation

(a) Identity of Key Management Personnel:

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

Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
D. Groves	Non-executive Director
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
M. Asman	Chief Operating Officer
N. Burrows [1]	Chief Financial Officer and Company Secretary
A. Creswell [2]	Chief Financial Officer
P. Jones [2]	General Counsel and Company Secretary
K. Little	General Manager – Human Resources and Quality
J. O'Connor [3]	Chief Risk Officer
L. Sams [4]	Chief Sustainability Officer
D. Williams	Chief of Sales and Marketing

Notes:

1. Until 18 December 2009
2. From 18 December 2009
3. From 15 January 2010
4. From 2 July 2009

(b) Key Management Personnel Compensation

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

	Consolidated 2010	Consolidated 2009	**Company 2010**	Company 2009
	$	$	**$**	$
Short-term employee benefits	**2,377,408**	2,538,924	**-**	-
Post-employment benefits	**195,882**	160,910	**-**	-
Share-based payment	**(169)**	160,570	**-**	-
	2,573,121	2,860,404	**-**	-

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 2010 (cont.)

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).

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 tenth anniversary (seventh anniversary for performance rights granted after 30 June 2009) 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)
2 Nov 2007	30 June 2010	228,484	-	-	228,484	-
6 Nov 2008	30 June 2011	402,586	-	-	70,938	331,648
9 Nov 2009	30 June 2012	-	608,298	-	68,164	540,134
		631,070	608,298	-	367,586	871,782

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 39(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 2008, 30 June 2009 and 30 June 2010 and applicable to participants was:

Performance condition	Value at grant date
	$
Performance rights issued during the financial year ended 30 June 2008:	
Earnings per share ('EPS')	505,490
	505,490
Performance rights issued during the financial year ended 30 June 2009:	
Earnings per share ('EPS')	412,212
	412,212
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
	1,269,773

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.

(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 2010 is $(169) (2009: $160,570). This expense is calculated after applying a reduction of $78,003 representing the expense previously recognised in relation to performance rights granted during the financial year ended 30 June 2009 which are now no longer expected to vest on 30 June 2011 (vesting dates) as the relevant EPS growth performance hurdle is not expected to be satisfied.

100% of the performance rights granted to Key Management Personnel during the financial years ended 30 June 2009 and 30 June 2008 attach to an EPS performance Hurdle. 50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2010 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 $1.715 (2009:$1.75) 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 (only applicable to performance rights issued during the financial year ended 30 June 2010) was determined using a Monte Carlo simulation model utilising the following input metrics:

Grant date	9 November 2009
Grant date share price	$1.715
Performance (vesting) period	1 July 2009 to 30 June 2012
Expected volatility (i)	41%
Dividend yield	4.28%
Risk-free interest rate	5.15%

(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 2010	Consolidated 2009	**Company 2010**	Company 2009
	$	$	**$**	$
Audit or review of the financial reports	**146,281**	158,500	**-**	-
Non-audit services (i)	**25,565**	48,861	**-**	-
	171,846	207,361	**-**	-

Notes:

(i) The "non-audit services" principally refers to the provision of taxation services and other professional services as required. Non-audit services are any services provided, excluding audits required by the Corporations Act 2001.

(ii) All amounts shown above are exclusive of GST.

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

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

(v) The auditor of Tassal Group Limited is Deloitte Touche Tohmatsu.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

7. Current Trade And Other Receivables

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Trade receivables (i)	20,211	19,636	-	-
Allowance for doubtful debts	(28)	(11)	-	-
	20,183	19,625	-	-
Goods and services tax (GST) receivable	1,401	2,491	-	-
Amount receivable from wholly-owned controlled entities (ii)	-	-	123,729	113,451
Other receivables	3,243	1,474	-	-
	24,827	23,590	123,729	113,451

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 $0.017 million (2009: decreased by $0.251 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 $1.898 million (2009: $1.550 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).

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Ageing of past due but not impaired				
90 – 120 days	1,562	1,335	-	-
120+ days	336	215	-	-
Total	1,898	1,550	-	-
Movement in allowance for doubtful debts				
Balance at the beginning of the year	(11)	(262)	-	-
Doubtful debts recognised	(73)	(135)	-	-
Amounts written off as uncollectible	56	386	-	-
Balance at the end of the year	(28)	(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 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Ageing of impaired receivables				
120+ days	28	11	-	-
	28	11	-	-

8. Current Inventories

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Raw materials	8,587	6,420	-	-
Finished goods	31,398	41,891	-	-
	39,985	48,311	-	-

9. Biological Assets

Livestock at fair value [(i)]

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Opening balance	100,169	83,289	-	-
Gain or loss arising from changes in fair value less estimated point of sale costs	178,899	153,648	-	-
Increases due to purchases	8,098	10,435	-	-
Decreases due to harvest	(158,885)	(147,203)	-	-
Closing balance	128,281	100,169	-	-

(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 15,418,766 kilograms (2009: 13,296,836 kilograms).

