



**Annual Financial Report  
Year Ended 30 June 2011**

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*Cone Bay* Ocean Barramundi

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The directors present their report together with the consolidated financial report of Marine Produce Australia Limited (the Company or MPA), and its subsidiaries (the Group), for the financial year ended 30 June 2011 and the auditor's report thereon.

### 1 DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr Miles Kennedy  
*Chairman*  
Appointed 11 June 2008

Mr Kennedy has held directorships of Australian listed resource companies for the past 27 years. He is also Chief Executive Director of Lonrho Mining Limited (since September 2008) and Chairman of Resource and Investment NL (since 2006) and Mod Resources Ltd (since April 2011); all ASX listed companies. He was a Non-Executive Chairman of Sandfire Resources NL (August 2007 to December 2009).

Mr Justin Clarke  
*Managing Director*  
Appointed 23 November 2010

Mr Clarke has a business studies degree from Massey University in New Zealand. He has spent 15 years working in the Kimberley; partly at Cone Bay, but the majority of time for the Kimberley Diamond Company at their Ellendale operation where he worked his way up to the role of General Manager, Operations. He has spent five years as a director of Blina Diamonds NL and comes to MPA from a role as Operations Manager for Sandfire Resources.

Mr John Hutton  
*Non-Executive Director*  
Appointed 14 August 2006

Mr Hutton is a director of a number of successful private companies involved in the resources and pearling industries and is closely involved in the management of a highly successful pearl farm, producing Australian South Sea Pearls. He is a director of ASX listed Resource and Investment NL and Brumby Resource NL. He was also a Non-executive Director of Sandfire Resources NL (July 2007 to April 2010).

Dr Tor Theunissen  
*Independent Non-Executive Director*  
Appointed 17 December 2007  
Resigned 23 November 2010

Dr Theunissen is the principal of a management consulting company that specialises in the strategic planning and resourcing of new projects. He is an experienced public company director and a former Chairman of Marine Produce Australia Limited.

### 2 COMPANY SECRETARY

Ms Jean Mathie  
*Company Secretary*  
Appointed 14 August 2006

Ms Jean Mathie holds the position of Company Secretary and was appointed to the position in August 2006. Ms Mathie also holds the position of Company Secretary for ASX listed entities, Lonrho Mining Limited and Resource and Investment NL.

### 3 DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	Attended	Held while a director
Mr M Kennedy	2	2
Mr Justin Clarke	0	0
Mr J R Hutton	2	2
Dr T Theunissen	2	2

### 4 PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the growth and sale of Barramundi by aquaculture means. This required further investment in aquaculture assets and continuing research of technologies and market developments to cultivate fish. The Group's objectives are stated within the operating and financial review.

## 5 OPERATING AND FINANCIAL REVIEW

### (i) OPERATING REVIEW

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- Maintenance of price premium and orders continue to exceed available supply
  - Continued reduction in farm unit operating costs with increasing operating scale
  - Sustainable fingerling supply, with further successful batches of juvenile Barramundi sourced from the Challenger Institute, Fremantle WA
  - Total harvest of 845 tonnes, 112% increase on previous year (prior year: 398 tonnes)
  - Growth biomass increase of 124 tonnes for the year after harvest
  - Development of 5 year expansion plan for Cone Bay operations with controlled growth assumption with 15% year on year sales increase to reach a targeted sales biomass of 2000 tonnes by 2017
  - Secured EPA approval for 1000 tonne annual production at Cone Bay through approval of the MPA Environmental Monitoring and Management Plan (further applications in progress)
  - Procurement of resupply vessel Innovator with 180t payload
  - Additional farm service vessel Tom purchased to further improve farm operating procedures
  - Complete 80m cage conversion program with 11 by 80m cages with nets deployed at Cone Bay
  - Commissioning of fish pumping and grading barge
  - Grant of tenure through attainment of WA Department of Fisheries 21 year lease for the Cone Bay Aquaculture licensed site
  - Transfer of aquaculture licence from Maxima Pearling to Marine Produce Australia
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#### Review of operations

The Group has reported further strong production results for its Cone Bay Ocean Barramundi Operations in the Kimberley region of Western Australia, allowing 112% increase in annual harvest volume to 845 tonnes for 2011 financial year.

#### Increased biomass

Biomass as at 30 June 2011 was 1,391 tonnes, representing an increase of 124 tonnes from previous year in addition to biomass harvested.

#### Sales forecasts

Farm production is in line with forecasts and is expected to support a further 35% increase in sales volume to 1,200 tonnes for the 2012 FY. Increased farm stocks will allow MPA to better support existing customers with quality product and also to target new sales, particularly in major east coast markets.

#### Tenure and Environmental Approvals

The Group has continued its efforts to increase its portfolio of Production Licences in the Kimberley region by:

- attainment of WA Department of Fisheries 21 year lease over the Cone Bay licensed site;
- EPA approval for MPA Environmental Monitoring and Management Plan relating to 1,000 tonnes annual production approval;
- independent assessment by Oceanica of Cone Bay historical environmental monitoring data concluding that the operation has had no impact to date on the environmental values of Cone Bay;
- commencement of work on the Environmental Impact Assessment, and EPA approvals process, for 2000t and 5000t annual production at Cone Bay. Approval for 2000t annual production is expected to be granted by March 2012.

#### Fingerling Production

MPA has further cemented its relationship with Challenger TAFE for provision of barramundi fingerlings to the Cone Bay operation transferring 846,000 fingerlings in 2011 without incident.

Barramundi broodstock have been transported from Cone Bay to Challenger, with the fish are expected to commence spawning in early 2012. This will allow MPA to be totally self reliant with regards to fingerling supply, reducing the need to transport larvae from other Australian states.

## (ii) REVIEW OF FINANCIAL RESULTS

### Results from Operating Activities and Loss for the Period

The Group's result from operating activities (excluding impairment and depreciation) for the reporting period was a loss of \$5,099 thousand (2010: \$2,496 thousand). The loss for the period was \$6,337 thousand (2010: \$3,896 thousand) including impairment of property, plant and equipment and intangible assets of \$998 thousand (2010: \$1,622 thousand) and depreciation and amortisation of \$271 thousand (2010: \$129 thousand).

