



# 2010 ANNUAL REPORT

30 June 2010



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## Barramundi Highlights

27 October 2009  
**New warrants issued**

30 October 2009  
**Renewal of share and warrant buyback policies**

30 June 2010  
**Net operating surplus for the year of \$16.0m**

**Net Asset Value increased 21%**  
year to 30 June 2010

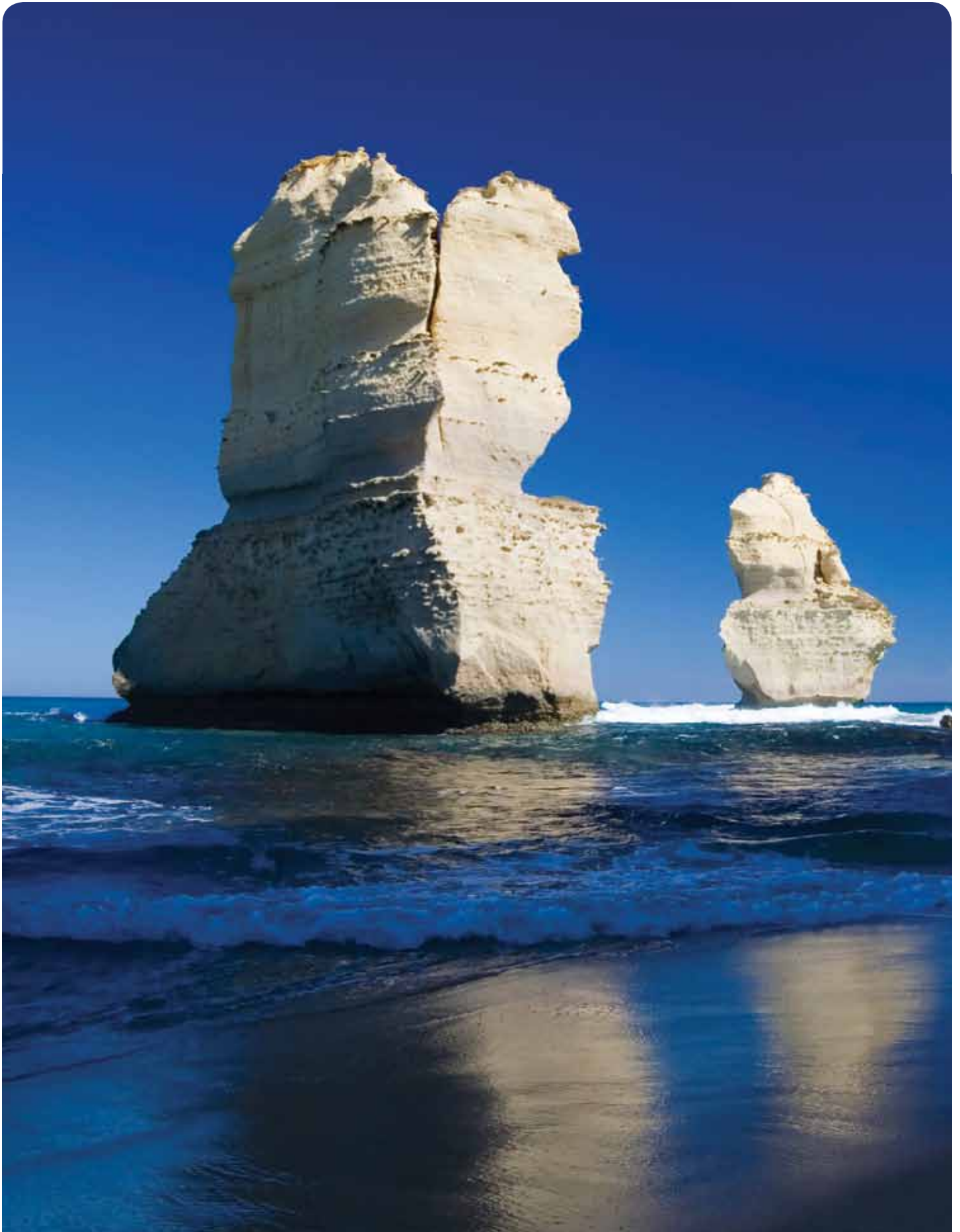
**Four dividends paid in the year to 30 June 2010 under new dividend policy, totalling 6.85cps**