10. Other Current Financial Assets

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Loans carried at amortised cost:				
Loans to other related parties	511	511	-	-
	511	511	-	-

11. Other Current Assets

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Prepayments	953	792	-	-
	953	792	-	-

12. Non-Current Trade and Other Receivables

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Other receivables from related parties	561	-	-	-
	561	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

13. Investments Accounted for Using The Equity Method

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Investments in associates	7,427	6,661	-	-
Investments in jointly controlled entities	-	1,246	-	-
	7,427	7,907	-	-
Reconciliation of movement in investments accounted for using the equity method				
Balance at the beginning of the financial year	7,907	7,439	-	-
Share of profit for the year	145	459	-	-
Additions	490	9	-	-
Disposals	(1,115)	-	-	-
Balance at the end of the financial year	7,427	7,907	-	-

Name of entity	Principal activity	Country of Incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	68.94	68.78
Jointly controlled entities:				
Springfield Hatcheries Pty Ltd (ii)	Atlantic salmon & trout hatchery	Australia	-	50.00
Pink Restaurant Pty Ltd (iii)	Restaurant and related activities	Australia	-	50.00
MIC Pty Ltd (iv)	Marketing net cleaning technology	Australia	-	50.00

Notes:

(i) The Consolidated entity owns 68.94% (2009: 68.78%) of the issued capital and 61.22% (2009: 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.

(ii) Tassal acquired a 50% interest in Springfield Hatcheries Pty Limited on 6 February 2006 and the carrying value of this investment at 30 June 2009 was $1.223 million. On 15 January 2010, Tassal disposed of this investment reducing Tassal's ownership in Springfield Hatcheries to 0%. This disposal was a strategic decision by the Directors as a result of the commissioning of Tassal's new Rookwood Road Hatchery.

The Sale agreement provides that Tassal will be repaid its shareholder loan of $0.500 million within 3 years, will have its guarantee with the bank released (being 50% of $4.900 million), and receive $1 for the sale of the shares in Springfield Hatcheries Pty Ltd.

(iii) The Company's wholly owned subsidiary, Tassal Operations Pty Ltd, together with an unaffiliated management company, on 6 February 2007 formed a new and jointly owned company, Pink Restaurant Pty Ltd, to manage and operate a niche restaurant adjacent to the Company's Hobart based premises at 2 Salamanca Square. On 31 December 2009 Tassal Operations Pty Ltd sold it's 50% ownership in Pink Restaurant Pty Ltd to the unaffiliated management company for $0.125 million.

(iv) On 23rd June 2009, the Company's wholly owned subsidiary, Tassal Operations Pty Ltd, together with Plastic Fabrications Pty Ltd (a specialist provider of equipment infrastructure to the aquaculture industry), formed a new and jointly owned company, MIC Pty Ltd, to develop and market a revolutionary new net vacuum cleaning system. The newly developed technology dramatically reduces net cleaning time, labour costs and OH&S risks, delivering a cleaner environment, healthier fish and lower mortality rates.

The cost of acquisition to the consolidated entity was $0.009 million.

On 25 June 2010 Tassal Operations Pty Ltd sold its 50% ownership in MIC Pty Ltd to Plastic Fabrications Pty Ltd for $0.7 million.

Summarised financial information of associates: (i)	Consolidated 2010	Consolidated 2009
	$'000	$'000
Current assets	320	1,626
Non-current assets	14,269	12,071
	14,589	13,697
Current liabilities	(2,133)	(1,812)
Non-current liabilities	(1,987)	(2,167)
	(4,120)	(3,979)
Net assets	10,469	9,718
Revenue	6,773	3,877
Net profit/(loss)	83	(1,776)
Share of associates' profit/(loss):		
Share of profit/(loss) before income tax	(1,036)	284
Income tax (expense)/benefit	1,312	(95)
Share of associates' profit/(loss) – current period	276	189

Summarised financial information of jointly controlled entities: (i)	Consolidated 2010	Consolidated 2009
	$'000	$'000
Current assets	-	4,140
Non-current assets	-	8,794
	-	12,934
Current liabilities	-	(2,653)
Non-current liabilities	-	(5,908)
	-	(8,561)
Net assets	-	4,373
Revenue	-	5,717
Net profit/(loss)	-	599
Share of jointly controlled entities' profit/(loss):		
Share of profit/(loss) before income tax	(189)	407
Income tax (expense)/benefit	58	(137)
Share of jointly controlled entities' profit/(loss) – current period	(131)	270
Total share of associates' and jointly controlled entities' profit/(loss)	145	459

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

14. Other Non-Current Financial Assets

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Shares in other entities	43	43	-	-
Shares in controlled entities at cost	-	-	28,119	28,119
Loans to other parties	70	81	-	-
	113	124	28,119	28,119