The results from operating activities (excluding impairment and depreciation) included:

<i>In thousands of AUD</i>	<b>12 months ended Jun 2011</b>	<b>12 months ended Jun 2010</b>
Loss from farming operations (excluding impairment and depreciation)	(2,663)	(688)
Administration and marketing expenses	(2,436)	(1,808)
<b>Results from operating activities excluding impairment and depreciation</b>	<b>(5,099)</b>	<b>(2,496)</b>

<i>In thousands of AUD and kg</i>	<b>12 months ended Jun 2011</b>	<b>12 months ended Jun 2010</b>
Farm cash operating costs (AUD)	11,668	9,218
Fish biomass growth before harvest (kg)	969	1,039
<b>Farm cash operating cost per kg</b>	<b>12.04</b>	<b>8.87</b>

### Revenue

#### Revenue from sales

Revenue from the sale of fish was \$7,778 thousand for the period from the sale of 796,725 kg. Total 845,110 kg of fish harvested for the period.

#### Impairment

The Group has undertaken a review of the carrying value of its assets and recognised impairment charges for property, plant and equipment of \$934 thousand and intangible assets of \$64 thousand resulting in those assets being carried at their estimated net fair value.

## (iii) REVIEW OF FINANCIAL CONDITION

At 30 June 2011, the Group had a working capital surplus of \$10,298 thousand represented significantly by biological assets of \$10,723 thousand.

The Group's working capital will be utilised to fund operating and capital expenditure to continue to develop the Cone Bay farm site and increase profitability with scale.

The Group has the ability to slow its expansion strategy and/or harvest fish at less than the targeted harvest size to maintain sufficient cash reserves, with a resulting delay in the growth of the scale of the operations.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The directors are confident that the Group will be able to maintain sufficient levels of working capital to continue as a going concern and continue to pay its debts as and when they fall due.

If the Group is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial statements.

## (iv) SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

### Equity Funding

During the reporting period 42,857,497 ordinary shares were issued, representing \$1,286 thousand of issued capital (before issue costs).

### Debt Funding

During the reporting period loans and borrowings were drawn totalling \$1,660 thousand.

### Delisting from ASX

On 22 December 2010 the Company was voluntarily removed from the official lists of the ASX.

### Subsequent Events

Subsequent to 30 June 2011, the Company despatched a prospectus to eligible shareholders to raise approximately \$6,800 thousand by the issue of one new share for every one share held at \$0.01 per share plus one free option (exercisable at \$0.01

each on or before 31 October 2014). As at 16 November 2011 the Company had issued 402,611,075 new shares and options having raised \$4,026 thousand.

#### **Subsidiaries, Associates and Joint Ventures**

As at 1 July 2008, the Group acquired and gained control of Maxima Fish Farms Pty Ltd. This entity did not contribute materially to the results for the current or prior period. No member of the Group held an interest in, or participated in the results of an associate or joint venture.

#### **6 DIVIDENDS**

No dividends were paid or declared during the current or prior financial years.

#### **7 DIRECTORS' INTERESTS**

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate at the date of this report is as follows:

##### **Marine Produce Australia Limited**

	<b>Ordinary shares</b>	<b>Options over ordinary shares</b>
Mr M Kennedy	11,900,378	-
Mr J Clarke	10,000	-
Mr J Hutton	27,019,287	-
Dr T Theunissen	614,917	-

#### **8 INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

##### **Indemnification**

The Group has agreed to indemnify the current and former directors of the Company against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Group has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

##### **Insurance premiums**

Since the end of the previous financial year the Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives of and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The value of the premium paid is not disclosed subject to an existing confidentiality agreement between the insurer and the directors of the Group.

#### **9 DETAILS OF PROCEEDINGS UNDERTAKEN ON BEHALF OF THE COMPANY**

At the date of this report, there are no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2011.

#### **10 LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the financial year ended 30 June 2011.

#### **11 ROUNDING OFF**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**12 NON-AUDIT SERVICES**

Details of the amounts paid to the auditor of the Company and their related practices for audit and non-audit services provided during the year are set out below.

*In thousands of AUD*

Audit services:

Audit and review of financial reports (KPMG)

	<b>2011</b>	<b>2010</b>
	35,125	77,160
	<b>35,125</b>	<b>77,160</b>

Signed in accordance with a resolution of the directors.



**MILES KENNEDY  
CHAIRMAN**

Dated at Subiaco this 28 day of November 2011



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Marine Produce Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'K. Smout', written over the printed name and title.

Kevin Smout  
*Partner*

Perth

28 November 2011



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2011**

		<b>Consolidated</b>	
<i>In thousands of AUD</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Revenue from sales		7,778	3,753
Cost of sales		(7,778)	(3,753)
Profit on sales		-	-
Net gain from acquisitions and growth		9,005	8,525
Production costs:			
Raw materials and consumables		(8,732)	(6,601)
Farm personnel expenses	8	(2,936)	(2,617)
Impairment of property, plant and equipment	7	(934)	(1,571)
Impairment of intangible assets	7	(64)	(51)
Depreciation and amortisation		(271)	(129)
Fair value loss on biological assets		(3,932)	(2,444)
Administrative and marketing expenses		(2,436)	(1,808)
Other income		1	5
<b>Results from operating activities</b>		<b>(6,367)</b>	<b>(4,247)</b>
Finance income		49	41
Finance costs	6	(38)	(308)
Net finance costs		11	(267)
<b>Loss before income tax</b>		<b>(6,356)</b>	<b>(4,514)</b>
Income tax benefit	10	19	618
<b>Loss for the period: attributable to owners of the company</b>		<b>(6,337)</b>	<b>(3,896)</b>
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the period: attributable to owners of the company</b>		<b>(6,337)</b>	<b>(3,896)</b>

The notes to the financial statements are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