## 2010/2011 Calendar

<b>Dividend Payment Dates</b>	24 September 2010, 17 December 2010, 25 March 2011, 24 June 2011
<b>September Quarter <i>Update</i> newsletter</b>	October 2010
<b>Annual Shareholders Meeting</b>	15 October 2010, 10.30am at the Ellerslie Event Centre, Auckland
<b>Warrant Exercise Dates</b>	23 November 2010, 22 February 2011, 24 May 2011
<b>Interim Period End</b>	31 December 2010
<b>Interim Report for 31 December 2010</b>	February 2011
<b>March Quarter <i>Update</i> newsletter</b>	April 2011
<b>Year End</b>	30 June 2011

## Share Price and NAV

	30 June 2010	30 June 2009
Share Price	\$0.66	\$0.54
Warrant Price (BRMWB)	\$0.05	N/A
NAV	\$0.81	\$0.72



## About The Company

**Barramundi Limited (“Barramundi”)** is a listed investment company that invests in Australian companies. The investment portfolio of Barramundi is managed by **Fisher Funds Management Limited (“Fisher Funds” or “The Manager”)**, a specialist investment manager with a track record of successfully investing in small company shares. The company was listed on the New Zealand Exchange on 26 October 2006 following a successful \$100 million IPO. Barramundi aims to offer investors competitive returns and access to a diversified portfolio of investments through a single investment vehicle. Barramundi may invest in listed Australian companies on the stock exchange with a primary focus on those outside the top 100 (at the time of investment) or unlisted Australian companies.

## Investment Objectives

The key investment objectives of Barramundi are to:

- Achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors; and
- Provide a portfolio of securities that allows investors access to a number of smaller companies through a single investment.

## Investment Approach

The investment philosophy of Barramundi is summarised by the following broad principles:

- Buy and hold shares in companies for the medium to long term.
- Invest in companies that have a proven track record of growing profitability.
- Construct a diversified portfolio of investments, investing on a case-by-case basis refraining from taking majority positions in any company, unless the opportunity is compelling.
- Invest as a long-term investor selling only on the basis of a fundamental change in the original investment case.
- Focus on achieving absolute returns, rather than outperforming a market index.

## Directors' Report

Directors of Barramundi are pleased to report that after adjusting for dividends paid, Net Asset Value (NAV) grew by 21% for the year ended 30 June 2010. This performance was significantly ahead of the S&P/ASX Small Ords Industrials index which lifted by 8.6%.



Global equity markets experienced strong rallies in the first half of the financial year; however the gains diminished in the latter part of the year as concern grew over the economic outlook in developed countries.

### Portfolio

During the year, Fisher Funds accepted takeover offers of two key companies in the portfolio - Arrow Energy and Pipe Networks, both of which generated substantial returns, boosting cash balances. Well executed currency hedging offset the adverse movement in the AUD/NZD cross rate and added \$1.6 million to the returns (2009: \$0.3 million).

Fisher Funds also took advantage of weakness in the market to add four new companies which should offer value to long-term investors.

At 30 June 2010, the portfolio comprised eighteen companies, with the five largest holdings making up 38% of the total portfolio.

### Financial

Barramundi recorded a net surplus of \$16 million for the year. The impressive result for the six months ended 31 December 2009 was partially offset by a drop in the market during the subsequent half year, although the overall result was still very satisfactory.

Income of \$18.5m included changes in the fair value of investments of \$15.0m, and dividends and interest of \$2.3m.

Operating Expenses totalled \$2.0m (2009: \$1.2m) including Fisher Funds management fee which increased from 0.75% of assets under management to the base fee of 1.25%.