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

15. Property, Plant and Equipment

Consolidated: 2010	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
Gross carrying amount						
Balance at 30 June 2009	**3,753**	**17,662**	**46,069**	**66,774**	**24,383**	**158,641**
Additions	-	16,474	15,564	7,001	9,460	48,499
Disposals	-	-	(5)	-	-	(5)
Transfers to asset categories	-	132	6,560	17,691	(24,383)	-
Net revaluation increment	1,612	3,833	-	-	-	5,445
Balance at 30 June 2010	**5,365**	**38,101**	**68,188**	**91,466**	**9,460**	**212,580**
Accumulated depreciation						
Balance at 30 June 2009	-	(1,061)	(15,476)	(12,934)	-	(29,471)
Depreciation expense	-	(1,182)	(4,820)	(5,077)	-	(11,079)
Disposals	-	-	2	-	-	2
Transfers to asset categories	-	-	-	-	-	-
Net adjustments from revaluations	-	1,530	-	-	-	1,530
Balance at 30 June 2010	**-**	**(713)**	**(20,294)**	**(18,011)**	**-**	**(39,018)**
Net book value						
Balance at 30 June 2009	3,753	16,601	30,593	53,840	24,383	129,170
Balance at 30 June 2010	**5,365**	**37,388**	**47,894**	**73,455**	**9,460**	**173,562**

Consolidated: 2009	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
Gross carrying amount						
Balance at 30 June 2008	3,100	17,082	36,884	34,662	19,150	110,878
Additions	653	580	13,372	14,712	24,383	53,700
Disposals	-	-	(5,854)	(83)	-	(5,937)
Transfers to asset categories	-	-	1,667	17,483	(19,150)	-
Balance at 30 June 2009	**3,753**	**17,662**	**46,069**	**66,774**	**24,383**	**158,641**
Accumulated depreciation						
Balance at 30 June 2008	-	(516)	(17,326)	(7,941)	-	(25,783)
Depreciation expense	-	(545)	(3,987)	(5,076)	-	(9,608)
Disposals	-	-	5,837	83	-	5,920
Balance at 30 June 2009	**-**	**(1,061)**	**(15,476)**	**(12,934)**	**-**	**(29,471)**
Net book value						
Balance at 30 June 2008	3,100	16,566	19,558	26,721	19,150	85,095
Balance at 30 June 2009	**3,753**	**16,601**	**30,593**	**53,840**	**24,383**	**129,170**

An independent valuation of the Group'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 the land and buildings. The valuation conforms to Australian Valuations Standards, and was effective as at 19 June 2010.

16. Goodwill

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	**$'000**	$'000
Gross carrying amount				
Balance at the beginning of financial year	**14,851**	14,851	**-**	-
Additional amounts recognised from business combinations occurring during the period	**-**	-	**-**	-
Balance at the end of financial year	**14,851**	14,851	**-**	-
Accumulated impairment losses				
Balance at the beginning of financial year	**-**	-	**-**	-
Impairment losses for the year	**-**	-	**-**	-
Balance at the end of the financial year	**-**	-	**-**	-
Net book value				
Balance at the beginning of the financial year	**14,851**	14,851	**-**	-
Balance at the end of the financial year	**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 11.43% (2009: 14.27%). The calculation is based on management approved cash flows and financial projections to 2015, and a further five year forecast to 2020, 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.

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For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

17. Other Intangible Assets

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at the beginning of financial year	24,184	23,118	-	-
Additional amounts recognised from acquisition of Superior Gold Brand	-	1,066	-	-
Balance at the end of financial year	24,184	24,184	-	-
Accumulated impairment losses				
Balance at the beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at the end of financial year	-	-	-	-
Net book value				
Balance at the beginning of financial year	24,184	23,118	-	-
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 2010 is $24.184 million (2009: $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 11.43% (2009: 14.27%). 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 2010, and projections over a further forecast period to 2020. 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.

18. Other Non-Current Assets

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Marine farming lease – at cost	827	827	-	-
Accumulated amortisation (i)	(275)	(244)	-	-
	552	583	-	-

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

19. Assets Pledged As Security

In accordance with the security arrangements of liabilities, as disclosed in notes 21 and 25 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.

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	**$'000**	$'000
20. Current Trade and Other Payables				
Trade payables (i)	**32,257**	29,035	**-**	-
Other creditors and accruals	**7,658**	6,064	**-**	-
Goods and services tax (GST) payable	**17**	343	**-**	-
	39,932	35,442	**-**	-

(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.

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
21. Current Borrowings				
Secured:				
At amortised cost				
Bank overdrafts (i)	**13**	-	**-**	-
Finance lease liabilities (ii)	**16,204**	12,380	**-**	-
Bank loans (iii)	**21,649**	13,810	**-**	-
	37,866	26,190	**-**	-
Unsecured:				
At amortised cost				
Other loans	**3**	3	**-**	-
	37,869	26,193	**-**	-

(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.

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
22. Other Current Financial Liabilities				
Foreign currency forward contracts	**-**	2,186	**-**	-
	-	2,186	**-**	-
23. Current Provisions				
Current provisions comprise:				
Employee benefits (refer to note 26)	**3,199**	3,812	**-**	-
	3,199	3,812	**-**	-

(i) The current provision for employee entitlements includes $0.436 million (2009: $0.826 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

Notes to the Financial Statements

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Tassal Group Limited and Controlled Entities

24. Other Current Liabilities

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Deferred government grants	1,804	257	-	-
Other	9	9	-	-
	1,813	266	-	-

25. Non-Current Borrowings

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Secured:				
At amortised cost:				
Cash advance (i)	34,537	24,853	-	-
Finance lease liabilities (ii)	21,389	22,692	-	-
	55,926	47,545	-	-
Unsecured:				
At amortised cost:				
Other loans	17	21	-	-
	55,943	47,566	-	-

(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.