		<b>Consolidated</b>	
<i>In thousands of AUD</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>			
Cash and cash equivalents	11	223	4,325
Trade and other receivables	12	1,198	794
Current tax assets	10	-	600
Inventories	13	659	377
Biological assets	14	10,723	9,496
Other assets		56	109
<b>Total current assets</b>		<b>12,859</b>	<b>15,701</b>
Property, plant and equipment	7/16	2,555	2,072
Intangible assets	7/17	-	-
<b>Total non-current assets</b>		<b>2,555</b>	<b>2,072</b>
<b>Total assets</b>		<b>15,414</b>	<b>17,773</b>
<b>Liabilities</b>			
Trade and other payables	18	1,522	490
Loans and borrowings	19	820	-
Employee benefits	20	219	146
<b>Total current liabilities</b>		<b>2,561</b>	<b>636</b>
Loans and borrowings	19	840	-
<b>Total non-current liabilities</b>		<b>840</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,401</b>	<b>636</b>
<b>Net assets</b>		<b>12,013</b>	<b>17,137</b>
<b>Equity</b>			
Share capital	21	47,979	46,765
Reserves		1,014	1,014
Accumulated losses		(36,980)	(30,642)
<b>Total equity</b>		<b>12,013</b>	<b>17,137</b>

The notes to the financial statements are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

<i>In thousands of AUD</i>	Note	Share capital	Share based payments reserve	Accumulated losses	Total equity
<b>Consolidated</b>					
Balance at 1 July 2009		28,828	1,014	(26,746)	3,096
Loss for the period		-	-	(3,896)	(3,896)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	(3,896)	(3,896)
<b>Transactions with owners in their capacity as owners:</b>					
Share issues	21	18,422	-	-	18,422
Share issue costs		(485)	-	-	(485)
<b>Balance at 30 June 2010</b>		<b>46,765</b>	<b>1,014</b>	<b>(30,642)</b>	<b>17,137</b>
Balance at 1 July 2010		46,765	1,014	(30,642)	17,137
Loss for the period		-	-	(6,337)	(6,337)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	(6,337)	(6,337)
<b>Transactions with owners in their capacity as owners:</b>					
Share issues	21	1,286	-	-	1,286
Share issue costs		(71)	-	-	(71)
<b>Balance at 30 June 2011</b>		<b>47,978</b>	<b>1,014</b>	<b>(36,980)</b>	<b>12,013</b>

The notes to the financial statements are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2011**

<i>In thousands of AUD</i>	Note	Consolidated	
		2011	2010
<b>Cash flows from operating activities</b>			
Cash receipts from customers		7,376	3,492
Cash paid to suppliers and employees		(13,230)	(11,421)
Cash used in operations		(5,854)	(7,929)
Interest received		49	41
Income tax receipts		619	679
Other income received		-	5
<b>Net used in operating activities</b>	26	(5,186)	(7,204)
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	16	(64)	(51)
Acquisition of property, plant and equipment	16	(1,689)	(2,625)
<b>Net cash used in investing activities</b>		(1,753)	(2,676)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	21	1,286	9,954
Payment of transaction costs		(71)	(365)
Proceeds from borrowings	19	1,260	2,400
Repayment of borrowings – related parties	19	-	(225)
Proceeds from borrowings – related parties	19	400	2,661
Interest paid on borrowings		(38)	(308)
<b>Net cash from financing activities</b>		2,837	14,117
Net increase (decrease) in cash and cash equivalents		(4,102)	4,236
Cash and cash equivalents at 1 July		4,325	89
<b>Cash and cash equivalents at 30 June</b>	11	223	4,325

The notes to the financial statements are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Reporting entity

Marine Produce Australia Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco WA 6008. The consolidated financial statements of the Group as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is involved in the aquaculture industry, specifically the farming of Barramundi fish in sea cages.

### 2 Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 November 2011.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Biological assets are measured at fair value less costs to sell;
- Property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
- Share based payments are measured at fair value of services provided.

The methods used to determine fair values are discussed further in Note (p).

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Group's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 14 - Biological assets
- Note 22 - Share-based payments
- Note 7 - Impairment of assets

#### (e) Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The directors are confident that the Group will be able to maintain sufficient levels of working capital to continue as a going concern and continue to pay its debts as and when they fall due.

As at 16 November 2011 the Company had issued 402,611,075 new shares and options having raised \$4,026,110. The Company has identified key investment areas and plan to invest part of these funds in proven aquaculture technology with the view to increasing farm productivity and reducing unit costs.

If the Group is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial statements.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**(a) Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Property, plant and equipment**

**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

**Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replacement part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on an adjusted reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	5 - 12 years
Fixtures and fittings	5 – 10 years
Major components	3 – 5 years
Boats	15 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(c) Intangible assets**

**Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

### **Subsequent costs**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### **Amortisation**

Amortisation is calculated over the costs of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods is 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### **(d) Biological assets**

Biological assets (fish 400 grams and larger) are measured at fair value less costs to sell, with any change therein recognised in profit or loss. Fair value is determined based on estimated market sales price. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

As the fair value of the assets is based on its present location and condition, the company applies direct costing to estimate fair value of fish in cages where they have not yet reached a saleable size:

- Fish between 60-400 grams are measured at cost plus direct feed cost, but excluding direct fish management costs
- Fish bellow 60 grams are measured at direct costs of acquisition and feed costs.

### **(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell.

The cost attributed to harvested fish is equal to the fair value less estimated selling costs previously recorded in biological assets at the date of harvest, determined in accordance with the accounting policy for biological assets. Any change in value at the date of harvest is recognised in the income statement. Once harvested, fish inventories are accounted for as normal inventories.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost includes an appropriate share of overheads based on normal operating capacity.

### **(f) Impairment**

#### **Financial assets (including receivables)**

The carrying amounts of the Group's assets, other than biological assets (see accounting policy (d)), inventories (see accounting policy (e)) and deferred tax assets (see accounting policy (k)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### **Calculation of recoverable amount**

The recoverable amount of the Group's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of receivables that are not impaired individually is performed by placing them into portfolios of receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles based on objective evidence from historical experience adjusted to for any effects of conditions existing at each balance sheet date.

