



## **Clean Seas Tuna Ltd**

ABN 61 094 380 435

## **Financial Report**

**For The 12 Months Ended 30 June 2010**

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## CHAIRMAN'S REPORT

It gives me great pleasure to present Clean Seas Tuna Limited's (Clean Seas) fifth annual report.

The 12 months to 30 June 2010 have been full of significant challenges and changes to the Company.

The underlying thematics supporting Clean Seas, and the industry in which it operates, continue to strengthen and provide credence to the Company's vision: "to be a global leader in profitable and sustainable bluefin tuna production". The global population continues to grow and with it the demand for fish, and in particular, sustainably bred fish. The world's oceans are under increasing pressure as a food source.

During the year, significant changes to the Board and executive occurred. Hagen Stehr AO, our founding Chairman, stepped down in December 2009. Hagen remains on the Board as Founding Director and I have appreciated his support and assistance. In a further change in December, Clifford Ashby, took over from Marcus Stehr as Managing Director, with Marcus assuming the role of Executive Director of Operations. This change has occurred smoothly and has been well accepted by the staff. In March 2010, Ian McLachlan AO resigned from the Board and was replaced by Paul Steere in May 2010. I would like to thank Ian for his contribution to the Board over the years he served the Company and for assisting and encouraging me in my role. Paul Steere brings substantial aquaculture and marketing knowledge to the Board and his sixteen years of experience as Managing and Non-Executive Director of King Salmon (NZ) will be invaluable to our Company.

The Managing Director's report will detail the operational issues of the business whilst I shall confine my report to a brief overview of the Southern Bluefin Tuna and Kingfish divisions.

### **1. Southern Bluefin Tuna (SBT)**

The Company did not make as much progress with regard to its commercialisation of SBT as anticipated, however, there were some significant achievements that need to be highlighted:

- Spawning in on-shore tanks was achieved over a three month period. Prior to this, the longest spawning was for 35 days;
- Of the fish that survived in the Arno Bay hatchery to 38 days, there were no problems with them weaning onto live feed (which was an issue in 2009);
- New South Wales DPI, in Port Stephens, successfully reared SBT to day 48, which was a fantastic achievement given it was the first year they received SBT eggs;
- SBT eggs were successfully transported to Darwin, Port Stephens and Adelaide;
- The new SBT hatchery has been completed and will be utilised for the 2011 spawning season; and
- Being recognised by Time Magazine as the 2<sup>nd</sup> best invention in 2009.

The Company recognises that it is still in the research and development phase for SBT and whilst rapid advancement towards commercialisation is being made, it is premature to predict exactly when full commercialisation will occur. To this end, a significant amount of funding (with Seafood CRC and FRDC support) is being invested in the SBT programme and a full research team, with their own recirculation research systems, will be based on site in Arno Bay for the coming SBT season. This will enable a greater level of research as well as an easier integration of research findings into commercial production.

As previously mentioned, the thematics behind the SBT propagation programme remain strong, with the pressures on the Northern Bluefin Tuna wild catch sector increasing and the Mediterranean fishery, in particular, being under severe threat. The Australian wild catch SBT fishery also had a set-back with their

quota being cut by close to 24% in October last year. These continuing pressures on wild catch stocks reaffirm your Board's belief that the Company's vision and goals remain commercially sound.

Management acknowledge that the 2010 season was a setback, however, believe that they now have the right tools, procedures and mechanisms in place to further advance the commercialisation of SBT in the 2011 spawning season.

## 2. Kingfish

Our Kingfish business had another difficult year in 2010. In simple terms our production was greater than our sales capacity at farmgate prices that exceed our cost of production. Management have reviewed our production levels and reduced our fingerling intake to a level which should result in revised annual production of some 2,500 - 2,800 tonnes. This production level is in line with current fresh fish sales which achieve higher farmgate prices than frozen and value added product. This change in strategy will allow us to sell down existing production, resulting in a positive cash inflow for the Kingfish business, and then reposition it to achieve profitability in the coming years. This reduction in fingerling intake, coupled with the Company's efficiency and productivity drive, will reduce our cost of production and make the Kingfish business viable in its own right.

## 3. Overall

FY2010 has been a disappointing year for Clean Seas, however, the transformational programme that began in 2009 has continued and I believe that it will have a positive long term impact. We achieved a great deal in some areas but underachieved in others. The lessons learnt should stand us in good stead for the year ahead.

Clean Seas enters FY2011 with great optimism and the Board believes that the Company is on track to meet its strategy. Our Kingfish business should be cash flow positive from this year onwards and we have great opportunities with our emerging SBT business.

I am delighted to have taken the Chair at this stage of the Company's cycle. I believe we are on the cusp of something special and I would like to thank all Shareholders for their support during these difficult times. The Board and management of Clean Seas do not take your support for granted and will be doing everything in their power to deliver value to Shareholders in FY2011.

John Ellice-Flint  
Chairman of Directors



## **MANAGING DIRECTOR'S REPORT**

I present my Managing Director's report on Clean Seas Tuna Limited (Clean Seas) for the year ended 30<sup>th</sup> June 2010. As the Chairman noted in his report, the 12 months to 30 June 2010 have been extremely challenging for Clean Seas.

The support the Company received from Shareholders in raising \$54 million in difficult global financial times was essential to position our company for success. Without this support the Company would not be in the debt free position it is in today.

This report provides operational details regarding the Southern Bluefin Tuna (SBT) and Kingfish divisions.

### **1. SOUTHERN BLUEFIN TUNA (SBT)**

The SBT division remains in the research and development phase. Whilst significant technical progress has been achieved over the past three seasons, full commercialisation of this technology is not anticipated until FY2014.

Our FY2010 SBT programme started with positive spawnings in January 2010, which continued through to mid-April, the best result the Company has achieved to date. Unfortunately the Company's larval rearing programme did not result in the Company's goals being met and we were unable to transfer SBT fingerlings to sea cages for experimental growout. Our 2010 programme was negatively impacted in two significant ways:

- The Company's new SBT hatchery was only completed during the latter stages of the 2010 SBT spawning run. Further, commissioning of this complex recirculation system highlighted the need for further minor modifications for successful SBT fingerling production. Final commissioning of this system is currently being undertaken utilising Kingfish as a surrogate species and the Company is confident that the added environmental controls offered by this European designed facility will result in a significantly improved SBT fingerling production capacity for the forthcoming season.
- Unexpected levels of bacterial outbreaks at the Arno Bay Kingfish hatchery. The Company's Kingfish hatcheries at both Arno Bay and Port Augusta are traditional flowthrough systems for larval rearing. Such systems do not provide the level of environmental controls required to optimise conditions for commercial SBT fingerling production. This was the larval rearing system utilised for the successful FY2009 trials where viable SBT fingerlings/juveniles were grown through in the onshore tanks to a maximum of 238 days. This success meant the Arno Bay hatchery could not be dried out leading into the FY2010 trials. As a consequence, adequate bacterial control in this hatchery was not achieved for the FY2010 SBT larval rearing trials. This was one of the major contributing factors to the premature death of SBT fingerlings which achieved a maximum post hatch period of only 38 days.

A major achievement during 2010 was the early SBT spawning in mid-January rather than mid-March. This progress is in-line with the Company's aim of bringing spawning forward to enable transfer of SBT fingerlings to sea cages for growout whilst average sea temperatures are higher than 19 degrees Celsius.

The second major achievement during 2010 was the team at NSW DPI growing out fingerlings to 48 days in their Port Stephens' hatchery. This was achieved utilising two mini recirculation systems and fertilised SBT eggs transferred from the Arno Bay broodstock facility. Via Seafood CRC Ltd, this team will again be assisting with research in 2011 and three similar mini systems are being incorporated into the Arno Bay larval rearing facilities. Trials undertaken at SARDI, in West Beach, were also of benefit to the overall programme and their assistance will be utilised in the coming season as will the expertise of the Darwin Aquaculture Centre.

One of the major changes for the coming season is the recruitment of an in-house research and development team that will operate in the Arno Bay hatchery. This team will have access to three mini recirculation systems and, in conjunction with the work being undertaken at Port Stephens, real time adjustments can and will be made to the preferred operating parameters for the new commercial scale SBT larval rearing facility. The Company believes that this initiative, which has the technical and financial support of FRDC and Seafood CRC, will help achieve commercial success.

Planning for the 2011 SBT spawning season is well under way and the on-shore broodstock are being conditioned for spawning in the New Year.

The Company made a decision to lease in wild catch tuna quota in order to conduct pelletised feed trials. Two cages of tuna were secured and each of Australia's major aquaculture feed manufacturers supplied feed to a cage. Pelletised feed is an important ingredient for future success of our programme and continued work on this important element will be continued in order to have a cost effective feed.

The Company has revised its commercial goals with regards to SBT. The SBT programme is cognizant that it is still in the research phase whilst it is anticipating commercial success in the near future, we recognise this is a world first with this species, and there remain elements of risk that can impact this programme.

## **2. KINGFISH**

In summary, FY2010 saw:

- The Company change its strategy to reduce the number of fingerlings being transferred to sea cages to bring production in line with market demand for fresh fish sales at acceptable price points;
- The Company refining its feeding strategy to more effectively capitalise on the growth potential of this species. A major contributor to the poor results for 1H2010 was an overcorrection to feeding regimes (based on independent international experienced advice) which resulted in materially less growth than anticipated and consequently higher food conversion ratios. Substantial progress has been made in 2H2010 in achieving an appropriate feeding balance and having a positive impact on 2H2010 results.
- Other factors which negatively impacted 1H2010 results were:-
  - Necessary inventory write downs (in particular frozen value added product) to enable clearance of excess inventory,
  - Further inventory write downs following grading of CY2009 fish.
- Significant progress was made during 2H2010 to correct the problems of the first half. Specifically:-
  - Net farmgate prices achieved, improved by over 10%,
  - Production costs were aggressively reduced and production efficiencies have improved,
  - Sales volumes were sufficient (49% growth in Kingfish and mulloway sales tonnage) for the full year for the company to be well advanced in its rebalancing of production and sales.

The year under review has been difficult for the Company and its shareholders. The losses incurred by the Kingfish division (in particular for the period to 31 December 2009) were not acceptable and appropriate steps have been taken during the second half of FY2010 to correct this position. The rebalancing of production and sales, coupled with a programme of cost cutting and productivity improvements has seen a strong improvement in this business. Unfortunately, some of this good work was undone early in the FY2011 due to the reported 80 tonne of mortalities arising from an inappropriate bathing procedure in early September 2010. Bathing is a regular occurrence in our business, however, the titration of hydrogen peroxide used,

length of treatment, cold sea water temperatures and abnormal weather patterns resulted in abnormally high losses.

Despite this unfortunate set back, I am confident that the Kingfish business remains on track to achieve an acceptable level of profitability in FY2012 and cash flow positivity in FY2011. With smaller production volumes the Company is able to concentrate on the production of consistently high quality fish which can command premium prices despite the challenges of a rapidly strengthening Australian dollar. This, coupled with our continuous cost improvement programme, supported by targeted research outcomes, will see this species develop into a long term sustainable division of the Company.

### 3. OVERALL

FY2010 was a difficult year for all concerned with the Company and it is a credit to our enthusiastic, dedicated and loyal staff that they have now laid the foundation blocks for a successful future. Their resilience, self-belief and willingness to succeed are strong drivers and I am confident that their continued efforts will result in the Company meeting its targets in the coming year.

I would like to thank all directors who served on the Board during the past financial year for their support and guidance. I am confident that the broader expertise and skill base of the Board will result in a much improved and focused Company going forward.

I would like to thank all Shareholders for their ongoing support and assure you that our staff will be doing their utmost to ensure a successful FY2011.

**Clifford Ashby**  
Managing Director

Your directors present their report together with the Financial Report of Clean Seas Tuna Limited for the year ended 30 June 2010, and the Auditor's Report there on.

#### **Directors**

The names of directors who held office during the financial year and until the date of this report are:

#### **Mr. John Ellice-Flint BSc(Hons), (NE), Adv Manag(Harvard Bus Sc) (Non-Executive Chairman)**

Mr John Ellice-Flint was appointed to the Company Board on 1st December, 2009.

Mr Ellice-Flint's substantial experience and knowledge comes from a career in the international oil and gas industry, and 28 years working with an American multinational company.

He has been Chairman of the South Australian Museum since 2002, Chief Executive Officer and Managing Director of Santos Limited until mid 2008 and a recent member of the Energy Governors of the World Economic Forum, a body which meets annually to discuss global issues in relation to energy in all its facets, including climate change.

John was instrumental in the strategic turnaround of Santos and brings substantial commercial experience, skills and scientific discipline to the Board.