26. Non-Current Provisions

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Employee benefits	626	623	-	-
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits				
Current (refer to note 23)	3,199	3,812	-	-
Non-current	626	623	-	-
	3,825	4,435	-	-

27. Other Non-Current Liabilities

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Other	10	18	-	-
	10	18	-	-

28. Issued Capital

		Consolidated and Company			
		2010		2009	
	Note	Number	$'000	Number	$'000
(a) Ordinary share capital (fully paid):					
Ordinary shares		**144,197,882**	**151,177**	136,589,971	139,605
Changes to the Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.					
(b) Movements in ordinary share capital					
Balance as at the beginning of the financial year		**136,589,971**	**139,605**	134,737,933	136,272
Issue of shares pursuant to Dividend Reinvestment Plan	**(i)**	**3,207,419**	**4,873**	1,852,038	3,333
Issue of shares pursuant to underwriting agreement relating to Dividend Reinvestment Plan	**(ii)**	**3,966,722**	**6,212**	-	-
Share issue costs		**-**	**(112)**	-	-
Issue of shares pursuant to Executive Long Term Incentive Plan	**(iii)**	**433,770**	**599**	-	-
Balance as at the end of the financial year		**144,197,882**	**151,177**	136,589,971	139,605

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.

Notes:

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

Current financial year:

On October 8 2009, 1,040,042 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of $1.6435 per share. A discount of 5% was applicable.

On April 1 2010, 2,167,377 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of $1.4599 per share. A discount of 5% was applicable.

Previous financial year:

On October 24 2008, 748,651 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of $2.0513 per share. A discount of 5% was applicable.

On April 2 2009, 1,103,387 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of $1.6287 per share. A discount of 5% was applicable.

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

Current financial year:

On October 8 2009, 2,291,864 ordinary shares were issued to Austock Securities Limited at an issue price of $1.6435 per share and pursuant to an underwriting agreement relating to the Company's Dividend Reinvestment Plan.

On April 1 2010, 1,674,858 ordinary shares were issued to Austock Securities Limited at an issue price of $1.4599 per share and pursuant to an underwriting agreement relating to the Company's Dividend Reinvestment Plan.

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

Current financial year:

On 15 September 2009, 433,770 ordinary shares were issued pursuant to the Company's Executive Long Term Incentive Plan at an issue price of $1.3803 per share. There was no exercise price paid on this conversion.

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Tassal Group Limited and Controlled Entities

29. Reserves

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Equity-settled employee benefits	117	809	117	809
Hedging	-	(1,278)	-	-
Asset revaluation	9,515	4,632	-	-
	9,632	4,163	117	809
(a) Equity-settled employee benefits reserve				
Balance at the beginning of the financial year	809	625	809	625
Share-based payment	(93)	184	(93)	184
Issue of shares pursuant to Executive Long Term Incentive Plan	(599)	-	(599)	-
Balance at the end of the financial year	117	809	117	809

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.

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
(b) Hedging reserve				
Balance as at the beginning of the financial year	(1,278)	29	-	-
Gain/(loss) recognised on cash flow hedges:				
Forward exchange contracts	-	(2,228)	-	-
Income tax related to gains/losses recognised in equity	-	668	-	-
Transfer to profit or loss:				
Forward exchange contracts	1,826	361	-	-
Income tax related to gains/losses transferred to profit or loss	(548)	(108)	-	-
Balance at the end of the financial year	-	(1,278)	-	-

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

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
(c) Asset revaluation reserve				
Balance as at the beginning of the financial year	4,632	4,632	-	-
Revaluation increments	6,975	-	-	-
Deferred tax liability arising on revaluation	(2,092)	-	-	-
Balance as at the end of the financial year	9,515	4,632	-	-

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 15 for details of independent valuation of freehold land and freehold and leasehold buildings).

30. Retained Earnings

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Balance at the beginning of the financial year	67,479	47,530	2,915	1,902
Net profit attributable to members of the parent entity	28,009	30,084	11,624	11,148
Dividends provided for or paid (refer to note 32)	(11,095)	(10,135)	(11,095)	(10,135)
Balance at the end of the financial year	84,393	67,479	3,444	2,915

31. Earnings Per Share (EPS)

	Consolidated 2010	Consolidated 2009
	(Cents per share)	(Cents per share)
Earnings per ordinary share		
Basic (cents per share) (i)	19.96	22.20
Diluted (cents per share) (ii)	19.93	22.09

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

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

	2010	2009
	No. '000	No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	140,320	135,523
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	242	701
Number for diluted EPS	140,562	136,224

	2010	2009
	$'000	$'000
Earnings used as the numerator in the calculation of EPS (i)		
Earnings for basic EPS	28,009	30,084
Earnings for diluted EPS	28,009	30,084

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

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

32. Dividends

	Year Ended 30 June 2010		Year Ended 30 June 2009	
	Cents per share	$'000	Cents per share	$'000
(a) Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year (Unfranked)	4.00	5,614	4.00	5,420
Final dividend paid in respect of prior financial year (Unfranked)	4.00	5,481	3.50	4,715
	8.00	11,095	7.50	10,135
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)	2.00	2,884	4.00	5,481

On 25 August 2010, the Directors declared a final unfranked dividend of $2.884 million (2.00 cents per ordinary share) in respect of the financial year ended 30 June 2010. The record date for determining entitlements to this dividend is 20 September 2010. The final dividend will be paid on 11 October 2010.