**(g) Employee benefits**

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

**Short-term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation, insurance and payroll tax. Non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**Share-based payment transactions**

The fair value of shares or options granted was recognised as an expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the employees become unconditionally entitled to options. The fair value of the options granted was measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense was adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment was measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments were accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments were obtained by the Group. Any goods or services that are settled by way of issue of the Group's own equity instruments were measured at the fair value of the goods and services provided.

**Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(h) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(i) Revenue**

**Sale of goods**

Revenue from the sale of goods is recognised in profit or loss when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of Barramundi, transfer usually occurs when the product is received by the customer.

**Gain from change in fair value of biological assets**

Biological assets relating to aquaculture activities and products are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

As the fair value of the assets is based on its present location and condition, the Company applies direct costing to estimate fair value of Barramundi in cages where they have not yet reached a saleable size.



**(j) Expenses**

**Financing income and expenses**

Net financing costs comprise interest payable on borrowings (calculated using the effective interest method), fair value of share-based payments attributable to financing facilities and interest receivable on funds invested that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

**(k) Income tax**

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Research and development assistance is recognised as an income tax benefit in the year in which it is earned. The corresponding receivable is held within current tax assets.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Tax consolidation**

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Marine Produce Australia Limited.

Current tax expense/income and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity and are recognised in the separate financial statements of the members of the tax consolidated group using the "separate tax payer within group" approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

**Nature of tax funding arrangements and tax sharing arrangements**

The head entity, in conjunction with other members of the tax-consolidated group, has not entered into a tax funding or sharing arrangement with members of the tax-consolidated group in respect of tax amounts.

**(l) Goods and services tax**

Revenue, 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

**(m) Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values of assets and liabilities are disclosed in the notes specific to that asset or liability.

*Biological assets*

The fair value of fish is set out in Note 3(d).

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

*Share based payment transactions*

The fair value of employee and director share options was measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publically available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attaching to the transactions were not taken into account in determining fair value.

**(n) Financial instruments**

***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: trade and other receivables, and cash and cash equivalents.

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial assets and liabilities are offset and then net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Share capital***

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

*Dividends*

Dividends are recognised as a liability in the period in which they are declared.

#### 4 New standards and interpretations not yet adopted

The following standards, amendment to standard and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

- (i) AASB 9 *Financial Instruments* includes requirement for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASM 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.
- (ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- (iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.

#### 5 Parent company disclosure

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Marine Produce Australia Limited.

<i>In thousands of AUD</i>	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
<b>Result of the parent entity</b>		
Loss for the period	(6,337)	(3,896)
Other comprehensive income	-	-
Total comprehensive income for the period	(6,337)	(3,896)
<b>Financial position of parent entity at year end</b>		
Current assets	205	4,904
Total assets	13,214	17,404
Current liabilities	(682)	(75)
Total liabilities	(1,202)	(268)
<b>Total equity of the parent entity comprising of:</b>		
Share capital	47,979	46,765
Reserves	1,014	1,014
Accumulated losses	(36,980)	(30,642)
<b>Total equity</b>	<b>12,013</b>	<b>17,137</b>

#### 6 Finance expenses

<i>In thousands of AUD</i>	<b>2011</b>	<b>2010</b>
Interest expense	38	308
	<b>38</b>	<b>308</b>

#### Interest expense

Interest charges accrued on Director Loans and Caterpillar Finance, for the provision of secured working capital facilities – Refer to Note 19 for further details of movements, terms and conditions of these facilities.

#### 7 Impairment of property, plant and equipment and intangible assets

<i>In thousands of AUD</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Carried values prior to impairment:			
Property, plant and equipment		3,489	3,643
Intangible assets		64	51
		<b>3,553</b>	<b>3,694</b>
Impairment charges:			
Property, plant and equipment		(934)	(1,571)
Intangible assets		(64)	(51)
		<b>(998)</b>	<b>(1,622)</b>
Carried value following impairment:			
Property, plant and equipment		2,555	2,072
Intangible assets		-	-
	16	<b>2,555</b>	<b>2,072</b>

The Group has undertaken a review of the carrying value of its property, plant and equipment and intangible assets to assess whether any impairment charges were required.

This review found that an impairment trigger existed, being the operating losses and negative cash flows for the reporting period while the farm is building to commercial and profitable scale, which then required an assessment of future cash flows from assets.

As a result of this review, the directors have considered it prudent to impair intangible assets to nil value and property, plant and equipment assets to the higher of estimated net sales value and value in use, with the higher being their net sales value. The majority of remaining carrying values of property, plant and equipment assets are represented by the Group's fleet of saleable boats, which have been valued in line with their respective estimated arm's length market sales price. The impairments recorded may be reversed in whole or in part in the future in line with the Group's accounting policy (refer Note 3(f)).

## 8 Farm personnel expenses

<i>In thousands of AUD</i>	2011	2010
Wages and salaries	2,304	2,039
Other associated personnel expenses	329	317
Superannuation costs	158	142
Increase in liability for annual leave	145	119
	<b>2,936</b>	<b>2,617</b>

## 9 Auditors' remuneration

<i>In AUD</i>	2011	2010
<b>Audit services</b>		
Audit and review of financial reports (KPMG)	35,125	77,160
Total auditors remuneration	<b>35,125</b>	<b>77,160</b>

## 10 Income tax expense recognised in the income statement

<i>In thousands of AUD</i>	2011	2010
<b>Current tax expense</b>		
Current period	-	-
Research and development tax benefit realised (i)	19	618
	<b>19</b>	<b>618</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-	-
	<b>-</b>	<b>-</b>
Total income tax benefit	<b>19</b>	<b>618</b>

(i) Of this amount \$0 thousand (2010: \$600 thousand) remains receivable at the end of the period.