#### **Mr. Hagen Stehr AO (Non-Executive Director)**

Appointed to the Board at incorporation in September 2000, term in office - 10 years, presently, he is a member of the Audit Committee and of the Health, Safety and Environment Committee. Mr Stehr has acted as Chairman since 2000, stepping down in December 2009.

He is currently a Board member of the South Australian Government's Aquaculture Advisory Council as well as Chairman of the South Australian Fishing and Seafood Industry Training Council. He was a founding member of Australian Bight Seafood in 1971, a board member of the South Australian Fishing Co-operative Limited (SAFCOL) in 1974 and a founding member of the Australian Tuna Boat Owners Association. Hagen has been chair of the South Australian Marine Finfish Farmers Association, the peak body for the sea farming industry.

In 2008 Mr. Stehr was appointed as an industry representative on the Marine Parks Council of South Australia.

#### **Mr. Clifford Ashby B.Comm ACA , (Managing Director)**

Appointed as Chief Executive Officer in May 2009, Mr Clifford Ashby was appointed Managing Director on 1 December 2009.

Mr Ashby is a qualified chartered accountant in both Australia and South Africa and has a Bachelor of Commerce from the University of Cape Town. He has a strong management background and was managing director and general manager of a listed horticultural company in Australia for 12 years. Prior to this he garnered experience from a corporate finance career in South Africa, the United Kingdom and Australia.

He has previously served on the South Australian Premier's Food Council, the Citrus Industry National Leadership Group, the Citrus to China Advisory Steering Committee, the executive of Food Adelaide and has been a director on numerous private company boards.

**Mr. Marcus Stehr (Executive Director)**

Appointed as a Director upon incorporation in September 2000, term in office - 10 years. His technical qualifications include Master Class 4 and Master Class 5 Skippers Certificates, Marine Engine Driver 1 and Dive Master Certificates. Commercial qualifications include business management courses spanning Post Graduate studies in Business and completion of the Company Director's course in 2007.

In addition to his Directorships of Australian Tuna Fisheries and Clean Seas Tuna Limited, Marcus makes a strong contribution to the Australian fishing and aquaculture industries as a Board Member of the South Australian Marine Finfish Association (SAMFA) and the Australian Southern Bluefin Tuna Industry Association (ASBTIA) and serves as a Deputy Member of the Aquaculture Advisory Committee (ACC). He was also a member of the Co-operative Research Centre's Southern Bluefin Tuna Steering Committee from 2003 to 2005.

**Sir Tipene O'Regan (Non-Executive Director)**

Appointed to the Board in September 2004, term in office - 6 years. He is Chairman of the Health, Safety and Environment Committee as well as being a member of the Audit and Remuneration Committee.

Sir Tipene is a current or former director of a number of companies in the seafood, tourism and infrastructure sectors. He was the founding Chairman of the Sealord Group, has been a Director of the NZ Fishing Industry Board and a Trustee Director of the UK based Marine Stewardship Council. He is a former Director of Television NZ Ltd., the NZ Broadcasting Corporation and former Deputy-Chair of Transit NZ.

He is a Distinguished Fellow of the Institute of Directors (NZ) and is currently an Asst.Vice-Chancellor of the University of Canterbury.

**Mr. Paul Steere (Non-Executive Director)**

Mr Paul Steere was appointed to the Company Board on 20th May 2010.

Mr Steere was Chief Executive of New Zealand King Salmon for 15 years from 1994 to December 2009. New Zealand King Salmon is the leading aquaculture company in New Zealand and globally the largest Chinook salmon farmer with an international reputation for quality, service, process/product innovation and professionalism.

Prior to joining NZ King Salmon, Mr Steere served in senior executive roles with the NZ Dairy Board and a British International Trader.

Mr Steere remains a Director of NZ King Salmon, is Chair of Nelson Airport Limited and a Councillor of the Nelson Marlborough Institute of Technology plus Director of the National Board of NZ Red Cross.

Paul's extensive experience in general management, corporate governance and aquaculture will be of great benefit to the Board. His experience will be invaluable in addressing many of the challenges that Clean Seas faces as it pioneers the growth of Kingfish farming and Southern Bluefin Tuna commercialisation.

**Mr. Ian McLachlan AO (Non-Executive Director)**

Appointed to the Board in September 2005, Mr McLachlan retired from the board in March 2010.

Mr McLachlan is a wool grower with pastoral interests in South Australia and New South Wales. He is a graduate of Cambridge University. He was a Federal Member of Parliament from 1990 to 1998 and Minister for Defence and a Cabinet Minister in the Coalition Government from 1996 to 1998. Previously he was the President of the National Farmers' Federation from 1984 to 1988. He was Chairman of Australian Wool Innovation from 2002 to 2008. He played cricket for South Australia for four years and is presently the President of the South Australian Cricket Association, and a board member of Cricket Australia.

**Mr. Paul Robinson (Non-Executive Director)**

Appointed Alternate Director for Hagen Stehr AO in December 2005, term in office - 4 years. He is a Fellow of the Institute of Chartered Accountants, with fifteen years experience as a partner of a leading international accounting practice. He is Chairman and Non-Executive Director for a number of private property and investment companies. He was appointed a Non-Executive director of Australian Tuna Fisheries in May 2006.

**Mr. Frank Knight**

Appointed Company Secretary in February 2006. Prior to joining Clean Seas Tuna Limited, he has had experience in all aspects of finance and treasury in primary production, manufacturing, fishing, entertainment and defence industries. He is a graduate of the University of South Australia with a Bachelor of Business and is a Certified Practising Accountant.

**Principal Activities**

The principal activities of the consolidated group during the financial year were the propagation of Kingfish, producing fingerlings for sale as well as the growout of Kingfish and Mulloway. The company is well advanced with closure of the Southern Bluefin Tuna lifecycle project.

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

**Operating Results**

The net loss after providing for income tax for the financial year attributable to the members of Clean Seas Tuna Limited amounted to \$15,651,000.

**Dividends Paid or Recommended**

The Directors have declared that no dividend be paid for the year ended 30th June 2010.

**Directors' Meetings**

During the reporting period, there were 11 scheduled meetings of Directors, 11 scheduled formal meetings of the Health, Safety and Environment Committee, 13 scheduled formal meetings of the Audit Committee and 11 scheduled formal meetings of the Remuneration Committee held.

	Directors' Meeting Held/(Attended)	Health, Safety, Environment Held/(Attended)	Audit Held/(Attended)	Remuneration Held/(Attended)
<b>J Ellice-Flint</b>	5/(5)	5/(5)	6/(6)	5/(5)
<b>H Stehr</b>	11/(11)*	11/(11)*	13/(11)*	11/(11)*
<b>C Ashby</b>	5/(5)	5/(5)	6/(6)	5/(5)
<b>M Stehr</b>	11/(11)	11/(11)	-	-
<b>T O'Regan</b>	11/(11)	11/(11)	13/(12)	11/(11)
<b>P Steere</b>	2/(2)	2/(2)	2/(2)	2/(2)
<b>I McLachlan</b>	8/(7)	8/(7)	10/(9)	8/(7)

\* Paul Robinson attended one Director's Meeting one Health, Safety and Environment Committee Meeting, one Remuneration Committee Meeting and two Audit Committee Meetings as alternate for Mr Hagen Stehr.

**Interests in shares and options of the company**

As at the date of this report, the interests of the Directors in the shares and options of Clean Seas Tuna Limited were:

	Ordinary Shares	Options over Ordinary Shares
<b>J Ellice-Flint</b>	1,060,000	Nil
<b>H Stehr</b>	95,774,910	100,000
<b>C Ashby</b>	Nil	Nil
<b>M Stehr</b>	352,500	900,000
<b>T O'Regan</b>	Nil	50,000
<b>P Steere</b>	Nil	Nil
<b>P Robinson</b>	258,454	50,000

94,459,285 of the ordinary shares attributed to H.Stehr are beneficially held by Australian Tuna Fisheries Pty Ltd. 1,265,625 of the ordinary shares attributed to H.Stehr are beneficially held by Stehr Group Pty Ltd. 50,000 ordinary shares are held in the name of H. Stehr.

In November 2007 the shareholders at the annual general meeting approved the further issue of options to directors. From the options issued 800,000 are in escrow until November 2010 and 300,000 are in escrow until November 2012.

**Interests in shares and options of the company (continued)**

Unissued ordinary shares of Clean Seas Tuna Limited under option at the date of this report are as follows:

Date Granted	Expiry Date	Issue Price of Shares	Number Under Option
28-Oct-05	27-Oct-10	\$ 0.50	100,000
14-Nov-06	13-Nov-11	\$ 0.50	100,000
9-Mar-07	8-Mar-12	\$ 0.93	50,000
20-Dec-07	29-Nov-11	\$ 0.69	50,000
20-Dec-07	30-Aug-12	\$ 1.12	50,000
20-Dec-07	31-Jan-11	\$ 1.35	550,000
20-Dec-07	31-Jan-11	\$ 2.00	400,000
20-Dec-07	31-Jan-13	\$ 3.00	300,000
			<u>1,600,000</u>

No shares have been issued during the year ended 30 June 2010 or subsequent to this date upon conversion of share options.

The terms and conditions of each grant of options affecting remuneration in the current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	Criteria achieved	% vested
28-Oct-05	11-Dec-06	27-Oct-10	\$0.50	\$0.12	100%	100%
14-Nov-06	14-Nov-06	13-Nov-11	\$0.50	\$0.31	100%	100%
9-Mar-07	9-Mar-07	8-Mar-12	\$0.93	\$0.24	100%	100%
20-Dec-07	20-Dec-07	29-Nov-11	\$0.69	\$1.20	100%	100%
20-Dec-07	20-Dec-07	30-Aug-12	\$1.12	\$1.03	100%	100%
20-Dec-07	1-Dec-10	31-Jan-11	\$1.35	\$0.80	0%	100%
20-Dec-07	1-Dec-10	31-Jan-11	\$2.00	\$0.57	0%	100%
20-Dec-07	1-Dec-12	31-Jan-13	\$3.00	\$0.58	0%	100%

Options granted carry no dividend or voting rights.

When exercisable the option is converted into one ordinary share 14 days after the employee applies to exercise the option.

**Remuneration Report - Audited**

**(a) Remuneration policy**

This report details the nature and amount of remuneration for each director of Clean Seas Tuna Limited and for the executives receiving the highest remuneration.

The remuneration policy of Clean Seas Tuna Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component as well as specific long-term incentives based on key performance areas affecting the company's operations and financial results. The board of Clean Seas believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company, as well as create goal synergies between directors, executives and shareholders. The board's policy for determining the nature and amount of remuneration for board members and senior executives of the entity is as follows:

- (i) The remuneration policy, setting the terms and conditions for the executive director and senior executives, was developed by the remuneration committee and approved by the board.
- (ii) All executives receive a base salary, which is determined with reference to experience and responsibilities, superannuation, benefits and performance incentives, which may be option or cash based.
- (iii) The remuneration committee reviews executive packages annually by reference to the company's performance and the executive's performance.

### **Remuneration Report (continued)**

The performance of executives is measured annually against criteria agreed each year with each executive and is predominately based on operational outcomes which the Board would expect to translate into company profits and shareholder value. Bonuses and incentives are usually linked to predetermined performance criteria. The policy is designed to attract the best within the industry area in which the company operates and reward them for performance that results in long-term growth in shareholder value.

The non-executive directors and executives receive superannuation contributions but do not receive any other retirement benefits. All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology. The executives are entitled to participate in the employee share and option arrangement.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by the shareholders at the Annual General Meeting. The amount currently approved is \$300,000 per annum. Fees for non-executive directors are not directly linked to the performance of the entity. To align directors interests with shareholders interests, the directors are encouraged to hold shares in the company and are able to participate in the company option plans.

### **Performance Based Remuneration**

As part of executive's remuneration package there is a performance based component consisting of cash and options for outcomes based events. The intention of this remuneration package is to align executive goals with that of the business and shareholders. With respect to the cash component, the KPI's are set annually with a certain level of consultation with the executives. The measures are specifically tailored to the areas each executive is involved in and has a level of control over and are mainly related to production targets that will influence profit and revenue.

Performance in relation to the KPI's is assessed annually with bonuses being awarded depending on the level of achievement against each KPI. Following the assessment, the KPI's are reviewed by the remuneration committee in light of desired and actual outcomes and their efficiency assessed in relation to the company's goals and shareholder wealth, before the KPI's are set for the following year.

### **Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim. The first being a performance based bonus based on KPI's and the second being the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests.

### **Board and Executive Performance review**

Management have regular performance reviews and the board monitors their performance annually against the criteria of the budget, interaction with key executives and improvements in shareholder wealth. Information flow to the board is unrestricted and comprises detailed reports on the company's business as well as copies of key correspondence.