The Company's Dividend Reinvestment Plan will apply to the final dividend, with a discount rate of 5% applicable.

The Company has executed an Underwriting Agreement to underwrite that portion of the Final Dividend payment that is not taken up by shareholders pursuant to the Dividend Reinvestment Plan. This will assist funding the Company's ongoing capital investment initiatives underpinning the Company's FY2015 Strategic Plan.

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 2010 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2010.

No portion of the unfranked final dividend declared for the financial year ended 30 June 2010 constitutes Conduit Foreign Income.

33. Commitments For Expenditure (i)

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Capital expenditure commitments				
Plant and equipment				
Not longer than 1 year	5,944	19,919	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	5,944	19,919	-	-

(i) Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 34 to the financial statements.

34. Leases

(a) Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Not later than 1 year	18,569	14,431	-	-	16,204	12,380	-	-
Later than 1 year and not later than 5 years	22,613	24,201	-	-	21,138	22,337	-	-
Later than 5 years	276	408	-	-	251	355	-	-
Minimum lease payments*	41,458	39,040	-	-	37,593	35,072	-	-
Less future finance charges	(3,865)	(3,968)	-	-	-	-	-	-
Present value of minimum lease payments	37,593	35,072	-	-	37,593	35,072	-	-
Included in the financial statements as:							-	-
Current borrowings (refer to note 21)					16,204	12,380	-	-
Non-current borrowings (refer to note 25)					21,389	22,692	-	-
					37,593	35,072	-	-

* 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 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
Not longer than 1 year	2,841	2,723	-	-
Longer than 1 year and not longer than 5 years	6,003	6,196	-	-
Longer than 5 years	2,648	3,585	-	-
	11,492	12,504	-	-

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.

35. Contingent Liabilities And Contingent Assets

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

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

36. Investments In Controlled Entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2010	2009
Parent entity:			
Tassal Group Limited (i)	Australia		
Controlled entities: (ii)			
Tassal Operations Pty Ltd (iii) (v)	Australia	**100%**	100%
Aquatas Pty Ltd (iv) (v)	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.

37. Segment Information

The Group has adopted AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8" with effect from 1 January 2009. AASB 8 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. In contrast, the predecessor Standard (AASB 114 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risk and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. The Group previously reported two segments under AASB 114 based on geographical location, however 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.

38. 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.

39. Related Party Disclosures

Identity of related parties

The following persons and entities are regarded as related parties:

Controlled entities:

Tassal Operations Pty Ltd

Aquatas Pty Ltd

(Refer to note 36 for details of equity interests in the above controlled companies).

Associates and jointly controlled entities:

Salmon Enterprises of Tasmania Pty Ltd

Springfield Hatcheries Pty Ltd

Pink Restaurant Pty Ltd

MIC Pty Ltd

(Refer to note 13 for details of equity interests in the above associates and jointly controlled entities).

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.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

39. 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. Performance rights that were exercised in FY2010 vested in FY2009.

2010:	Balance as at 01.07.09	Balance at appointment date (if applicable)	On exercise of performance rights	On exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30.06.10	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
D. Groves	3,000	-	-	-	157	-	3,157	-
A. McCallum	215,709	-	-	-	37,353	-	253,062	-
J. Monk	152,581	-	-	-	25,887	-	178,468	-
R. Roberts*	28,139,372	-	-	-	770,995	-	28,910,367	-
M. Ryan [1]	300,246	-	170,338	-	(100,000)	-	370,584	-
J. Watson	118,819	-	-	-	27,275	-	146,094	-
Other Key Management Personnel:								
M. Asman	2,732	-	50,614	-	-	-	53,346	-
N. Burrows (resigned 18.12.2009)	10,000	-	50,614	-	-	60,614	-	-
A. Creswell (appointed 18.12.2009)	-	-	29,202	-	-	-	29,202	-
P. Jones (appointed 18.12.2009)	-	-	-	-	-	-	-	-
K. Little	-	-	36,501	-	(36,501)	-	-	-
J. O'Connor (appointed 15.01.2010)	-	-	-	-	-	-	-	-
L. Sams (appointed 02.07.2009)	-	-	-	-	-	-	-	-
D. Williams	-	-	50,614	-	-	-	50,614	-
Total	**28,942,459**	**-**	**387,883**	**-**	**725,166**	**60,614**	**29,994,894**	**-**

* 28,910,367 ordinary shares are held by Webster Limited. Mr Roberts was a Director of Webster Limited throughout the financial year ended 30 June 2010.