## Numerical reconciliation between tax-expense and pre-tax net profit

<i>In thousands of AUD</i>	2011	2010
Loss for the period	(6,337)	(3,896)
Income tax benefit	19	618
Loss excluding income tax	<b>(6,356)</b>	<b>(4,514)</b>
Income tax using the Company's domestic tax rate of 30% (2010:30%)	(1,907)	(1,354)
Research and development tax grant	19	618
Gain on sale of discontinued operation	-	-
Non-deductible expenses	(248)	491
Impairment assets	299	486
Other assessable income	6	-
Capital raising costs	-	(9)
Provisions for non-recoverability	-	-
Current year losses for which no deferred tax asset was recognised	1,968	386
Under (over) provided in prior periods	(118)	-
Income tax benefit	<b>19</b>	<b>618</b>

## Income tax recognised directly in equity

<i>In thousands of AUD</i>	2011	2010
Capital raising costs	56	(64)
Tax losses not brought to account	(56)	64
Total income tax recognised directly in equity	<b>-</b>	<b>-</b>

## 11 Cash and cash equivalents

*In thousands of AUD*

	2011	2010
Cash at bank	223	4,325
Cash in the statement of cash flows	223	4,325

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

## 12 Trade and other receivables

*In thousands of AUD*

	2011	2010
Trade receivables	983	554
Other receivables	3	3
GST receivable	212	237
	<b>1,198</b>	<b>794</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 23.

## 13 Inventories

*In thousands of AUD*

	2011	2010
Stock of feed - at cost	192	178
Consumable stock - at cost	37	16
Harvested fish stock - at net realisable value	430	183
	<b>659</b>	<b>377</b>

## 14 Biological assets

	Barramundi (tonnes)		Barramundi Thousands of AUD	
	2011	2010	2011	2010
Balance at 1 July	1,267	626	9,496	4,724
Increase due to growth	969	1,039	8,577	8,219
Increase due to acquisitions	-	-	428	306
Decrease due to harvest	(845)	(398)	(7,778)	(3,753)
Balance at 30 June	1,391	1,267	10,723	9,496
Gain from changes in fair value	-	-	9,005	8,525

### (i) Group exposure to risk

Aquaculture contains elements of significant risk. The ultimate success of aquaculture depends, amongst other things, on the availability to obtain a sufficient yield of juveniles from hatcheries and harvesting an economic yield from a marketable size, the possibility of high mortality rates due to a variety of factors, maintenance of the necessary licences, adhering to other government regulations, conditions and approvals, obtaining and servicing suitable funding arrangements.

The performance of the Group's aquaculture operations, and the value of the Group's biological assets, could be impacted by a number of factors, including:

- weather conditions;
- possibility of disease and high mortality rates;
- price of and market for its products;
- exchange rates affecting international market pricing;
- unexpected developments in aquaculture development and operating costs;
- general economic and stock market conditions in Australia and worldwide, particularly relating to the availability of capital;
- access to sufficient funding to allow grow-out to marketable size.

The Group is exposed to a number of risks related to its Barramundi farming operations, which can be summarized into the following key areas.

#### Regulatory and environmental risks

The Group is subject to laws and regulations of Australia, and specifically Western Australia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

### Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of fish. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

### Climate and other risks

The Group's fish farm is exposed to the risk of damage from climatic conditions, diseases, and other forces. The Group has processes in place aimed at monitoring and mitigating those risks, including regular inspections of the fish and associated infrastructure assets. The Group also insures itself against damage to its assets caused by natural disasters such as cyclones.

### Basis of estimation and valuation

The measurement of the number, weight and value of fish stock involves:

- sample counting of fish in cages during splitting and harvesting operations;
- sample weighing of fish in cages and extrapolation of results to total holding in sampled cage;
- current market values and selling costs.

In line with industry practice there is a degree of estimation in these processes which requires management and staff to make judgments, estimates and assumptions that affect the reported quantities and value of the Group's biological assets. Fish numbers are estimated allowing for cannibalism, stock losses and under delivery of small fish at time of purchase. Actual results, for example at later harvest, may differ positively or negatively from those estimates. The estimates and assumptions applied are reviewed on an ongoing basis.

## 15 Deferred tax assets and liabilities

### Movement in temporary differences during the year

<i>In thousands of AUD</i>	Balance 1 July 2009	Recognised in loss	Recognised in equity	Tax loss not carried forward	Balance 30 June 2010	Recognised In loss	Recognised in equity	Balance 30 June 2011
Property, plant and equipment	(885)	(325)	-	-	(1,210)	66	-	(1,144)
Receivables	-	-	-	-	-	-	-	-
Intangible assets	(453)	(15)	-	-	(468)	(191)	-	(659)
Available for sale financial assets	-	-	-	-	-	-	-	-
Payables	(10)	(23)	-	-	(33)	(10)	-	(43)
Provisions	(25)	(23)	-	-	(48)	(25)	-	(73)
Capital raising costs	85	-	(214)	-	(129)	-	34	(95)
Tax loss carry-forwards	(6,669)	(451)	-	1,868	(5,252)	(2,024)	-	(7,276)
	(7,957)	(837)	(214)	1,868	(7,140)	(2,184)	34	(9,290)
Deferred tax assets not brought to account	7,957	837	214	(1,868)	7,140	2,184	(34)	9,290
	-	-	-	-	-	-	-	-

### Movement in unrecognised deferred tax assets and liabilities during the year

<i>In thousands of AUD</i>	Balance 1 July 2009	Additions	Tax loss not carried forward	Balance 30 June 2010	Additions	Balance 30 June 2011
Taxable temporary differences	(85)	85	-	-	-	-
Deductible temporary differences	1,373	515	-	1,888	126	2,014
Tax income losses	5,904	451	(1,868)	4,487	2,024	6,511
Tax capital losses	765	-	-	765	-	765
	7,957	1,051	(1,868)	7,140	2,150	9,290

No deferred tax asset has been recognized in respect to the losses disclosed above. The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognized in respect to these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from.