### **Performance income as a proportion of total remuneration**

Executives are paid performance bonuses based on varying criteria. This has lead to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the consolidated group.

The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

**Remuneration Report (continued)**

**(b) Employment contracts**

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in employment contracts. Major provisions of the contracts relating to remuneration are set out below.

**C Ashby, Managing Director (CST)**

Term of agreement - Commenced 1 December 2009.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$365,150, to be reviewed annually by the remuneration committee.

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 6 months base salary.

Provision of a fully maintained vehicle.

Bonus scheme, as at 30 June 2010 the director is eligible for the following performance based remuneration:

20% of his base salary if the company achieves an EBITDA of \$6 million.

An additional 30% of his base salary if the company achieves an EBITDA of \$8 million.

100,000 options to purchase shares in the company upon completion of three years continual service.

**M Stehr, Managing Director (CST)**

Term of agreement - 5 years commencing 1 January 2008.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$261,600, to be reviewed annually by the remuneration committee.

Provision of a fully maintained vehicle

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 6 months base salary.

**M Deichmann, General Manager Hatcheries (CST)**

Term of agreement - 3 years commencing 1 Sep 2005. Extended to 31 August 2011.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$176,580, to be reviewed annually by the remuneration committee.

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 6 months base salary.

Bonus scheme, as at 30 June 2010 the employee is eligible for the following performance based remuneration:

Transfer of 5,000 Southern Bluefin Tuna fingerlings to sea cages.

\$70,000 and 150,000 \$0.50 share options.

Production of Kingfish fingerlings.

10% of base salary if production target is reached.

**F Knight, Company Secretary and CFO (CST)**

Term of agreement - commenced 23 August 2007.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$146,209, to be reviewed annually by the remuneration committee.

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 3 months base salary.

**Chester Wilkes, General Manager Operations (CSAG)**

Term of agreement - 1 year commenced 24 August 2006. Extended on 26 February 2008. Mr. Wilkes ceased employment with the Company post 30 June 2010.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$152,605, to be reviewed annually by the remuneration committee.

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 3 months base salary.

**Remuneration Report (continued)**  
**(b) Employment contracts (continued)**

**Joe Ciura, Technical/Health Manager (CSAG)**

Term of agreement - Extended 7 November 2007 and updated 28 August 2009.

Base salary inclusive of superannuation for the year ended 30 June 2010 of \$136,250, to be reviewed annually by the remuneration committee.

Payment of termination benefit on early termination by the company, other than for gross misconduct equal to 12 months base salary.

Bonus scheme, as at 30 June 2010 the employee is eligible for the following performance based remuneration:  
Up to 22.5% of base salary if agreed feed conversion ratios are achieved and,  
10% of base salary if budgeted cost of production is achieved.

**(c) Key management Personnel Remuneration**

**Key Management Personnel**

**2010**

J Ellice-Flint  
H Stehr  
C Ashby  
M Stehr  
T O'Regan  
P Steere  
P Robinson  
I McLachlan  
M Deichmann  
F Knight  
C Wilkes  
J Ciura

	Short Term Benefits			Directors fees
	Salary	KPI Bonus	Benefits	
	\$,000	\$,000	\$,000	
J Ellice-Flint	-	-	-	64
H Stehr	-	-	-	94
C Ashby	276	-	8	-
M Stehr	249	-	-	-
T O'Regan	-	-	-	60
P Steere	-	-	-	8
P Robinson	-	-	-	-
I McLachlan	-	-	-	45
M Deichmann	159	-	16	-
F Knight	139	-	16	-
C Wilkes	140	-	-	-
J Ciura	122	-	-	-
	1,085	-	40	271

**Key Management Personnel**

**2010 (cont'd)**

J Ellice-Flint  
H Stehr  
C Ashby  
M Stehr  
T O'Regan  
P Steere  
P Robinson  
I McLachlan  
M Deichmann  
F Knight  
C Wilkes  
J Ciura

	Post Employment benefits	Share Based payment			Performance Related
	Super	Shares	Options	Total	
	\$,000	\$,000	\$,000	\$,000	
J Ellice-Flint	6	-	-	70	-
H Stehr	-	-	16	110	15%
C Ashby	25	-	-	309	-
M Stehr	22	-	168	439	38%
T O'Regan	-	-	8	68	12%
P Steere	-	-	-	8	-
P Robinson	-	-	27	27	100%
I McLachlan	-	-	8	53	15%
M Deichmann	14	-	-	189	-
F Knight	12	-	-	167	-
C Wilkes	13	-	-	153	-
J Ciura	11	-	-	133	-
	103	-	227	1,726	

Remuneration Report (continued)  
(c) Key management Personnel Remuneration (continued)

Key Management Personnel

2009

	Short Term Benefits			
	Salary	KPI Bonus	Benefits	Directors fees
	\$,000	\$,000	\$,000	\$,000
M Stehr	240	-	5	-
H Stehr	-	-	3	120
T O'Regan	-	-	-	60
I McLachlan	-	-	-	55
P Robinson	-	-	-	-
M Deichmann	146	84	20	-
F Knight	134	-	16	-
C Wilkes	137	-	-	-
J Ciura	110	-	-	-
C Ashby	37	-	-	-
	804	84	44	235

Key Management Personnel  
2009 (cont'd)

	Post Employment benefits	Share Based payment			Performance Related %
	Super	Shares	Options	Total	
	\$,000	\$,000	\$,000	\$,000	
M Stehr	22	-	166	433	38%
H Stehr	-	-	16	139	12%
T O'Regan	-	-	8	68	12%
I McLachlan	5	-	8	68	12%
P Robinson	-	-	27	27	100%
M Deichmann	21	-	-	271	31%
F Knight	12	-	-	162	-
C Wilkes	12	-	-	149	-
J Ciura	10	-	-	120	-
C Ashby	3	-	-	40	-
	85	-	225	1,477	

Directors fees for H Stehr and T O'Regan were paid to companies associated with the Directors.

Consulting fees of \$228,000 (2009 \$267,000) were paid to Capital Strategies Pty Ltd, an associated company of Paul Robinson (Alternate Director).

(d) Options issued as part of remuneration for the year ended 30 June 2010

Options are issued to directors and executives as part of their remuneration. Whereas some options are issued based on performance criteria or certain corporate targets being achieved, generally options are issued to increase goal congruence between directors, executives and shareholders.

Options Granted as Remuneration

No options were granted during the 2010 financial year.

Review of Operations

Comments on the current year's operations are included in the Chairman's Report and the Managing Director's Report as well other sections throughout this Annual Financial Report.

### **Significant Changes in State of Affairs**

The following significant changes on the state of affairs of the entity occurred during the financial year:

On the 19th of October 2009, the company announced a share placement (168 million shares) and a share purchase plan (48 million shares) at \$0.25 to raise funds for further funding for the commercialisation of aquaculture bred SBT and to pay down debt.

On the 28th of October 2009, the company announced the completion of tranche 1 of the share placement raising \$7.6 million before costs. 30,316,880 shares were issued at \$0.25 per share.

On the 4th of December 2009 the company completed the 2nd tranche of the share placement raising \$34.4 million before costs. 137,683,120 shares were issued at \$0.25 per share. The completion of the share purchase plan raised \$12 million before costs. 48,000,000 share were issued at \$0.25 per share.

### **After Balance Date Events**

In September 2010, prior to the signing of these accounts, the consolidated group suffered a fish loss that will result in a before tax loss of approximately \$700,000 in the 2011 financial year.

The directors of the company do not believe there are any other events after the balance date that would have a material effect on the financial statements as presented.

### **Future Developments, Prospects and Business Strategies**

Comments on the company's future direction are included in the Chairman's Report and the Managing Director's Report, as well as other sections throughout this Annual Report.

### **Environmental Regulation and Performance**

Regulated areas of the operation are as follows:

The Arno Bay and Port Augusta Hatcheries operate under an Aquaculture Land based Category C License issued by The South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2005, Environment Protection (Water Quality) Policy 2003 and the Livestock Act 1997. Clean Seas has not recorded any breaches of license requirements.

Clean Seas operates 12 and CSAG operates 13 marine aquaculture licenses issued by The South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2005, Environment Protection (Water Quality) Policy 2003 and the Livestock Act 1997. The licences have not recorded any breaches of license requirements.

### **Indemnification and Insurance of Directors and Officers**

Under Clause 51 of the company's constitution, each of the company's directors, the Company Secretary and every other person who is an officer is indemnified to the extent permitted by law. The terms of the insurance contract prohibit the company from disclosing the level of premium paid.

Each Director has entered into a Deed of Indemnity and Access which indemnifies a director against liabilities arising as a result of acting as a director subject to certain exclusions and provides for related legal costs to be paid by the Company. The Deed requires the Company to maintain an insurance policy against any liability incurred by a director in his or her capacity as a director during that person's term of office and 7 years thereafter. It also provides a director with a right of access to board papers and other documentation while in office and for 7 years thereafter.

### Proceedings on Behalf of Company

SafeWork SA has mounted an action against Clean Seas Aquaculture Growout Pty Ltd to determine if an injured worker was allowed to work in an unsafe environment. The matter is listed for the next hearing on 27 October 2010.

Apart from the SafeWork matter above, no person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

### Non-audit Services

The following non-audit services were provided by the company's auditor, Grant Thornton. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Grant Thornton received or are due to receive the following amounts for the provision of non-audit services:

	2010 \$,000	2009 \$,000
Taxation consultation services	4	20
Taxation compliance services	17	25
AusIndustry audit	-	5

### Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 has been received and can be found on page 18.

### Rounding of Amounts

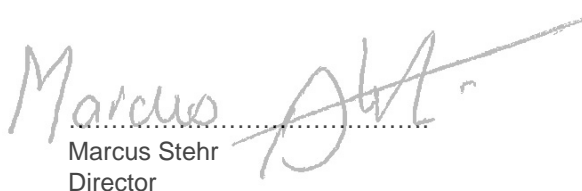
The company is an entity to which ASIC Class Order 98/100 applies and accordingly amounts in the financial statements and the directors' report have been rounded off to the nearest \$1,000.

Signed in accordance with a Resolution of the Board of Directors.



Clifford Ashby  
Managing Director

Date 29 September 2010



Marcus Stehr  
Director

Date 29 September 2010

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF CLEAN SEAS TUNA LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Clean Seas Tuna Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 29 September 2010

### **Corporate Governance Statement**

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

The Clean Seas Tuna Limited Board is responsible for the overall corporate governance of the Company. Given the current size and status of the company, responsibilities that are normally associated with committees in larger organisations remain with the main Clean Seas Board. The Board considers that Corporate Governance includes not only compliance with the specific requirements of the Corporations Act, Australian Stock Exchange Listing Rules and Company Constitution, but also the principles of ethical behaviour, risk management and optimising company performance.

In particular, during the reporting period, the Board:

- promoted ethical and responsible decision making
- ensured compliance with the Corporations Act, Accounting Standards, ASX Listing Rules and all other appropriate laws
- ensured compliance with aquaculture and environmental regulations
- set and reviewed strategic direction and approved the annual budget
- established goals for management and monitored the achievement of those goals
- monitored the operating and financial performance of the company
- monitored the performance of the Board, the Managing Director and executive management and ensured a clear link between performance and remuneration.
- ensured that an appropriate overall framework of internal control was in place to facilitate efficient decision making and monitor business risk
- ensured that capital markets and Shareholders were fully informed of material developments through effective compliance with continuous disclosure best practice
- recognised the legitimate interests of all stakeholders
- maintained the following Committees - Audit, Remuneration, Health, Safety and Environment

### **Audit Committee**

The audit committee was established in October 2005. The members comprise non-executive Directors Sir Tipene O'Regan , Chairman. Mr. John Ellice-Flint and Mr. Paul Steer. Its role is documented in an Audit Committee Charter approved by the Board of Directors and presently available to all shareholders upon request but will be posted on the Clean Seas website in the future.

In accordance with the Charter, all members of the Committee are Non-Executive Directors. The role of the Committee is to:

- monitor business risk through an appropriate internal control framework
- assist the Board in fulfilling its audit, accounting and reporting obligations
- monitor compliance with legal and statutory obligations
- monitor the performance and independence of the external auditor and the provision of additional services by the auditor's firm
- ensure appropriate ethical standards for the management of Clean Seas

### **Remuneration Committee**

The Remuneration Committee was established in October 2005. The members comprise non-executive Director Mr. John Ellice-Flint , Chairman, and non-executive Directors Mr. Paul Steere and Sir Tipene O'Regan. The Remuneration Committee advises the Board on remuneration policies and practices generally and reviews and makes specific recommendations on the remuneration package and other terms of employment of the Managing Director and other senior executives and Non-Executive Directors. The other Directors are invited to Remuneration Committee meetings as required to discuss management performance and remuneration packages.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

### **Health, Safety and Environment Committee**

The Health, Safety and Environment Committee was established in October 2005. The members comprise non-executive Director Sir Tipene O'Regan, Chairman, non-executive Directors, Mr. Paul Steere, Mr. John Ellice-Flint and Mr. Hagen Stehr AO. In addition, the Committee will involve the Managing Director, the Chair of the Research and Technical Advisory Committee, the Hatchery Manager and other such persons as deemed appropriate.