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

2009:	Balance as at 01.07.08	Balance at appointment date (if applicable)	On exercise of performance rights	On exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30.06.09	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
C. Bright (Resigned 30 September 2008)*	35,139,372	-	-	-	-	35,139,372	N/A	-
D. Groves	-	-	-	-	3,000	-	3,000	-
A. McCallum	207,006	-	-	-	8,703	-	215,709	-
J. Monk	146,425	-	-	-	6,156	-	152,581	-
R. Roberts*	35,139,372	-	-	-	(7,000,000)	-	28,139,372	-
M. Ryan [1]	407,246	-	-	-	(107,000)	-	300,246	-
J. Watson	104,193	-	-	-	14,626	-	118,819	-
Other Key Management Personnel:								
M. Asman	2,622	-	-	-	110	-	2,732	-
N. Burrows	10,000	-	-	-	-	-	10,000	-
K. Little	-	-	-	-	-	-	-	-
N. Petracca	-	-	-	-	-	-	-	-
D. Williams	-	-	-	-	-	-	-	-
Total	**71,156,236**	**-**	**-**	**-**	**(7,074,405)**	**35,139,372**	**28,942,459**	**-**

* 28,139,372 ordinary shares are held by Webster Limited. Mr Roberts was a Director of Webster Limited throughout the financial year ended 30 June 2009. Mr Bright was a Director of Webster Limited from 1 July 2008 until his resignation on 30 September 2009.

1 Details of Mr Ryan's share-based remuneration arrangements are separately disclosed in the Remuneration Report and note 5(c). Mr D. Robinson was a Director from 30 September 2008 to 20 November 2008 and did not hold any ordinary shares throughout this period.

39. 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 reporting period of each member of the Key Management Personnel of the consolidated entity:

2010:	Balance as at 01.07.09	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.10	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
D. Groves	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
J. Monk	-	-	-	-	-	-	-	-
R. Roberts	-	-	-	-	-	-	-	-
M. Ryan [1]	164,184	-	128,918	-	(66,771)	-	226,331	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	61,028	-	50,133	-	(23,147)	-	88,014	-
N. Burrows (resigned 18.12.2009)	46,955	-	36,580	-	(83,535)	-	-	-
A. Creswell (appointed 18.12.2009)	-	32,249	24,645	-	(13,627)	-	43,267	-
P. Jones (appointed 18.12.2009)	-	-	38,717	-	-	-	38,717	-
K. Little	33,861	-	26,379	-	(14,308)	-	45,932	-
J. O'Connor (appointed 15.01.2010)	-	19,243	25,961	-	-	-	45,204	-
L. Sams (appointed 02.07.2009)	-	-	26,327	-	-	-	26,327	-
D. Williams	29,054	-	12,193	-	(19,841)	-	21,406	-
Total	**335,082**	**51,492**	**369,853**	**-**	**(221,229)**	**-**	**535,198**	**-**

The balance at 1 July 2009 excludes N. Petracca, who ceased being a Key Management Personnel on 30 June 2009.

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

2009:	Balance as at 01.07.08	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.09	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
C. Bright (Resigned 30 September 2008)	-	-	-	-	-	-	-	-
D. Groves	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
J. Monk	-	-	-	-	-	-	-	-
R. Roberts	-	-	-	-	-	-	-	-
M. Ryan [1]	256,035	-	97,413	(170,338)	(18,926)	-	164,184	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	79,385	-	37,881	(50,614)	(5,624)	-	61,028	-
N. Burrows	76,079	-	27,114	(50,614)	(5,624)	-	46,955	-
K. Little	54,865	-	19,553	(36,501)	(4,056)	-	33,861	-
N. Petracca	68,973	-	24,581	(45,887)	(5,099)	-	42,568	-
D. Williams	76,079	-	9,213	(50,614)	(5,624)	-	29,054	-
Total	**611,416**	**-**	**215,755**	**(404,568)**	**(44,953)**	**-**	**377,650**	**-**

Mr D. Robinson was a Director from 30 September 2008 to 20 November 2008 and did not hold nor was granted any performance rights during this period.

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

All performance rights granted to Key Management Personnel were granted in accordance with the provisions of the Company's Long-term Incentive Plan. On 30 June 2009, 404,568 performance rights which were granted during the financial year ended 30 June 2007 vested to Key Management Personnel. Refer to the Remuneration Report and note 5 to the financial statements, for further details.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

39. Related Party Disclosures (cont.)

(a) Key Management Personnel (cont.)

(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 and jointly controlled entities 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 2010	Consolidated 2009	Company 2010	Company 2009
	$	$	$	$
Salmon Enterprises of Tasmania Pty Ltd	5,549,088	3,864,195	-	-
Springfield Hatcheries Pty Ltd	767,397	2,289,685	-	-
Pink Restaurant Pty Ltd	(12,989)	(13,611)	-	-
MIC Pty Ltd	(700,000)	700,000	-	-
	5,603,496	6,840,269	-	-

(ii) Loans due from associates and jointly controlled entities

During the financial year the consolidated entity advanced funds to Pink Restaurant Pty Ltd for the purposes of assisting the associated entity to purchase mechanical services infrastructure. Interest is charged and paid monthly at an interest rate of 9.00% (2009: 9.00%). Funds advanced are secured by the assets, the value of which exceeds the loan receivable.