## 16 Property, plant and equipment

*In thousands of AUD*

	Land and buildings	Plant and equipment	Infrastructure	Total
<b>Cost</b>				
Balance at 1 July 2009	-	4,831	-	4,831
Acquisitions	-	2,622	-	2,622
Balance at 30 June 2010	-	7,453	-	7,453
Balance at 1 July 2010	-	7,453	-	7,453
Acquisitions	-	1,689	-	1,689
Balance at 30 June 2011	-	9,142	-	9,142

*In thousands of AUD*

	Land and buildings \$	Plant and equipment \$	Infrastructure	Total
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2009	-	3,681	-	3,682
Impairment losses (Note 7)	-	1,571	-	1,571
Depreciation charge for the year	-	129	-	129
Balance at 30 June 2010	-	5,381	-	5,381
Balance at 1 July 2010	-	5,381	-	5,381
Impairment losses (Note 7)	-	934	-	934
Depreciation charge for the year	-	271	-	271
Balance at 30 June 2011	-	6,586	-	6,586
<b>Carrying amounts</b>				
At 1 July 2009	-	1,150	-	1,150
At 30 June 2010	-	1,150	-	1,150
At 1 July 2010	-	2,072	-	2,072
At 30 June 2011 (Note 7)	-	2,555	-	2,555

## 17 Intangible assets

### Development assets

*In thousands of AUD*

	Barramundi	Prawn	Total
<b>Cost</b>			
Balance at 1 July 2009	617	894	1,511
Additions	51	-	51
Balance at 30 June 2010	668	894	1,562
Balance at 1 July 2010	668	894	1,562
Additions	64	-	64
Balance at 30 June 2011	732	894	1,626
<b>Amortisation and impairment losses</b>			
Balance at 1 July 2009	617	894	1,511
Impairment loss (Note 7)	51	-	51
Balance at 30 June 2010	668	894	1,562
Balance at 1 July 2010	668	894	1,562
Impairment loss (Note 7)	64	-	64
Balance at 30 June 2011	732	894	1,626
<b>Carrying amounts</b>			
At 1 July 2009	-	-	-
At 30 June 2010	-	-	-
At 1 July 2010	-	-	-
At 30 June 2011 (Note 7)	-	-	-

## 18 Trade and other payables

*In thousands of AUD*

	2011	2010
Trade payables	1,105	322
Other payables and accrued expenses	417	168
	1,522	490

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

## 19 Loans and borrowings

*In thousands of AUD*

Current interest-bearing loans	2011	2010
Non-current interest bearing loans	820	-
	840	-
	1,660	-

*Movements in loans and borrowings during 2010*

Facility <i>In thousands of AUD</i>	Opening 1 July 2009	Drawn in cash	Repaid in cash	Repaid in shares	Closing 30 June 2010
Denise Hutton* (i)	2,112	2,250	-	(4,362)	-
Mathry Pty Ltd* (i)	600	-	-	(600)	-
Lasborough* (ii)	-	2,400	-	(2,400)	-
Guy Westbrook* (ii)	-	200	(200)	-	-
Millstream Management Pty Ltd* (ii)	-	10	(10)	-	-
Miles Kennedy* (ii)	-	201	(15)	(186)	-
<b>Total</b>	2,712	5,061	(225)	(7,548)	-

\* Denotes related parties – refer notes 23 and 29 for further information.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, see Note 23.

### (i) Denise Hutton and Mathry Pty Ltd loans

The loans accrued interest at a rate of 12 per cent per annum, were at call and were secured by a charge over the assets of the Group. The repayment of loans in shares was based on the market value of the shares at that time issued under entitlement issues.

### (ii) Other loans

The loans were short term and did not accrue interest, were at call and unsecured. The repayment of loans in shares was based on the market value of the shares at that time issued under entitlement issues.

*Movements in loans and borrowings during 2011*

Facility <i>In thousands of AUD</i>	Opening 1 July 2010	Drawn in cash	Repaid in cash	Repaid in shares	Closing 30 June 2011
John Hutton* (iii)	-	200	-	-	200
Miles Kennedy* (iii)	-	200	-	-	200
Caterpillar Finance (iv)	-	1,260	-	-	1,260
<b>Total</b>	-	1,660	-	-	1,660

\* Denotes related parties – refer notes 23 and 29 for further information.

This note provides information about the contractual terms of Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity risk, see Note 23.

### (iii) Director Loans

Director loans are unsecured, accrue interest at the rate of 10% per annum from the date of the loan and are repayable on demand.

### (iv) Caterpillar Finance

The Group has a secured loan from Caterpillar Financial Australia Limited that amounts to \$1,260,000 at 30 June 2011. According to the terms of the agreement, this loan would be repayable in tranches over the next 3 years with interest at the base rate (3 month Australian Dollar Bank Bill Rate) plus the term margin of 5.27% per annum. The loan contains a debt covenant stating that (a) Guarantor(s) shall maintain on a continuous basis a Net Worth equal or greater that US\$10,000,000 and (b) Guarantors shall maintain on a continuous basis a Debt to Net Worth Ratio of equal or lesser than 1:1.

The Guarantor is in compliance with this Ratio.

## 20 Employee benefits

### Current

*In thousands of AUD*

Provision for annual leave	2011	2010
	219	146



(i) **Defined superannuation contribution funds**

The Group makes contributions to defined contribution superannuation funds. The amount recognised as an expense during the period was \$233 thousand (2010: \$190 thousand).

**21 Share capital**

	Ordinary Shares		Options	
	No shares	\$'000	No options	\$'000
On issue at 1 July 2009	109,386,427	28,828	16,309,055	1,014
Issued for cash consideration	327,531,009	9,954	-	-
Issued for no cash consideration	200,253,174	8,468	-	-
Options lapsed	-	-	(1,309,055)	-
Transaction costs	-	(485)	-	-
On issue at 30 June 2010	637,170,610	46,765	15,000,000	1,014
On issue at 1 July 2010	637,170,610	46,765	15,000,000	1,014
Issued for cash consideration	42,857,497	1,286	-	-
Transaction costs	-	(71)	-	-
On issue at 30 June 2011	680,028,107	47,978	15,000,000	1,014

During 2010:

**Loans offset**

An amount of \$1,600 thousand payable by the Group to Denise Hutton and Maxima Pearling Pty Ltd, both related parties of the Group, was settled through the issue of 26,666,667 ordinary shares at \$0.06 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

Further, an amount of \$3,362 thousand payable by the Group to Denise Hutton and Mathry Pty Ltd, both related parties of the Group, was settled through the issue of 112,052,200 ordinary shares at \$0.03 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans

Further, an amount of \$186 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 6,200,974 ordinary shares at \$0.03 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans

An amount of \$2,400 thousand payable by the Group to Lasborough was settled through the issue of 40,000,000 shares at \$0.06 per share under an underwriting agreement for an entitlements issue. As a result of this issue of shares Lasborough became a related party of the Group due to the level of its resulting shareholding in the company.