### **Nomination Committee**

The nomination Committee was established in December 2009. The members comprise non-executive Director Mr. John Ellice-Flint, Chairman, and non-executive Directors Mr. Paul Steere and Sir Tipene O'Regan.

### **Board Composition**

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors of the company are:

John Ellice-Flint  
Sir Tipene O'Regan  
Paul Steere

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

### **Trading Policy**

The company's policy regarding directors and employees trading in its securities, is set by the audit committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities prices.

### **Performance Evaluation**

An annual performance evaluation of the board and all board members was conducted by the board and facilitated by an independent consultant during the 2010 financial year.

### **Remuneration Policies**

The remuneration policy, which sets the terms and conditions for the key management personnel, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the board. All executives receive a base salary, superannuation and may be eligible to receive fringe benefits and performance incentives. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed annually which is based on the forecast growth of the company's profits and shareholder's value. The policy is designed to attract the highest calibre executives and reward them for performance which result in long-term growth in shareholder value.

### Remuneration Policies (continued)

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all key management personnel for the company and the six highest paid executives, including all monetary and non-monetary components, are detailed in the director's report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

### Compliance with ASX Principles of Good Corporate Governance.

The Board has undertaken a detailed review of the ASX recommendations and determined that Company already complied with the majority of them.

Where the entity considers that a recommendation is not appropriate to its particular circumstances, it has the flexibility not to adopt it, as long as it explains why it has chosen not to adopt it.

The following are recommendations that have not been adopted and the reasons why.

#### *Best Practice Recommendation 2.1 : A majority of the board should be independent directors.*

During the full period the company did not comply with Recommendation 2.1. The Directors believe that the company does not comply with this recommendation for the follow reasons. Given the size and status of Clean Seas, a six member board is seen as sufficient for current requirements. The company's existing board is made up of people with many years experience in primary production with the majority of that experience being within the fishing industry. These board members have the expertise to set the strategic direction of the company and the access and industry knowledge to question executive management. Mr Hagen Stehr and Mr Marcus Stehr have major interests in the company which the board believes aligns general shareholder aspirations with the company's aims.

Sir Tipene O'Regan, Mr Paul Steere and Mr John Ellice-Flint are considered to be independent. Mr Hagen Stehr AO and Mr Marcus Stehr are not independent by virtue of their substantial interests in the company. Mr Clifford Ashby is not independent by virtue of his executive employment status with Clean Seas Tuna Ltd.

#### *Best Practice Recommendation 2.2 : The Chairperson should be an independent director.*

During the full period the company did not comply with Recommendation 2.2. On 1 December 2009 John Ellice-Flint was appointed to the position of Chairman. As he is an independent director the company has complied with Recommendation 2.2 since.

#### *Best Practice Recommendation 2.4 :The board should establish a nomination committee.*

During the full period the company did not comply with Recommendation 2.4. On 1 December 2009 John Ellice-Flint was appointed to the position of Chairman of the Nomination Committee. The company has complied with Recommendation 2.4 since.

**Other Information**

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at [www.cleanseas.com.au](http://www.cleanseas.com.au)

**ASX Listing Rule 4.10.19 - Use of cash consistent with business objectives**

The corporate strategy of the company has two prime objectives:

- Produce and grow out Kingfish fingerlings for sale to domestic and export markets.
- Close the life cycle of the Southern Blue Fin Tuna with an aim to commercially produce and sell the fish.

All cash spent to date has been used in a manner consistent with these stated objectives.

Clean Seas Tuna Ltd

Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Note	Consolidated Group	
		2010 \$ '000	2009 \$ '000
Revenue	3	39,409	30,285
Other income	4	61	173
		<b>39,470</b>	<b>30,458</b>
Net gain arising from changes in fair value of grow out Kingfish Mulloway and Tuna		(11,862)	4,573
Changes in inventories of finished goods and work in progress		415	1,940
Foreign currency instrument revaluation	12	-	349
Employee benefits expense		(11,326)	(10,603)
Fish husbandry expense		(20,380)	(25,776)
Fish processing and selling expenses		(14,289)	(11,760)
Depreciation and amortisation expenses	5	(2,892)	(2,604)
Other expenses		(3,448)	(3,403)
<b>Total expenses excluding financing costs</b>		<b>(63,782)</b>	<b>(47,284)</b>
Interest revenue		441	60
Financial expenses	5	(904)	(1,612)
<b>Net profit/(loss) before income tax</b>		<b>(24,775)</b>	<b>(18,378)</b>
Income tax (expense)/benefit	6	9,124	5,816
<b>Net profit/(loss) attributable to members</b>		<b>(15,651)</b>	<b>(12,562)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(15,651)</b>	<b>(12,562)</b>
<b>Earnings per share from continuing operations</b>			
Basic earnings per share (cents per share)	37	(4.84)	(7.77)
Diluted earnings per share (cents per share)	37	(4.84)	(7.77)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 27 to 64.

Clean Seas Tuna Ltd

Statement of Financial Position for the year ended 30 June 2010

	Note	Consolidated Group	
		2010 \$ '000	2009 \$ '000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	5,803	13,836
Trade and other receivables	8	3,810	4,167
Prepayments	9	362	447
Processed inventory	10	5,226	4,872
Consumables inventory	11	1,337	1,710
Derivative receivable	12	-	349
Biological assets	13	24,400	36,262
<b>TOTAL CURRENT ASSETS</b>		<b>40,938</b>	<b>61,643</b>
<b>NON-CURRENT ASSETS</b>			
Prepayments	14	-	116
Property, plant and equipment	16	32,660	27,749
Biological assets	17	2,811	2,751
Deferred tax assets	18	17,630	7,140
Other non-current assets	19	13,155	13,155
Intangible assets	20	12,844	10,585
<b>TOTAL NON-CURRENT ASSETS</b>		<b>79,100</b>	<b>61,496</b>
<b>TOTAL ASSETS</b>		<b>120,038</b>	<b>123,139</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	6,074	17,785
Borrowings	22	-	27,000
Provisions	23	507	699
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,581</b>	<b>45,484</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred grant income	24	4,098	3,812
Provisions	25	316	207
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,414</b>	<b>4,019</b>
<b>TOTAL LIABILITIES</b>		<b>10,995</b>	<b>49,503</b>
<b>NET ASSETS</b>		<b>109,043</b>	<b>73,636</b>
<b>EQUITY</b>			
Issued capital	26	136,969	86,152
Reserves	28	817	576
Retained earnings		(28,743)	(13,092)
<b>TOTAL EQUITY</b>		<b>109,043</b>	<b>73,636</b>

The statement of financial position should be read in conjunction with the accompanying notes on pages 27 to 64.

Clean Seas Tuna Ltd

Statement of Changes in Equity for the year ended 30 June 2010

Consolidated Group	Note	Issued Capital		Share Option Reserve \$ '000	Retained Earnings \$ '000	Total \$ '000
		Ordinary Shares \$ '000	Converting Notes \$ '000			
Balance at 1 July 2008		61,910	1,230	336	(530)	62,946
Total comprehensive income for the period		-	-	-	(12,562)	(12,562)
Cost of options issued during the period	<b>28</b>	-	-	240	-	240
Shares issued during the period	<b>26</b>	23,974	-	-	-	23,974
Net cost of issue	<b>26</b>	(962)	-	-	-	(962)
Notes converted during the period	<b>26</b>	1,230	(1,230)	-	-	-
Balance at 30 June 2009		86,152	-	576	(13,092)	73,636
Total comprehensive income for the period		-	-	-	(15,651)	(15,651)
Cost of options issued during the period	<b>28</b>	-	-	241	-	241
Shares issued during the period	<b>26</b>	54,000	-	-	-	54,000
Net cost of issue	<b>26</b>	(3,183)	-	-	-	(3,183)
Balance at 30 June 2010		136,969	-	817	(28,743)	109,043

The statement of changes in equity should be read in conjunction with the accompanying notes on pages 27 to 64.

	Note	Consolidated Group	
		2010 \$ '000	2009 \$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		39,167	27,056
Receipts from grants		334	911
Payments to suppliers and employees		(59,146)	(45,338)
Dividends received		-	-
Interest received		441	60
Insurance claim		-	500
Finance costs		(849)	(1,570)
Income taxes paid		-	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>36</b>	<b>(20,053)</b>	<b>(18,381)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property, plant and equipment		(8,025)	(5,916)
Payment for Tuna research costs capitalised		(2,259)	(2,527)
Proceeds on disposal of non-current assets		1	57
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(10,283)</b>	<b>(8,386)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		54,000	23,975
Payments for costs incurred in capital raising		(4,547)	(1,376)
Proceeds from borrowings		-	17,700
Repayment of borrowings		(27,150)	(431)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>22,303</b>	<b>39,868</b>
Net change in cash held		(8,033)	13,101
Cash and cash equivalents at beginning of year		13,836	735
Cash and cash equivalents at end of the year	<b>7</b>	<b>5,803</b>	<b>13,836</b>

The statement of cash flows should be read in conjunction with the accompanying notes on pages 27 to 64.

## 1 Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Clean Seas Tuna Ltd Consolidated Group.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial reports have been prepared on an accruals basis and are based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Third Statement of Financial Position

Two comparative periods are presented for the statement of financial position when the Company:

- i Applies an accounting policy retrospectively,
- ii Makes a retrospective restatement of items in its financial statements, or
- iii Reclassifies items in the financial statements

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

### (a) Principles of Consolidation

A controlled entity is any entity over which Clean Seas Tuna Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 15 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

### Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

## 1 Statement of significant accounting policies (continued)

### (b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### Tax Consolidation

Clean Seas Tuna Ltd and its wholly owned Australian subsidiary have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The consolidated group has notified the Australian Taxation Office that it has formed an income tax consolidated group to apply from 1 July 2007. The tax consolidated group will enter a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

## 1 Statement of significant accounting policies (continued)

### (c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

#### Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Historically some assets held by Clean Seas Aquaculture Pty Ltd have been depreciated on a reducing balance method.

**1 Statement of significant accounting policies (continued)****(c) Property, Plant and Equipment (continued)****Depreciation (continued)**

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rates	
	Straight line	Red value
Buildings	2.5%	
Vessels	5.0 - 7.5%	11.3%
Cages and nets	10 - 25%	33.0%
Plant, equipment	13.0%	25.0%
Computers	30.0%	
Motor Vehicles	15.0%	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(d) Financial Instruments****Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## 1 Statement of significant accounting policies (continued)

### Impairment

At each reporting date, the consolidated group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### (e) Intangibles

#### Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

#### Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

### (f) Impairment of Assets

At each reporting date, the consolidated group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (g) Foreign Currency Transactions and Balances

#### Functional and presentation currency

The functional currency of the consolidated group is measured using the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in Australian dollars which is the consolidated group's functional and presentation currency.

#### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

## 1 Statement of significant accounting policies (continued)

### (h) Employee Benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### Equity-settled compensation

The consolidated group operates share based option schemes. The fair value of equity to which employees become entitled is measured at the grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (i) Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### (k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. In prior years revenue has been shown net of sale costs. The increase in value added sales has required revenue to be stated as gross sales value. Prior year amounts have been restated to be comparable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Government Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

### (l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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. All other borrowing costs are recognised in income in the period in which they are incurred.

### (m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a net of GST basis, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

## 1 Summary of significant accounting policies (continued)

### (n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (o) Rounding of Amounts

The consolidated group has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the Financial Report and Directors' Report have been rounded off to the nearest \$1,000.

### (p) Biological Assets

Biological assets include fish held for sale and broodstock. These are valued under AASB141.

In water fish held for sale are valued at their fair value less estimated point-of-sale costs determined as an average sale value in the four weeks post balance date. At 30 June 2010 the Company has 3,312,555 kilograms of fish in water held for sale valued at \$24,400,731 (30 June 2009 : 4,978,385 kilograms valued at \$36,261,819 ). Management and the board are confident that markets will continue to expand to accommodate the sale of fish being grown.