Entity	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$	$	$	$
Pink Restaurant Pty Ltd	81,050	91,739	-	-
	81,050	91,739	-	-

40. Notes To The Statement Of Cash Flows

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
(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:				
Cash and cash equivalents	4,265	3,682	-	-
Bank overdrafts	(13)	-	-	-
	4,252	3,682	-	-
(b) Reconciliation of profit for the period to net cash flows from operating activities:				
Profit for the period	28,009	30,084	11,624	11,148
Depreciation and amortisation of non-current assets	10,224	8,029	-	-
Depreciation – impact of allocation to cost of live and processed fish inventories	885	1,607	-	-
Net increment in biological assets	(10,034)	(4,674)	-	-
(Profit)/loss on divestment of jointly controlled entities	421	-		
(Profit)/loss on sale of fixed assets	(103)	(22)	-	-
(Increase)/decrease in deferred tax balances	7,445	8,834	(937)	3,511
Increase/(decrease) in current tax liability	(194)	194	(194)	194
Share of associates' and jointly controlled entities' profits	(145)	(459)	-	-
Equity settled share-based payment	(692)	184	(692)	184
(Increase)/decrease in assets:				
Inventories (i)	5,794	(9,399)	-	-
Biological assets (i)	(15,546)	(13,878)	-	-
Trade and other receivables	(1,798)	(4,199)	(9,801)	(15,037)
Prepayments	(161)	114	-	-
Other current financial assets	-	295	-	-
Other non-current other financial assets	-	11	-	-
Increase/(decrease) in liabilities:				
Current trade and other payables	3,812	6,098	-	-
Other current liabilities	1,547	(40)	-	-
Other current financial liabilities	(359)	359	-	-
Current provisions	(613)	880	-	-
Other non-current liabilities	(8)	(9)	-	-
Non-current provisions	3	(23)	-	-
Net cash provided by operating activities	28,487	23,986	-	-

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

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

40. Notes To The Statement Of Cash Flows (cont.)

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
	$'000	$'000	$'000	$'000
(c) Financing facilities				
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 2012 and payable at call				
– Amount used	34,537	24,853	-	-
– Amount unused	13,463	13,147	-	-
	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	59,241	48,882	-	-
– Amount unused	23,759	16,118	-	-
	83,000	65,000	-	-

41. 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 program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase and sale of imported and exported supply of salmon.
- 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 21 and 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and 30 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.

41. 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	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Financial assets				
Debt (i)	**93,812**	73,759	**-**	-
Cash and cash equivalents	**(4,265)**	(3,682)	**-**	-
Net debt	**89,547**	70,077	**-**	-
Equity (ii)	**245,202**	211,247	**154,738**	143,329
Net debt to equity ratio	**36.52%**	33.17%	**0.00%**	0.00%

(i) Debt is defined as long and short term borrowings as detailed in notes 21 and 25.

(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 41(e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer note 41(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 years.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

41. Financial Instruments (cont.)

(e) Foreign currency risk management (cont.)

The following table details the forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value Asset/(liability)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
			FC'000	FC'000	**$'000**	$'000	**$'000**	$'000
Consolidated								
Buy Danish Krone								
Less than 3 months	**-**	4.1792	**-**	11,000	**-**	2,632	**-**	(58)
Sell Japanese Yen								
Less than 3 months	**-**	97.24	**-**	256,500	**-**	2,638	**-**	(670)
3 to 6 months	**-**	96.84	**-**	550,000	**-**	5,680	**-**	(1,458)
					-	10,950	**-**	(2,186)

Foreign currency sensitivity analysis

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit or loss and equity, and the balances below would be reversed.

	DKK impact				JPY impact				USD impact			
	Consolidated		Company		Consolidated		Company		Consolidated		Company	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Profit /(loss) (i)	**-**	155	**-**	-	**-**	(114)	**-**	-	**-**	(13)	**-**	-
Equity (ii)	**-**	184	**-**	-	**-**	(484)	**-**	-	**-**	-	**-**	-

(i) This is mainly attributable to the pre-tax exposure outstanding on the relevant foreign currency denominated receivables and payables at year end in the Group.

(ii) This is mainly as a result of changes in the fair value of derivative instruments designated as cash flow hedges in the relevant foreign currency.

(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	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	**43**	37	**-**	-
Total Profit/(Loss)	**43**	37	**-**	-

(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 40(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
2010	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Non-interest bearing:					
Trade receivables	-	20,183	-	-	20,183
Other receivables	-	4,644	561	-	5,205
Other financial assets	-	500	-	43	543
Variable interest rate:					
Cash and cash equivalents	3.09%	4,265	-	-	4,265
Fixed interest rate maturity:					
Other financial assets	9.00%	11	42	28	81
		29,603	**603**	**71**	**30,277**
Financial liabilities					
Non-interest bearing:					
Trade payables	-	32,257	-	-	32,257
Other payables	-	7,675	-	-	7,675
Variable interest rate:					
Bank overdraft	-	13	-	-	13
Fixed interest rate maturity:					
Cash advance	4.75%	-	34,537	-	34,537
Finance lease liabilities	7.00%	16,204	21,138	251	37,593
Bank loans	6.68%	21,649	-	-	21,649
Other loans	8.20%	3	17	-	20
		77,801	**55,692**	**251**	**133,744**

Company

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2010	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Non-interest bearing:					
Other receivables	-	123,729	-	-	123,729
	-	**123,729**	**-**	**-**	**123,729**

Notes to the Financial Statements

For the Year Ended 30 June 2010 (cont.)