**Creditors offset**

An amount of \$800 thousand payable by the Group to Maxima Pearling Pty Ltd, related parties of the Group, was settled through the issue of 13,333,333 ordinary shares at \$0.06 per share under an entitlements issue completed during the reporting period, related to a trade creditor balance received for services

During August 2009, 2,000,000 shares at \$0.06 per share were issued to Guy Westbrook and Millstream Management Pty Ltd, an entity associated with Matthew Fitzgerald, as key management personnel and contractors, in payment of services rendered to the value of \$120 thousand representing the fair value of services provided and the market price of shares at that time

**Cash**

The Company issued 4,278,217 shares at \$0.06 per share for a total cash consideration of \$ 257 thousand under the entitlements issue completed during the reporting period.

323,252,792 shares at \$0.03 per share for a total cash consideration of \$ 9,698 thousand under the shares placement completed during the reporting period.

During 2011:

The Company issued 42,857,497 shares at \$0.03 per share for a total cash consideration of \$1,286 thousand under the entitlements issue completed during the reporting period.

**Dividends**

No dividends were proposed or paid during the current or previous financial year.

## 22 Share-based payments

### (i) Issue of options

The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	0.20	15,000,000	0.42	16,309,055
Issued for no cash consideration	-	-	-	-
Options lapsed	-	-	3.00	(1,309,055)
Outstanding at the end of the period	0.20	15,000,000	0.20	15,000,000

No share options were issued during the period.

The options outstanding at 30 June 2011 have an exercise price of 20 cents (2010: 20 cents) and a weight average life of 4.5 years (2010: 4.5 years).

The fair value of the shares options granted has been determined using the Black Scholes valuation model as \$1,014 000 which has been recognised under the share based payments reserve. The model inputs were:

#### Fair value of share options and assumptions

Number of options	10,000,000	5,000,000
Fair value at grant date	526,000	488,000
Share price	0.14	0.19
Exercise price	0.20	0.20
Expected volatility	50%	50%
Grant date	30 July 2008	28 September 2007
Expired date	28 September 2012	28 September 2012
Risk-free interest rate	7.25%	7.25%

## 23 Financial risk management

Exposure to credit and interest rate risks arises in the normal course of the Group's businesses. The Group and Company is not exposed to foreign currency risk as sales, purchases and borrowings are made in the functional currency, being AUD.

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Carrying amount	
	2011	2010
Trade and other receivables	1,198	794
Current tax assets	-	600
Cash and cash equivalents	223	4,325
	<b>1,421</b>	<b>5,719</b>

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry. The Group's revenue is not significantly attributable to sales transactions with a single customer.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region, being within Australia, was \$ 1,009 thousand (2010: \$554 thousand). All sales are made to wholesale customers.

### Impairment losses

The Group's trade receivables that are past due \$666 thousand (2010: \$406 thousand). The ageing of the Group's receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross		Impairment	
	2011	2010	2011	2010
Not past due	343	163	-	-
Past due 0-30 days	389	208	-	-
Past due 31-120 days	204	99	-	-
Past due 121 days	73	99	26	15
	<b>1,009</b>	<b>569</b>	<b>26</b>	<b>15</b>

The Group has reviewed its receivables at period end for impairment and recorded a provision for non recovery (impairment) of \$26 thousand (2010: \$15 thousand,000). The Group believes that no impairment is necessary in respect of the remaining trade receivables not past due or past due as these amounts relate to customers that have a good credit history with the Group.

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group projects revenue and costs, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group seeks to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of at least 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2011	<i>In thousands of AUD</i>						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured loans	1,260	1,744	227	227	456	834	-
Unsecured loans	400	427	427	-	-	-	-
Trade and other payables	1,522	1,522	1,522	-	-	-	-
	<b>3,182</b>	<b>3,693</b>	<b>2,176</b>	<b>227</b>	<b>456</b>	<b>834</b>	<b>-</b>

2010	<i>In thousands of AUD</i>						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured loans	-	-	-	-	-	-	-
Trade and other payables	490	490	490	-	-	-	-
	<u>490</u>	<u>490</u>	<u>490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) **Interest rate risk**

At the reporting date the interest rate profile of Group's interest-bearing financial instruments was:

<i>In thousands of AUD</i>	Carrying amount	
	2011	2010
<b>Fixed rate instruments</b>		
Financial assets	223	4,325
Financial liabilities	(1,660)	-
	<u>(1,437)</u>	<u>4,325</u>

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased the Group's equity by an immaterial amount in the current and prior period.

**Fair values**

**Fair values versus carrying amounts**

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated <i>In thousands of AUD</i>	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	1,196	1,196	794	794
Current tax assets	-	-	600	600
Cash and cash equivalents	223	223	4,325	4,325
Secured loans	(1,260)	(1,260)	-	-
Unsecured loans	(400)	(400)	-	-
Trade and other payables	(1,522)	(1,522)	(490)	(490)
	<u>(1,763)</u>	<u>(1,763)</u>	<u>5,229</u>	<u>5,229</u>

**Interest rates used for determining fair value**

For all the financial assets and liabilities, that are expected to be settled within 12 months, estimated cash flows have not been discounted to determine fair value.

For all the financial assets and liabilities, that are expected to be settled after 12 months and later, estimated cash flows have been discounted applying their interest rate.

**(v) Capital management**

The Board's policy is to maintain a working capital base so as to maintain investor, creditor and market confidence.

Practices have been established to ensure:

- Capital and operating expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel; and
- Financial reporting accuracy and compliance with the financial reporting regulatory framework.

There were no changes in the Group's approach to working capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Refer Note 2(f) for the directors' assessment of going concern.