Broodstock is valued at fair value. The net cash flows from production of kingfish and mulloway fingerlings is minimal. The southern bluefin tuna broodstock have yet to generate positive cash flows. The Directors have determined that currently, the cost of broodstock best approximates fair value. This will be reviewed annually. Broodstock will be amortised over their effective breeding life commencing when sexual maturity is established. The death of a broodstock fish is not reflected as an impairment of the assets provided there are sufficient broodstock on hand to support the project objectives.

### (q) Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

#### Types of products and services by segment

(i) *Finfish sales*

All finfish grow out and sales other than propagated Southern Bluefin Tuna. Currently the segment includes Kingfish, Mulloway and some wild caught Tuna. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment.

(ii) *Tuna operations*

Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. This segment is still being developed with a view to commercialisation in future periods.

For a full breakdown see note 38

### (r) Issued Capital

#### Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

### (s) Inventory

Processed inventories comprise harvested fish that are held in a value added frozen format. The inventory is valued at the expected selling price less the estimated costs of the sale.

Feed stock inventory is valued at purchase price plus cost of delivery to site.

## 1 Summary of significant accounting policies (continued)

### (t) Use of Estimates and Judgements

The preparation of financial statements 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 these estimates.

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 and in any future period affected.

### Key estimates

#### Impairment

The consolidated group assesses impairment at each reporting date by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The principle assets subject to impairment review are:

- Growout PIRSA leases and licenses (note 19)
- Southern Bluefin Tuna quota (note 19)
- Development costs (note 20)
- Goodwill (note 20)
- Broodstock (note 17)
- Parent loan to subsidiary
- Net deferred tax position (note 18)

The key assumptions supporting value-in-use calculations include:

- the Southern Bluefin Tuna (SBT) project will be successfully commercialised
- the SBT project will be cash flow positive from 2015
- discount rate applied for net present value calculations; 8%
- the death of a broodstock fish is not an impairment provided there are sufficient broodstock on hand to support the project objectives.

The assets described above are not impaired at 30 June 2010.

### (u) Going Concern Basis of Accounting

The financial report has been prepared on the basis of a going concern.

The financial report shows the group incurred a loss of \$ 15,651,000 and cash used in operating activities of \$20,053,000 for the year ended 30 June 2010. The group is well advanced with the closure of the Southern Bluefin Tuna ( SBT ) life cycle and the project is soon to enter the commercialisation phase. The group continues to remain economically dependent on raising debt and / or equity to advance the SBT project. The group requires ongoing support of financiers, future capital raising and / or an increase in profits generated from the business to continue as a going concern.

If support from financiers and / or equity raising do not eventuate, and / or profits generated do not increase, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

## 1 Summary of significant accounting policies (continued)

### (v) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

##### *Disclosure impact*

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement or changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### (ii) AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board Issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity.

Below is an overview of the key changes and the impact on the Group's financial statements.

##### *Measurement impact*

Identification and measurement of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

**1 Summary of significant accounting policies (continued)**  
**(v) New Accounting Standards and Interpretations (continued)**  
(ii) AASB 8: Operating Segments (continued)

Under AASB 8, operating segments *are* determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations as this is how they are reviewed by the chief operating decision maker.

*Impairment testing of the segment's goodwill*

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

*Disclosure impact*

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

**(w) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows.

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not *yet* determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a. the objective of the entity's business model for managing the financial assets; and
  - b. the characteristics of the contractual cash flows.

**1 Summary of significant accounting policies (continued)**  
**(w) New Accounting Standards for Application in Future Periods (continued)**

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009-8: Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. These amendments are not expected to impact the Group.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

**1 Summary of significant accounting policies (continued)**  
**(w) New Accounting Standards for Application in Future Periods (continued)**

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

**2 Financial Risk Management**

The consolidated group's activities expose it to a variety of financial risks; market risk, price risk, credit risk and cash flow and interest rate risk. The consolidated group seeks to minimise potential adverse effects on financial performance.

The consolidated group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bills, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group 2010	2009
		\$ '000	\$ '000
<b>Financial Assets</b>			
Cash & cash equivalents	7	5,803	13,836
Financial assets at fair value through profit or loss			
- Derivative instruments	12	-	349
Held to maturity investments			
- Loans and receivables	8	3,810	4,167
Total financial assets		<u>9,613</u>	<u>18,352</u>
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
- Trade and other payables	21	6,074	17,785
- Borrowings	22	-	27,000
Total financial liabilities		<u>6,074</u>	<u>44,785</u>

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives are used by the consolidated group for hedging purposes. Such instruments include forward exchange contracts. The consolidated group does not speculate in the trading of derivative instruments.

**(a) Risk Management****(i) Treasury Risk Management**

A finance committee consisting of senior executives of the consolidated group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**(ii) Financial Risk Exposures and Management**

The main risks the consolidated group are exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

*Interest rate risk*

At 30 June 2010 the consolidated group is debt free. In the event borrowings are drawn down, interest rate risk is managed using floating rate debt. It is the policy of the consolidated group to roll bills for periods between 90 and 180 days.

## 2 Financial Risk Management (continued)

### (ii) Financial Risk Exposures and Management (continued)

#### *Foreign currency risk*

The consolidated group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the consolidated group's measurement currency.

#### *Liquidity risk*

The consolidated group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

#### *Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

In respect of the parent entity, credit risk also incorporates the exposure of Clean Seas Tuna Ltd to the liabilities of all members of the consolidated group.

Credit risk is managed on a consolidated group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the consolidated group's strict credit policies may only purchase in cash or letter of credit.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

#### *Price risk*

The consolidated group is exposed to commodity price risk through fish pellet feed. The major components of the feed are fish oil and fish meal. The consolidated group has entered into a three year agreement with the major supplier of fish feed that only allows price changes on a three monthly basis, based on the movements in price of the components of the fish feed.

The consolidated group is exposed to fish sale price risk. The price of fish is affected by competition with other aquaculture bred fish and wild catch fish. The product is also substituted by consumers with meat and poultry. Movements in the price of any of these commodities will impact the price of the fish. The consolidated group minimises this risk by delivering quality product and targeting the markets the fish are sold in to ensure a premium return.

### **(b) Financial Instruments**

#### **(i) Derivative Financial Instruments**

Derivative financial instruments are used by the consolidated group to hedge exposure to exchange rate risk associated with trade debtors and imports. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

#### Forward Exchange Contracts

The consolidated group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

**2 Financial Risk Management (continued)****(ii) Financial instrument composition and maturity analysis****Financial Liability and Financial Asset Maturity Analysis**

Consolidated Group	Within 1 year		1 to 5 years		Total	
	2010	2009	2010	2009	2010	2009
Financial liabilities due for payment						
Bills of exchange	-	27,000	-	-	-	27,000
Trade and other payables	<b>6,074</b>	17,785	-	-	<b>6,074</b>	17,785
Total expected outflows	<b>6,074</b>	44,785	-	-	<b>6,074</b>	44,785
Financial assets - cash flows realisable						
Cash and cash equivalents	<b>5,803</b>	13,836	-	-	<b>5,803</b>	13,836
Trade receivables	<b>3,810</b>	4,167	-	-	<b>3,810</b>	4,167
Forward exchange contracts						
Contractual inflows	-	349	-	-	-	349
Total anticipated inflows	<b>9,613</b>	18,352	-	-	<b>9,613</b>	18,352
Net (outflow)/inflow on financial instruments	<b>3,539</b>	(26,433)	-	-	<b>3,539</b>	(26,433)

Trade and sundry payables are expected to be paid as follows:

	Consolidated Group	
	2010	2009
	\$ '000	\$ '000
Less than 6 months	<b>6,074</b>	17,785
6 months to one year	-	-
	<b>6,074</b>	17,785

**(iii) Net fair values**

The net values of assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts.

**(iv) Sensitivity analysis****Interest Rate Risk, Foreign Currency Risk and Price Risk**

The consolidated group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*Interest Rate Risk Sensitivity Analysis*

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	2010	2009
	\$ '000	\$ '000
Change in profit/(loss)		
Increase in interest rate by 2%	<b>(38)</b>	(425)
Decrease in interest rate by 2%	<b>38</b>	425
Change in equity		
Increase in interest rate by 2%	<b>(38)</b>	(425)
Decrease in interest rate by 2%	<b>38</b>	425

## 2 Financial Risk Management (continued)

### (iv) Sensitivity analysis (continued)

#### Foreign Currency Risk Sensitivity Analysis

At 30 June 2010 the effect on profit and equity as a result of changes in the value of the Australian Dollar to the United States Dollar, with all other variables remaining constant is as follows:

	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	\$ '000	\$ '000
Change in profit/(loss)		
Increase in AUD to USD by 5%	<b>(1,290)</b>	(1,143)
Decrease in AUD to USD rate by 5%	<b>1,290</b>	1,143
Change in equity		
Increase in AUD to USD by 5%	<b>(1,290)</b>	(1,143)
Decrease in AUD to USD rate by 5%	<b>1,290</b>	1,143

Changes in the exchange rate have a direct impact on the valuation of inventory at year end. This analysis assesses the impact a 5% change in exchange rates would have on June 2010 profitability from inventory valuation changes.

#### Fish Price Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the sale price of fish, with all other variables remaining constant is as follows:

	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	\$ '000	\$ '000
Change in profit/(loss)		
Increase in fish price by 5%	<b>1,959</b>	2,092
Decrease in fish price by 5%	<b>(1,959)</b>	(2,092)
Change in equity		
Increase in fish price by 5%	<b>1,959</b>	2,092
Decrease in fish price by 5%	<b>(1,959)</b>	(2,092)

Changes in the fish prices have a direct impact on the valuation of inventory at year end. This analysis assesses the impact a 5% change in fish price would have on June 2010 profitability from inventory valuation changes.

#### Feed Price Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the value of fish feed, with all other variables remaining constant is as follows:

	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	\$ '000	\$ '000
Change in profit/(loss)		
Increase in feed price by \$100 per tonne	<b>(786)</b>	(1,163)
Decrease in feed price by \$100 per tonne	<b>786</b>	1,163
Change in equity		
Increase in feed price by \$100 per tonne	<b>(786)</b>	(1,163)
Decrease in feed price by \$100 per tonne	<b>786</b>	1,163

The above interest rate, foreign exchange rate and price sensitivity analysis has been performed on the assumption that all other variables remain unchanged.



**6 Income Tax Expense****Consolidated Group**

2010	2009
\$ '000	\$ '000

**(a) Income tax expense/(benefit)**

Current tax	(7,415)	(16,854)
Deferred tax	167	11,038
Under/(over) provided in prior years	(1,876)	-
	<b>(9,124)</b>	<b>(5,816)</b>

**(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:**

Profit/(loss) from continuing operations before income tax expense	(24,775)	(18,378)
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2009 - 30%)	(7,433)	(5,513)
Add tax effect of:		
- Entertainment expense	5	9
- Employee option expense	72	72
- Legal expense	3	8
- Foreign exchange provision	105	-
	<b>(7,248)</b>	<b>(5,424)</b>
Less tax effect of:		
- R&D Concession	(1,764)	(392)
- Over provision in prior year	(112)	-
Income tax expense/(benefit)	<b>(9,124)</b>	<b>(5,816)</b>

The applicable weighted average effective tax rates are as follows:

37%	32%
-----	-----

The increase in the weighted average effective consolidated tax rate for 2010 is the result of tax allowances on research and development expenditure combined with a tax loss.

**(c) Amounts recognised directly in equity**

Aggregate current and deferred tax arising in the reporting period and amounts not recognised in net profit or loss but directly debited or credited to equity

Current tax - credited directly to equity

Net deferred tax - credited directly to equity (note 18 )

-	-
1,366	428
<b>1,366</b>	<b>428</b>

**7 Current Assets - Cash & Cash Equivalents****Consolidated Group**

2010	2009
\$'000	\$'000

Cash at bank and in hand	703	300
Deposits at call	5,100	13,536
	<b>5,803</b>	<b>13,836</b>

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	5,803	13,836
Bank overdrafts	-	-
Balances per statement of cash flows	<b>5,803</b>	<b>13,836</b>

**7 Current Assets - Cash & Cash Equivalents (continued)****(b) Cash at bank and on hand**

The cash at bank attracts interest on a floating basis. The weighted average effective interest rate was 3.5% - 2010 (2.3% - 2009).

**(c) Deposits at call**

The deposits are made on 30 to 90 day periods. The weighted average effective interest rate was 4.1% - 2010 (4.0% - 2009).

**8 Current Assets - Trade and Other Receivables**

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Trade receivables	3,534	3,849
Provision for impairment	(20)	(20)
	<u>3,514</u>	<u>3,829</u>
Related party receivables	25	16
Other receivables	271	322
	<u>3,810</u>	<u>4,167</u>

**(a) Impaired trade receivables**

As at 30 June 2010 there was no impairment of trade receivables.