Tassal Group Limited and Controlled Entities

41. Financial Instruments (cont.)

(g) Liquidity risk management (cont.)

Liquidity and interest rate tables (cont.)

Consolidated

2009	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets					
Non-interest bearing:					
Trade receivables	-	19,625	-	-	19,625
Other receivables	-	3,965	-	-	3,965
Other financial assets	-	500	-	43	543
Variable interest rate:					
Cash and cash equivalents	1.50%	3,682	-	-	3,682
Fixed interest rate maturity:					
Other financial assets	9.00%	11	53	28	92
		27,783	**53**	**71**	**27,907**
Financial liabilities					
Non-interest bearing:					
Trade payables	-	29,035	-	-	29,035
Other payables	-	6,407	-	-	6,407
Fixed interest rate maturity:					
Cash advance	3.98%	-	24,853	-	24,853
Finance lease liabilities	6.00%	12,380	22,337	355	35,072
Bank loans	5.08%	13,810	-	-	13,810
Other loans	8.20%	3	21	-	24
		61,635	**47,211**	**355**	**109,201**

Company

2009	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets					
Non-interest bearing:					
Other receivables	-	113,451	-	-	113,451
	-	**113,451**	**-**	**-**	**113,451**

(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.

Directors' Declaration

Tassal Group Limited and Controlled Entities

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 37 to 84, 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 2010 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 the parties 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 36 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 2010.

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 27th day of September 2010

Independent Auditor's Report

Tassal Group Limited and Controlled Entities

Deloitte.

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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 2010, and 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, a summary of significant accounting policies and other explanatory notes comprising 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 37 to 85.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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*.

Auditor's Opinion

In our opinion:

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

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 34 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Tassal Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

D Harradine
Partner
Chartered Accountants
Hobart, 27 September 2010

Additional Securities Exchange Information

Tassal Group Limited and Controlled Entities

The following additional information is provided in accordance with the ASX Listing Rules as at 31 August 2010.

Number of holder of equity securities

Ordinary share capital (quoted)

144,197,882 fully paid ordinary shares are held by 4,501 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)

871,782 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 17 employees. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

Distribution of holders of equity securities

Number of equity securities held	Ordinary Shares			Performance Rights		
	No. of holders	No. of shares	% of shares	No. of holders	No. of rights	% of rights
1 – 1,000	1,208	624,358	0.43	-	-	-
1,001 – 5,000	2,005	5,286,628	3.67	-	-	-
5,001 – 10,000	687	5,082,604	3.52	-	-	-
10,001 – 100,000	562	13,932,690	9.66	16	645,451	74.04
100,001 and over	39	119,271,602	82.71	1	226,331	25.96
	4,501	**144,197,882**	**100.00**	**17**	**871,782**	**100.00**

The number of shareholders holding less than a marketable parcel of 350 fully paid ordinary shares on 31 August 2010 is 466 and they hold 64,962 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
Webster Limited	28,139,372	20.60
Orbis Investment Management (Australia) Pty Ltd	20,818,053	14.44
JF Capital Partners Limited	13,346,685	9.26
Acorn Capital Limited	9,295,269	6.45
National Australia Bank Limited	7,746,051	5.52

Additional Securities Exchange Information (cont.)

Tassal Group Limited and Controlled Entities

Twenty largest holders of quoted ordinary shares

Name	Number of Shares	% of issued capital
Webster Limited	28,910,367	20.05
HSBC Custody Nominees (Australia) Limited	23,513,154	16.31
National Nominees Limited	18,996,364	13.17
J P Morgan Nominees Australia Limited	13,394,557	9.29
ANZ Nominees Limited <Cash Income A/C>	8,229,493	5.71
RBC Dexia Investor Services Australianominees Pty Limited	4,798,474	3.33
Citicorp Nominees Pty Limited	3,449,382	2.39
Cogent Nominees Pty Limited	2,805,262	1.95
Mirrabooka Investments Limited	2,130,498	1.48
HSBC Custody Nominees (Australia) Limited-Gsco Eca	2,045,625	1.42
HSBC Custody Nominees (Australia) Limited – A/C 2	1,594,806	1.11
Amcil Limited	800,000	0.55
Sandhurst Trustees Ltd <Jmfg Consol A/C>	784,644	0.54
Citicorp Nominees Pty Limited <Cwlth Bank Off Super A/C>	783,957	0.54
Brazil Farming Pty Ltd	722,346	0.50
Bond Street Custodians Limited <Officium Special Situat A/C>	700,000	0.49
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	546,013	0.38
UBS Nominees Pty Ltd <797 A/C>	472,000	0.33
Mirrabooka Investments Limited	449,801	0.31
The University Of Melbourne	445,581	0.31
Total	**115,572,324**	**80.15**

On-market buy-back

There is no current on-market buy-back.

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