**24 Capital and other commitments**

*In thousands of AUD*

**Capital and expenditure commitments**

**Plant and equipment**

Contracted but not provided for and payable within one year

	2011	2010
	-	954

**25 Consolidated entities**

	Country of Incorporation	Ownership interest	2011	2010
<b>Parent entity</b>				
Marine Produce Australia Limited				
<b>Subsidiaries</b>				
Tiger International Management Pty Ltd	Australia	100%	100%	100%
MPA Fish Farms Pty Ltd	Australia	100%	100%	100%
MPA Marketing Pty Ltd	Australia	100%	100%	100%
Tiger International Hatchery Pty Ltd	Australia	100%	100%	100%
Maxima Fish Farms Pty Ltd	Australia	100%	100%	100%

**26 Reconciliation of cash flows from operating activities**

*In thousands of AUD*

**Loss for the period**

*Adjustments for:*

Finance costs

Depreciation and amortisation

Impairment loss

Shares issued for services

**Operating loss before changes in working capital and provisions**

(Increase)/decrease in biological assets

(Increase)/decrease in trade and other receivables

(Increase)/decrease in current tax assets

(Increase)/decrease in inventories

(Increase)/decrease in other assets

Increase/(decrease) in trade and other payables

Increase/(decrease) in provisions and employee benefits

**Net cash used in operating activities**

	2011	2010
<b>Loss for the period</b>	(6,338)	(3,896)
<i>Adjustments for:</i>		
Finance costs	38	-
Depreciation and amortisation	271	129
Impairment loss	998	1,622
Shares issued for services	-	120
<b>Operating loss before changes in working capital and provisions</b>	(5,031)	(2,025)
(Increase)/decrease in biological assets	(1,227)	(4,772)
(Increase)/decrease in trade and other receivables	(402)	(219)
(Increase)/decrease in current tax assets	600	61
(Increase)/decrease in inventories	(282)	(110)
(Increase)/decrease in other assets	52	(91)
Increase/(decrease) in trade and other payables	1,032	(111)
Increase/(decrease) in provisions and employee benefits	73	63
<b>Net cash used in operating activities</b>	(5,186)	(7,204)

Refer to Notes 21 and 23 for details of non-cash financing and operating transactions involving the issue of shares.

## 27 Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated in the directors' report were key management personnel for the entire period:

Non-executive directors	Executives
Mr M Kennedy (Chairman)	Mr G Westbrook (General Manager)
Mr J Hutton	Ms J Mathie (Company Secretary)
Dr T Theunissen	Mr J Clarke (Managing Director)

### Key management compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

### Key management personnel and directors transactions

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel and their related parties	Transaction	In AUD	
		2011	2010
<i>Mr M Kennedy</i>	Accounting and Secretarial Services	-	-
Resource Development Company Pty Ltd			
Lonrho Mining Limited	Rent and outgoing	19,909	4,769
The Bagot Road Property Partnership	Rent and outgoing	90,304	-
<i>Mr J Hutton</i>	Services and materials supplied		
Maxima Pearlring Co Pty Ltd	Cone Bay	416,888	445,988
Kimberley Palm Factory	Rent and variables	21,818	16,364
The Bagot Road Property Partnership	Rent and outgoing	90,304	-
<i>Dr T Theunissen</i>	Directors Fees		30,000
Psytec Management Services		18,498	
<i>Mr M Fitzgerald</i>	Accounting Services		222,150
Millstream Management Pty Ltd		-	

Refer to Notes 21 and 23 for details of related party loans and borrowings transactions.

Amounts receivable from and payable to key management personnel and other related parties at reporting date arising from the transactions were as follows:

In AUD	2011	2010
<b>Assets and liabilities arising from the above transaction</b>		
<u>Other related parties</u>		
Current receivables	-	-
<u>Key management personnel</u>		
Current receivables	-	-
<u>Other related parties</u>		
Current payables	405,533	-
Total payments/total liabilities	405,533	-

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are of the same terms and conditions as those entered into by other consolidate entity employees or customers and are trivial or domestic in nature.

### Subsidiaries

Loans are made by the Company to wholly owned subsidiaries. Loans outstanding between the Company and its controlled entities are callable on demand, have no fixed date of repayment and are non-interest bearing. To 30 June 2011, such loans to subsidiaries totalled \$38,764 thousand (2010: \$32,227 thousand). These loans have been recognised as a non-current receivable of \$12,489 thousand (2010: \$12,289 thousand) after provision for non-recovery.

Interest-free loans made by the Company to its subsidiaries are repayable on demand. The Company has no intention to demand the loans within the next 12 months.

### Shares and options over equity instruments

There are no options over ordinary shares in Marine Produce Australia Limited held, directly, indirectly or beneficially, by key management personnel, including their related parties at balance date or during the period.

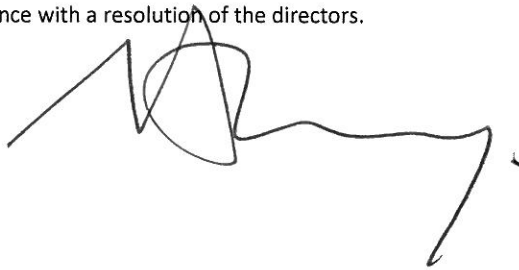
## 28 Subsequent events

Since the end of the financial year under review the Company has conducted a capital raising with its shareholders of an offer based on 1 new share for every 1 existing share held by eligible shareholders at an issue price of \$0.01 per share plus 1 free attaching option for every new share issued. The purpose of the offer is to raise up to \$6,800 thousand. The funds are being raised to continue the commercialisation of Company's salt water Barramundi operations including seeking extensions to the permitted level of productions, the completion and stocking of additional sea-cages, the continued grow out, harvesting, grading, processing and marketing of Barramundi and continued additions and improvements to equipment.

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of Marine Produce Australia Limited (the Company):
  - (a) the financial statements and notes, set out on pages 9 to 31, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
  - (c) as a result of the matters described in note 2(f) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Financial Accountant for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors.



**MILES KENNEDY**  
**CHAIRMAN**

Dated at Subiaco this 28 day of November 2011





## **Independent auditor's report to the members of Marine Produce Australia Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Marine Produce Australia Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.



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

*Independence*

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 the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

KPMG

KPMG

Kevin Smout  
*Partner*

Perth

28 November 2011