**(b) Past due but not impaired**

As of 30 June 2010, trade receivables of \$511,988 (2009 - \$1,042,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Up to 3 months	463	1,036
3 to 6 months	49	6
	<u>512</u>	<u>1,042</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The consolidated group does not hold any collateral in relation to these receivables.

**(c) Other receivables**

These amounts generally arise from transactions outside the operating activities of the consolidated group. Interest is not normally charged. Interest charged for 2010 - nil (2009 - nil).

**(d) Foreign exchange and interest rate risk**

Information about the consolidated group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

**(e) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The consolidated group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the consolidated group.

**9 Current Assets - Prepayments**

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Prepayments	362	447
	<u>362</u>	<u>447</u>

10 Current Assets - Processed Inventory	Consolidated Group	
	2010	2009
	\$'000	\$'000
Frozen fish inventory	5,226	4,872
	<b>5,226</b>	<b>4,872</b>

11 Current Assets - Consumables Inventory	Consolidated Group	
	2010	2009
	\$'000	\$'000
Pellet feed	1,142	1,649
Packaging	195	61
	<b>1,337</b>	<b>1,710</b>

12 Current Assets - Derivatives Receivable	Consolidated Group	
	2010	2009
	\$'000	\$'000
Forward exchange contracts	-	349
	<b>-</b>	<b>349</b>

Forward exchange contracts are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of the contracts are recognised directly in the statement of comprehensive income.

13 Current Assets - Biological Assets	Consolidated Group	
	2010	2009
	\$'000	\$'000
<b>Current Asset - Fish held for sale</b>		
Carrying amount at beginning of period	36,262	31,689
Value of fish inventory purchased	613	-
Gain arising from physical changes at fair value less estimated point of sale costs	14,142	27,077
Decreases due to harvest for sale	(21,823)	(17,644)
Decreases due to harvest for fish inventory	(4,794)	(4,860)
<b>Carrying amount at end of period</b>	<b>24,400</b>	<b>36,262</b>

14 Non-Current Assets - Prepayments	Consolidated Group	
	2010	2009
	\$'000	\$'000
Prepaid marina costs	-	116
	<b>-</b>	<b>116</b>

## 15 Controlled Entity

### (a) Controlled Entity Consolidated

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
Clean Seas Aquaculture Growout Pty Ltd	Aust	100	100

### (b) Acquisition of Controlled Entities

On 27 November 2007 the parent entity acquired 100% of Clean Seas Aquaculture Growout Pty Ltd with Clean Seas Tuna Ltd entitled to all profits earned from 1 November 2007 for a purchase consideration of \$12 million.

## 16 Non-Current Assets - Property, Plant and Equipment

<b>Consolidated Group</b>	<b>Marina Lease</b>	<b>Dams &amp; fishponds</b>	<b>Land &amp; buildings</b>	<b>Plant &amp; equipment</b>	<b>Total</b>
<b>Year ended 30 June 2009</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening net book amount	2,000	13	9,070	13,390	24,473
Additions	-	-	1,101	4,816	5,917
Disposals	-	-	-	(37)	(37)
Depreciation charge	-	(13)	(488)	(2,103)	(2,604)
Closing net book amount	2,000	-	9,683	16,066	27,749
<b>At 30 June 2009</b>					
Cost	2,000	364	11,066	20,624	34,054
Accumulated depreciation	-	(364)	(1,383)	(4,558)	(6,305)
Net book amount	2,000	-	9,683	16,066	27,749
<b>Year ended 30 June 2010</b>					
Opening net book amount	2,000	-	9,683	16,066	27,749
Additions	-	-	5,945	2,080	8,025
Disposals	-	-	-	(222)	(222)
Depreciation charge	-	-	(511)	(2,381)	(2,892)
Closing net book amount	2,000	-	15,117	15,543	32,660
<b>At 30 June 2010</b>					
Cost	2,000	364	17,011	22,511	41,886
Accumulated depreciation	-	(364)	(1,894)	(6,968)	(9,226)
Net book amount	2,000	-	15,117	15,543	32,660

<b>17 Non-Current Assets - Biological Assets</b>	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Fin fish broodstock at cost	2,811	2,751
Accumulated amortisation and impairment	-	-
	<b>2,811</b>	<b>2,751</b>
<b>18 Non-Current Assets - Deferred Tax Assets and Liabilities</b>	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
<b>Amounts recognised in profit or loss</b>		
<i>Deferred tax assets</i>		
Employee benefits	275	244
Unearned income	5	-
Prepayments	-	(9)
Tax losses	26,162	18,236
	<b>26,442</b>	<b>18,471</b>
<i>Deferred tax liabilities</i>		
Inventory	(7,210)	(10,324)
Research and development	(2,370)	(1,692)
Depreciation	(759)	-
	<b>(10,339)</b>	<b>(12,016)</b>
<b>Amounts recognised directly in equity</b>		
Equity raising expenses	1,527	685
	<b>1,527</b>	<b>685</b>
Net deferred tax assets	<b>17,630</b>	<b>7,140</b>
Movements :		
Opening balance at 1 July	7,140	896
Credited/(charged) to statement of comprehensive income	9,124	5,816
Credited/(charged) to equity	1,366	428
Closing balance at 30 June	<b>17,630</b>	<b>7,140</b>
<b>19 Non-Current Assets - Other</b>	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	<b>\$ '000</b>	\$ '000
Growout PIRSA leases and licences	12,803	12,803
Southern Bluefin Tuna (SBT) quota	352	352
	<b>13,155</b>	<b>13,155</b>

Additional growout leases and licences formed part of the asset base for the purchase of Clean Seas Aquaculture Growout Pty Ltd. These assets have been stated at fair value by the Directors based on an independent valuation.

The SBT quota is carried at cost.

**20 Non-Current Assets - Intangible Assets**

<b>Consolidated Group</b>	<b>Development Costs \$'000</b>	<b>Goodwill \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2009</b>			
Opening net book amount	3,113	4,961	8,074
Additions	2,527	(16)	2,511
Accumulated amortisation & impairment	-	-	-
Net book amount	<u>5,640</u>	<u>4,945</u>	<u>10,585</u>
<b>Year ended 30 June 2010</b>			
Opening net book amount	5,640	4,945	10,585
Additions	2,259	-	2,259
Accumulated amortisation & impairment	-	-	-
Net book amount	<u>7,899</u>	<u>4,945</u>	<u>12,844</u>
<b>At 30 June 2010</b>			
Cost	7,899	4,945	12,844
Accumulated amortisation & impairment	-	-	-
Net book amount	<u>7,899</u>	<u>4,945</u>	<u>12,844</u>

**21 Current Liabilities - Trade and Other Payables**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	3,823	16,018
Related party payables	272	398
Other payables	1,979	1,369
	<u>6,074</u>	<u>17,785</u>

**22 Current Liabilities - Borrowings**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Secured</b>		
Commercial bills	-	27,000
Total secured borrowings	<u>-</u>	<u>27,000</u>
<b>Unsecured</b>		
Converting notes	-	-
Total unsecured borrowings	<u>-</u>	<u>-</u>
Total current borrowings	<u>-</u>	<u>27,000</u>

**(a) Interest rate exposure**

Details of the company's exposure to interest rate changes in interest bearing liabilities are set out in note 2.

**(b) Assets pledged as security**

The secured borrowings were secured by a first ranking fixed and floating charge over all assets of the consolidated group. All secured borrowings have been repaid in the 2010 financial year.

**23 Current Liabilities - Provisions**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	507	699
	<u>507</u>	<u>699</u>

**24 Current Liabilities - Deferred Grant Income****Consolidated Group****2010**      **2009****\$'000**      **\$'000**

Deferred grant income	<b>4,098</b>	3,812
	<b>4,098</b>	3,812

**(a) Grant income**

Grant income is paid in advance based on budgeted expenditure. Grant income is matched with actual expenditure. Residual income is shown as deferred income.

**25 Non-Current Liabilities - Provisions****Consolidated Group****2010**      **2009****\$'000**      **\$'000**

Employee benefits	<b>316</b>	207
	<b>316</b>	207

**26 Issued Capital**

	<b>2010</b>	2009
	<b>Shares</b>	Shares
<b>(a) Ordinary shares</b>		
Opening balance	<b>202,112,534</b>	155,564,853
Share placement	<b>168,000,000</b>	23,775,000
Rights issue	-	19,815,281
Share purchase plan	<b>48,000,000</b>	-
Notes Converted	-	2,957,400
Total issued ordinary shares	<b>418,112,534</b>	202,112,534

	<b>2010</b>	2009
	<b>Notes</b>	Notes
<b>(b) Fully paid 9% converting notes</b>		
Opening balance	-	2,957,400
Share placement	-	-
Rights issue	-	-
Notes Converted	-	(2,957,400)
Total issued converting notes	-	-

**(c) Movements in Ordinary Issued Capital**

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$'000</b>
1-Jul-08	Opening balance	(d)	155,564,853		61,910
30-Sep-08	Note conversion		2,957,400		1,230
21-May-09	Share placement		23,775,000	\$0.55	13,076
22-Jun-09	Rights issue		19,815,281	\$0.55	10,898
	Less : Transaction costs arising on shares issued.				(1,375)
	Current tax credit recognised directly in equity				413
30-Jun-09	Closing balance		<u>202,112,534</u>		<u>86,152</u>
1-Jul-09	Opening balance	(d)	202,112,534		86,152
28-Oct-09	Share placement		30,316,880	\$0.25	7,579
9-Dec-09	Share placement		137,683,120	\$0.25	34,421
24-Dec-09	Share purchase plan		41,442,000	\$0.25	10,360
6-Jan-10	Share purchase plan		6,558,000	\$0.25	1,640
	Less : Transaction costs arising on shares issued.				(4,547)
	Current tax credit recognised directly in equity				1,364
30-Jun-10	Closing balance		<u>418,112,534</u>		<u>136,969</u>

**26 Issued Capital (continued)****(c) Movements in Ordinary Issued Capital (continued)**

Date	Details	Notes	Number of notes	Issue price	\$'000
1-Jul-08	Opening balance		2,957,400		1,230
30-Sep-08	Note conversion	(e)	(2,957,400)		(1,230)
30-Jun-09	Closing balance		-		-
1-Jul-09	Opening balance		-		-
30-Jun-09	Closing balance		-		-

On the 19th of October 2009, the company announced a share placement (168 million shares) and a share purchase plan (48 million shares) at \$0.25 to raise funds for the commercialisation of aquaculture bred SBT and to pay down debt.

On the 28th of October 2009, the company announced the completion of tranche 1 of the share placement raising \$7.6 million before costs. 30,316,880 shares were issued at \$0.25 per share.

On the 4th of December 2009 the company completed the 2nd tranche of the share placement raising \$34.4 million before costs. 137,683,120 shares were issued at \$0.25 per share. The completion of the share purchase plan raised \$12 million before costs. 48,000,000 share were issued at \$0.25 per share.

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of Clean Seas Tuna Limited, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

**(e) Converting notes**

The converting notes were automatically converted into ordinary shares in Clean Seas Tuna Ltd on 30 September 2008.

**(f) Capital management**

Management controls the capital of the consolidated group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the consolidated group can fund its operations and continue as a going concern.

The consolidated group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the consolidated group's capital by assessing the consolidated group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes to the strategy adopted by management to control the capital of the consolidated group since the prior year. This strategy is to ensure the consolidated group's gearing ratio remains below 50%. The gearing ratio's for the year ended 30 June 2010 and 30 June 2009 are as follows:

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Total borrowings	-	44,785
Less cash and cash equivalents	(5,803)	(13,836)
Net debt	(5,803)	30,949
Total equity	109,043	73,636
Total capital	103,240	104,585
Gearing ratio	0%	30%

**27 Economic Dependency**

Clean Seas is well advanced with the closure of the SBT life cycle and the project is now close to the commercialisation phase. The consolidated group continues to remain economically dependent on continued success in raising debt and/or equity required to advance the project.

In this regard, the Directors are advancing the company's plans for future debt/equity requirements in accordance with advices previously notified to the market.

**28 Reserves**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Share option reserve</b>		
Balance 1 July	<b>576</b>	336
Share option expense	<b>241</b>	240
Balance 30 June	<b>817</b>	<b>576</b>

**(a) Share option reserve**

The share option reserve is used to recognise the fair value of options issued but not exercised.

**29 Key Management Personnel Compensation****(a) Names and positions held are:**

<b>Name</b>	<b>Position</b>	<b>Period with the Group</b>	
Mr. John Ellice-Flint	Chairman - non executive	1/12/2009	30/06/2010
Mr. Hagen Stehr AO	Non-executive director	5/09/2000	30/06/2010
Mr. Clifford Ashby	Managing director	20/04/2009	30/06/2010
Mr. Marcus Stehr	Executive director	5/09/2000	30/06/2010
Sir Tipene O'Regan	Non-executive director	15/11/2004	30/06/2010
Mr Ian McLachlan	Non-executive director	1/09/2005	31/03/2010
Mr Paul Steere	Non-executive director	20/05/2010	30/06/2010
Mr. Paul Robinson	Non-executive director	9/12/2005	30/06/2010
Mr. Morten Deichmann	General Manager Hatcheries	6/05/2004	30/06/2010
Mr. Frank Knight	Company Secretary & CFO	23/08/2007	30/06/2010
Mr. Chester Wilkes	General Manager Operations	16/10/2006	30/06/2010
Mr. Joe Ciura	Technical/Health Manager	14/01/2004	30/06/2010

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

**(b) Options Holdings****Number of options held by key management personnel**

<b>Key Management Personnel</b>	<b>Balance 1.7.2009</b>	<b>Granted as compensation</b>	<b>Options exercised</b>	<b>Options expired</b>
J Ellice-Flint	-	-	-	-
H Stehr	100,000	-	-	-
C Ashby	-	-	-	-
M Stehr	900,000	-	-	-
T O'Regan	50,000	-	-	-
P Steere	-	-	-	-
P Robinson	50,000	-	-	-
M Deichmann	100,000	-	-	-
F Knight	100,000	-	-	-
C Wilkes	100,000	-	-	-
J Ciura	-	-	-	-
<b>Total</b>	<b>1,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Number of options held by key management personnel**

	<b>Balance 30.6.2010</b>	<b>Total Vested 30.6.2010</b>	<b>Total Exercisable 30.6.2010</b>	<b>Total Unexercisable 30.6.2010</b>
J Ellice-Flint	-	-	-	-
H Stehr	100,000	100,000	-	100,000
C Ashby	-	-	-	-
M Stehr	900,000	900,000	-	900,000
T O'Regan	50,000	50,000	-	50,000
P Steere	-	-	-	-
P Robinson	50,000	50,000	-	50,000
M Deichmann	100,000	100,000	100,000	-
F Knight	100,000	100,000	100,000	-
C Wilkes	100,000	100,000	100,000	-
J Ciura	-	-	-	-
<b>Total</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>300,000</b>	<b>1,100,000</b>

**29 Key Management Personnel remuneration (Continued)****(b) Options Holdings (continued)****Number of options held by key management personnel**

<b>Key Management Personnel</b>	<b>Balance 1.7.2008</b>	<b>Granted as compensa- tion</b>	<b>Options exercised</b>	<b>Options expired</b>
H Stehr	300,000	-	-	200,000
M Stehr	1,000,000	-	-	100,000
T O'Regan	150,000	-	-	100,000
I McLachlan	150,000	-	-	100,000
P Robinson	50,000	-	-	-
C Ashby	-	-	-	-
M Deichmann	100,000	-	-	-
F Knight	100,000	-	-	-
C Wilkes	100,000	-	-	-
J Ciura	-	-	-	-
<b>Total</b>	<b>1,950,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>

**Number of options held by key management personnel**

	<b>Balance 30.6.2009</b>	<b>Total Vested 30.6.2009</b>	<b>Total Exer- cisable 30.6.2009</b>	<b>Total Unexer- cisable 30.6.2009</b>
H Stehr	100,000	100,000	-	100,000
M Stehr	900,000	900,000	-	900,000
T O'Regan	50,000	50,000	-	50,000
I McLachlan	50,000	50,000	-	50,000
P Robinson	50,000	50,000	-	50,000
C Ashby	-	-	-	-
M Deichmann	100,000	100,000	100,000	-
F Knight	100,000	100,000	100,000	-
C Wilkes	100,000	100,000	100,000	-
J Ciura	-	-	-	-
<b>Total</b>	<b>1,450,000</b>	<b>1,450,000</b>	<b>300,000</b>	<b>1,150,000</b>

**(c) Shareholdings****Number of shares held by key management personnel**

<b>2010 Financial Year</b>	<b>Balance 1.7.2009 ('000)</b>	<b>Received as compensa- tion ('000)</b>	<b>Options Exercised ('000)</b>	<b>Net Change Other ('000)</b>	<b>Balance 30.6.2010 ('000)</b>
J Ellice-Flint	-	-	-	1,060	1,060
H Stehr	95,775	-	-	-	95,775
C Ashby	-	-	-	-	-
M Stehr	353	-	-	-	353
T O'Regan	-	-	-	-	-
P Steere	-	-	-	-	-
P Robinson	178	-	-	80	258
M Deichmann	-	-	-	-	-
F Knight	-	-	-	-	-
C Wilkes	-	-	-	-	-
J Ciura	-	-	-	-	-
<b>Total</b>	<b>96,306</b>	<b>-</b>	<b>-</b>	<b>1,140</b>	<b>97,446</b>

**29 Key Management Personnel remuneration (Continued)**  
**(c) Shareholdings (continued)**

2009 Financial Year	Balance	Received	Options	Net Change	Balance
	1.7.2008	as	Exercised	Other	30.6.2009
	('000)	compensa- tion ('000)	('000)	('000)	('000)
H Stehr	86,634	-	-	9,141	95,775
M Stehr	353	-	-	-	353
T O'Regan	-	-	-	-	-
I McLachlan	169	-	-	42	211
P Robinson	159	-	-	19	178
M Deichmann	-	-	-	-	-
F Knight	-	-	-	-	-
C Wilkes	-	-	-	-	-
J Ciura	-	-	-	-	-
<b>Total</b>	<b>87,315</b>	<b>-</b>	<b>-</b>	<b>9,202</b>	<b>96,517</b>

**30 Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditors:

	Consolidated	
	2010	2009
	\$'000	\$'000
<b>(a) Assurance services</b>		
<i>1. Audit services</i>		
Grant Thornton		
Audit and review of financial reports	<b>72</b>	69
<i>2. Other assurance services</i>		
Grant Thornton		
Taxation consulting services	<b>4</b>	20
Taxation compliance services	<b>17</b>	25
AusIndustry audit	-	5
<b>Total remuneration for audit services</b>	<b>93</b>	119

**31 Contingent liabilities**

(i) Clean Seas entered into a Commercial Ready Grant Agreement with the Commonwealth of Australia acting through the Department of Industry, Tourism and Resources. The parties acknowledge that the giving of the Grant for the purposes of the closure of the life-cycle of Southern Bluefin Tuna Project is intended to deliver substantial national benefit to Australia and as such the company has agreed to use its best endeavours to ensure that the planned outcomes for the Project as specified in the agreement are achieved and that the Project, or its outcome, is commercialised on normal commercial terms and within a reasonable time of completion of the Project. The company must immediately notify the Commonwealth if at any time it believes its capacity to achieve the planned outcomes is compromised or it wishes to commercialise the Project, or its outcomes, other than in accordance with the Agreement specifications. If these requirements are not met, the Commonwealth may require the company to repay some or all of the Grant paid to the company, together with interest at a rate of 5.185% per annum.

The support from AusIndustry finished 28 Feb 2009 after being extended from 31 August 2008. Under the general conditions of the Grant, the Deed does not terminate for five years after the completion date and the Company is required to continue to meet the obligations under the Deed.

(ii) In June 2006 the company entered into a five year support agreement with Uni-Aqua of Denmark. Uni-Aqua are the developers of the recirculation system installed in the Tuna broodstock facility located at Arno Bay. The agreement covers support in two areas:



**32 Commitments (continued)**

Access to funds from The Transformational Grant committed the Company to provide cash contributions, 2010 \$300,000, 2011 \$350,000, 2012 \$350,000, to access \$1.81 million over the three years.

**33 Related Party Transactions****(a) Major shareholder**

The term Stehr Group in these accounts is a collective reference to a number of private companies in the Santa Anna Tuna Fisheries Pty Ltd group. These companies are Stehr Group Pty Ltd and Australian Tuna Fisheries Pty Ltd.

The major shareholder is Australian Tuna Fisheries Pty Ltd (ATF). ATF and associated companies controlled 2010 23% (2009 47%) of the issued ordinary shares of Clean Seas Tuna Ltd.

**(b) Key management personnel**

Disclosures relating to directors and specified executives are set out in the Remuneration Report of the Directors' Report.

**(c) Transactions with related parties**

The following transactions occurred with related parties:

All related party transactions are negotiated on an arms length basis.

**Consolidated Group**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales of goods and services</i>		
Administration charge to Stehr Group	<b>63</b>	111
Tuna quota leasing to Stehr Group	-	17
Hire of equipment to Stehr Group	<b>10</b>	36
Sale of Tuna to Stehr Group	<b>159</b>	-
Sale of pellets to Stehr Group	-	77
Sales commission received from Stehr Group	<b>19</b>	-
<i>Purchase of goods and services</i>		
Management fee paid to Stehr Group	-	132
Purchase of broodstock feed from Stehr Group	-	58
Reimbursement of labour costs to Stehr Group	<b>610</b>	511
Vessel hire from Stehr Group	<b>122</b>	82
Plant hire from Stehr Group	<b>51</b>	25
Fish purchased from Stehr Group	<b>929</b>	1,187
Tuna quota leased from Stehr Group	<b>482</b>	256
Tuna catch expenses paid to Stehr Group	<b>193</b>	-
Fish towing by Stehr Group	<b>269</b>	309
Bait purchased from Stehr Group	<b>110</b>	-
Wine purchased from Stehr Group	-	4
Marina expenses paid to Stehr Group	<b>16</b>	10
Sundry expense reimbursements to Stehr Group	-	33
Rent paid to Stehr Group	<b>59</b>	62
Consulting fees paid to director related company	<b>228</b>	267

**33 Related Party Transactions (continued)****(d) Outstanding balances**

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Current receivables		
Australian Tuna Fisheries Pty Ltd	25	16
Current payables (purchase of goods & services)		
Australian Tuna Fisheries Pty Ltd	272	394
Stehr Group Pty Ltd	-	4

All receivables and payables with related parties are unsecured. The outstanding balances are due to be paid/received within 30 days by cash settlement

**34 Share Based Payments**

The following share based payment arrangements existed at 30 June 2010.

In October 2005 options to purchase ordinary shares in the company were issued to the inaugural directors under the following terms and conditions.

Exercise price was \$0.50, expiry date 27 October 2008, held in escrow until 11 December 2007. The options hold no voting or dividend rights and are transferable. These options expired in October 2008.

In October 2005 an employee share option plan was established under the following terms and conditions.

The plan allows eligible employees to be offered options to purchase ordinary shares in the company. The exercise price is not less than the average selling price in the 5 trading days prior to the board resolving to offer an option. The options vest at issue and the expiry date is five years from the issue date. The options hold no voting or dividend rights and are generally not transferable.

During the 2010 financial year no options were issued.

	<b>2010</b>		<b>2009</b>	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise		exercise
		price \$		price \$
Outstanding at the beginning of the year	1,600,000	1.68	2,100,000	1.40
Granted	-	-	-	-
Forfeited	-	-	(500,000)	0.50
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	<u>1,600,000</u>	<u>1.68</u>	<u>1,600,000</u>	<u>1.68</u>
Exercisable at year end	<u>350,000</u>	<u>0.68</u>	<u>850,000</u>	<u>0.57</u>

The options outstanding at 30 June 2010 had a weighted exercise price of \$1.68 (2009, \$1.68) and a weighted average contractual life of 1.12 years (2009 2.12 years). Exercise price ranged from \$0.50 to \$3.00 in respect of options outstanding at 30 June 2010.

Included under employee benefits expense in the statement of comprehensive income is \$240,773 (2009, \$240,773), and relates in full to equity-settled share based payment transactions.

**35 Events Occurring After Balance Sheet Date**

In September 2010, prior to the signing of these accounts, the consolidated group suffered a fish loss that will result in a before tax loss of approximately \$700,000 in the 2011 financial year.

The directors are not aware of any other events occurring after balance date that would have a material effect on these accounts.

**36 Reconciliation of Profit/(Loss) After Income Tax to Net Cash Inflow From Operating Activities**

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Profit/(loss) for the year	(15,651)	(12,562)
<i>Cash flows excluded from profit attributable to operating activities :</i>		
Finance costs on convertible notes	-	(66)
<i>Non-cash flows in profit/(loss)</i>		
Depreciation and amortisation	2,892	2,604
Share based payments	241	240
Foreign currency revaluation	349	(349)
Net (gain)/loss on sale on non-current assets	221	(21)
(Gain)/loss in fair value of biological assets	11,862	(4,573)
Change in operating assets and liabilities:		
Decrease/(Increase) in trade receivables	315	(1,834)
Decrease/(Increase) in other receivables	42	(65)
Decrease/(Increase) in prepayments	201	40
Decrease/(Increase) in processed inventory	(354)	(1,940)
Decrease/(Increase) in feed inventory	373	788
Decrease/(Increase) in deferred tax asset	(9,124)	(5,816)
(Decrease)/Increase in trade creditors	(12,107)	3,226
(Decrease)/Increase in other creditors	484	771
(Decrease)/Increase in provisions	(83)	354
(Decrease)/Increase in deferred grant income	286	822
Net cash inflow from operating activities	<u>(20,053)</u>	<u>(18,381)</u>

**37 Earnings Per Share**

	Consolidated Group	
	2010	2009
<b>(a) Basic earnings per share (cents/share)</b>		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	(4.84)	(7.77)
<b>(b) Diluted earnings per share (cents/share)</b>		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	(4.84)	(7.77)
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	2010	2009
	\$ '000	\$ '000
<i>Basic earnings per share</i>		
Profit/(loss) from continuing operations	(15,651)	(12,562)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>(15,651)</u>	<u>(12,562)</u>
<i>Diluted earnings per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(15,651)	(12,562)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>(15,651)</u>	<u>(12,562)</u>

**37 Earnings Per Share (continued)**

	2010	2009
<b>(d) Weighted average number of ordinary shares used as the denominator</b>		
Number for basic earnings per share	323,526,383	161,681,465
Effect of potential ordinary shares	1,600,000	1,761,644
Number for diluted earnings per share	<u>325,126,383</u>	<u>163,443,109</u>

**(e) Information concerning the classification of securities***(i) Options*

Options granted under the Employee and Officers' option plan are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share.

*(ii) Converting notes*

All converting notes were converted to ordinary shares 30 September 2008.

**(f) Earnings per share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated group by the weighted average number of ordinary shares outstanding during the financial year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**38 Operating Segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

**Types of products and services by segment***(i) Finfish sales*

All finfish grow out and sales other than propagated Southern Bluefin Tuna. Currently the segment includes Kingfish, Mulloway and some wild caught Tuna. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment.

*(ii) Tuna operations*

Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. This segment is still being developed with a view to commercialisation in future periods.

**Basis of accounting for purposes of reporting by operating segments***Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Corporate charges are allocated to reporting segments based on the segments overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

**38 Operating Segments (continued)***Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrance of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- income tax expense;
- deferred tax assets and liabilities;
- intangible assets.

*Comparative information*

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

**(i) Segment performance**

	<b>Finfish</b>	<b>Tuna</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Twelve months ended 30 June 2010			
Revenue			
Sales	39,409	-	39,409
Other income	61	-	61
Total segment revenue	<u>39,470</u>	<u>-</u>	<u>39,470</u>
Reconciliation of segment revenue to Group revenue			
Inter-segment elimination	<u>-</u>	<u>-</u>	<u>-</u>
Total Group revenue	<u>39,470</u>	<u>-</u>	<u>39,470</u>
Segment result	<u>(21,420)</u>	<u>-</u>	<u>(21,420)</u>
Reconciliation of segment result to Group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the board			
• depreciation and amortisation	(2,589)	(303)	(2,892)
Unallocated items			
• finance			(463)
Net profit/(loss) before tax from continuing operations			<u>(24,775)</u>

**38 Operating Segments (continued)****(i) Segment performance (continued)**

	<b>Finfish</b>	<b>Tuna</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Twelve months ended 30 June 2009			
Revenue			
Sales	30,285	-	30,285
Other income	173	-	173
Total segment revenue	<u>30,458</u>	<u>-</u>	<u>30,458</u>
Reconciliation of segment revenue to Group revenue			
Inter-segment elimination	-	-	-
Total Group revenue	<u>30,458</u>	<u>-</u>	<u>30,458</u>
Segment result	<u>(14,222)</u>	<u>-</u>	<u>(14,222)</u>
Reconciliation of segment result to Group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the board			
• depreciation and amortisation	(2,302)	(302)	(2,604)
Unallocated items			
• finance			(1,552)
Net profit/(loss) before tax from continuing operations			<u>(18,378)</u>

**(ii) Segment assets**

	<b>Finfish</b>	<b>Tuna</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Twelve months ended 30 June 2010			
Segment Assets	75,148	22,315	97,463
Segment asset increases for the period			
• intangible asset - Tuna propagation costs capitalised	-	2,259	2,259
• capital expenditure	2,180	5,845	8,025
	<u>2,180</u>	<u>8,104</u>	<u>10,284</u>
Reconciliation of segment assets to Group assets			
Unallocated assets			
• intangible assets			4,945
• deferred tax assets			17,630
Total Group assets from continuing operations			<u>120,038</u>
Twelve months ended 30 June 2009			
Segment Assets	95,975	15,078	111,053
Segment asset increases for the period			
• intangible asset - Tuna propagation costs capitalised	-	2,526	2,526
• capital expenditure	5,728	188	5,916
	<u>5,728</u>	<u>2,714</u>	<u>8,442</u>
Reconciliation of segment assets to Group assets			
Unallocated assets			
• intangible assets			4,946
• deferred tax assets			7,140
Total Group assets from continuing operations			<u>123,139</u>

**38 Operating Segments (continued)****(iii) Segment liabilities**

	<b>Finfish</b>	<b>Tuna</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Twelve months ended 30 June 2010			
Segment liabilities	6,805	4,190	10,995
Reconciliation of segment liabilities to Group liabilities			
Unallocated liabilities			
• deferred tax liabilities	-	-	-
Total Group liabilities from continuing operations	<u>6,805</u>	<u>4,190</u>	<u>10,995</u>
Twelve months ended 30 June 2009			
Segment liabilities	45,618	3,885	49,503
Reconciliation of segment liabilities to Group liabilities			
Unallocated liabilities			
• deferred tax liabilities	-	-	-
Total Group liabilities from continuing operations	<u>45,618</u>	<u>3,885</u>	<u>49,503</u>

**(iv) Revenue by geographic region**

Revenue attributable to external customers is disclosed below, based on the location of the external customer.

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Australia	15,452	12,062
United States of America	6,270	3,933
Europe	13,740	11,560
Asia	3,290	2,315
Total revenue	<u>38,752</u>	<u>29,870</u>

**(v) Major customers**

The Group has a number of customers to which it provides products. The Group supplies one single external customer in the finfish segment which accounts for 11% (2009: 9%) of external revenue. The next most significant customer accounts for 5% (2009: 5%) of external revenue.

**39 Clean Seas Tuna Ltd Parent Company Information**

	<b>2010</b>	<b>2009</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Parent entity</b>		
<b>Assets</b>		
Current assets	7,871	14,376
Non-current assets	140,284	103,113
Total assets	<u>148,155</u>	<u>117,489</u>
<b>Liabilities</b>		
Current liabilities	1,897	28,672
Non-current liabilities	4,205	3,884
Total liabilities	<u>6,102</u>	<u>32,556</u>
<b>Equity</b>		
Issued capital	136,969	86,152
Retained earnings	4,267	(1,795)
<b>Reserves</b>		
Share option reserve	817	576

**39 Clean Seas Tuna Ltd Parent Company Information (continued)**

	<b>2010</b>	2009
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Financial performance</b>		
Profit/(loss) for the year	<b>6,061</b>	(2,231)
Other comprehensive income	-	-
Total comprehensive income	<b>6,061</b>	(2,231)

**Guarantees in relation to the debts of the subsidiary**

There are no guarantees in place at present.

**Contingent liabilities**

See note 31.


**Contractual commitments**

See note 32.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 23 to 64, are in accordance with the Corporations Act 2001, and:
  - a. complying with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30th June 2010 and of the performance for the year ended on that date of the company and the consolidated group; and
  - c. comply with International Financial Reporting Standards as disclosed in note 1;
2. The Chief Executive Officer and the Chief Financial Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - b. the financial statement and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statement and notes for the financial year give a true and fair view;
3. In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



.....  
Mr. C. Ashby  
Managing Director

29 September 2010

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEAN SEAS TUNA LIMITED**

### **Report on the financial statements**

We have audited the accompanying financial statements of Clean Seas Tuna Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements 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.

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

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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. The directors also state, in the notes to the financial statements, 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 statements, 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 statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEAN SEAS TUNA LIMITED *Cont***

### **Auditor's responsibility *Cont***

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 complied with applicable independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- a the financial statements of Clean Seas Tuna Limited are in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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 statements also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Significant uncertainty regarding continuation as a going concern**

Without qualifying our opinion attention is drawn to Note 1(u) in the financial report. These conditions as set out in Note 1(u), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CLEAN SEAS TUNA LIMITED Cont**

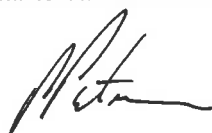
**Report on the remuneration report**

We have audited the Remuneration Report included in pages 11 to 15 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 on the remuneration report**

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

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 29 September 2010

**Clean Seas Tuna Ltd**  
**ASX Additional Information**

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below:

**Distribution of Equity Shareholders as at 15 September 2010**

Category	Number of equity security holders	
	Ordinary shares	Options
1 - 1,000	579	
1,001 - 5,000	1,920	
5,001 - 10,000	1,345	
10,001 - 100,000	3,444	11
100,001 - and over	456	1

The number of shareholders holding less than a marketable parcel of securities at 15 September 2010 was (1,372).

**Twenty Largest Security Holders by Class of Security as at 15 September 2010:**

Ordinary shares	Number of ordinary shares held	Percentage
AUSTRALIAN TUNA FISHERIES PTY LTD	94,459,285	22.6%
CITICORP NOMINEES PTY LIMITED	20,354,657	4.9%
NATIONAL NOMINEES LIMITED	11,793,413	2.8%
ANZ NOMINEES LIMITED	10,075,144	2.4%
SIMPLOT AUSTRALIA PTY LIMITED	5,231,250	1.3%
PAN AUSTRALIAN NOMINEES PTY LIMITED	4,355,499	1.0%
MR ANTHONY HARVEY SNAITH	4,000,000	1.0%
HSBC CUSTODY NOMINEES	3,594,589	0.9%
HSBC CUSTODY NOMINEES	3,000,000	0.7%
HSBC CUSTODY NOMINEES	2,012,284	0.5%
MR TIMOTHY JAMES MARTIN	1,895,776	0.5%
KILCARE HOLDINGS PTY LTD	1,800,000	0.4%
ARREDO PTY LTD	1,496,179	0.4%
MR M. ROWE & MRS L. HEANEY	1,380,344	0.3%
STHR GROUP PTY LTD	1,265,625	0.3%
MR ROBERT KAN & MRS INGKE KAN	1,248,696	0.3%
MR ALISTAIR ROBERT GRAEME PATON	1,215,841	0.3%
MERRILL LYNCH (AUST) NOMINEES PTY LTD	1,209,706	0.3%
A & F SMITH HOLDINGS PTY LTD	1,161,965	0.3%
MR PHILLIP COSTI	1,154,398	0.3%

The twenty largest shareholders held 172,704,651 (2009: 143,513,023) shares equal to 41.3% (2009: 71.0%) of the total issued, 418,112,534 ordinary shares.

**Shareholders Enquiries/ Change of Address**

Shareholders wishing to enquire about their shareholdings, dividends or change their address should contact the Company's share register.

**Offices and Officers**

**Share Registry**

Registries Limited  
 Level 7, 207 Kent Street  
 Sydney NSW 2000  
 Telephone : 1300 737 760  
 Facsimile : : 1300 653 459  
 Email : registries@registries.com.au  
 Internet : www.registries.com.au

**Registered Office**

7 North Quay Boulevard  
 Port Lincoln SA 5606  
 Telephone : 08 8621 2910  
 Facsimile : 08 8621 2990

Email : reception@cleanseas.com.au

Internet address : www.cleanseas.com.au

**Company Secretary**

Frank Knight

**Voting Rights**

The voting rights attaching to each class of security are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

**Stock Exchange**

The companies securities are listed on the Australian Stock Exchange. The home exchange is Adelaide.

**Direct Payments to Shareholders Accounts**

Dividends and interest may be paid directly to bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend date and confirmed by mailed payment advice. Shareholders who want their payments made in this manner should advise the Company's share registry in writing.

## Clean Seas Tuna Ltd

### ASX Additional Information (continued)

#### On Market Buy Back

There is no current on market buy back.

#### Substantial Shareholders

The number of shares held by substantial shareholders and their associates as listed in the Company's register of substantial shareholders as at 15 September 2010 was:

	Number of shares held
Australian Tuna Fisheries Pty Ltd	95,774,910

#### Other Information

Clean Seas Tuna Ltd , incorporated and domiciled in Australia, is a publicly listed company limited by shares.