Total assets under management at balance date were \$83.7m (\$2009: \$73.1m).

### Warrant Issue

Directors recognised that due to adverse market conditions experienced over the preceding two years, most of the initial warrants issued at Barramundi's IPO would expire unexercised on 26 October 2009. An issue of new warrants was announced in September 2009. Shareholders at the record date of 23 October 2009 received one free warrant for every two shares held, with an exercise price of 75c. The new warrants may be exercised quarterly until 27 October 2011 and can be traded on the NZSX under the code "BRMWB".

In the months from issue to 30 June 2010, 368,523 new warrants were exercised, increasing the capital on issue by \$276,392.

In considering whether to exercise their warrants, holders should take into account Barramundi's share price, the NAV at that time, the income stream provided by dividends and the Company's performance outlook. Holders should also seek independent financial advice.

### New Dividend Policy

On 21 August 2009, Directors announced a new long-term dividend policy of paying two percent of average NAV per quarter, irrespective of underlying portfolio performance. During the year ended 30 June 2010, 6.85 cents per share was distributed to shareholders. Certainty and quantum of the tax-free distribution has been welcomed by shareholders particularly given the uncertain investing environment of recent months. The attractiveness of this policy has also contributed to increased participation in the Company's dividend reinvestment plan and may be encouraging warrant holders to exercise early so that they too can benefit from the distribution.

A further dividend of 1.71 cents is payable on 24 September 2010.

Relative Performance - 30 June 2010	One Year	Since Inception
Barramundi NAV	21.0%**	-7.8%*
S&P/ASX Small Ords Industrial***	8.6%	-24.3%

\*Includes 8.85cps dividends paid, assumed to be reinvested.

\*\*Includes 6.85cps dividends paid, assumed to be reinvested.

\*\*\*In New Zealand Dollar terms, includes dividends paid.

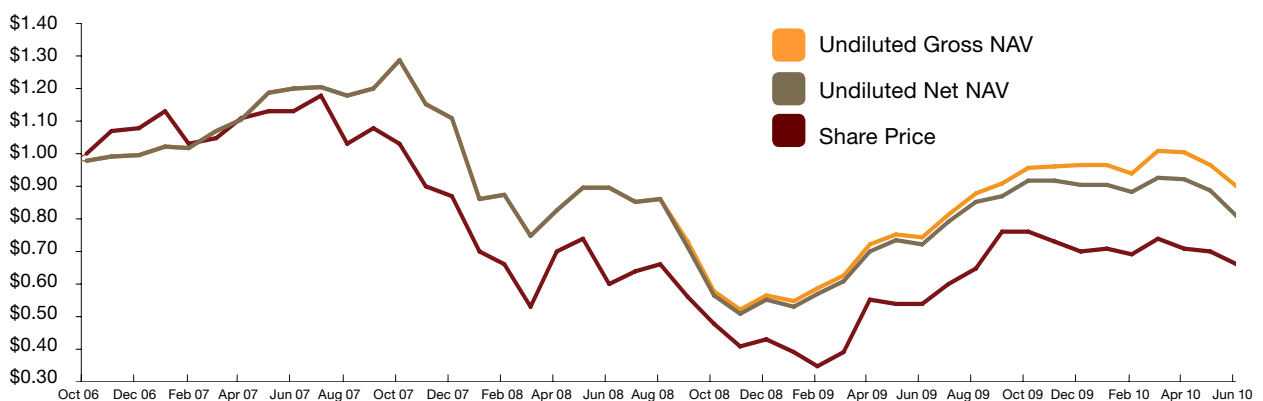
	30 June 2010	30 June 2009	Year Change
Net Asset Value~	\$0.81	\$0.72	12.5%
Share Price	\$0.66	\$0.54	22.2%

~Audited. Not adjusted for dividends paid.

## Share Price

In Financial Year	2007	2008	2009	2010
Share Price High	1.17	1.18	0.74	0.85
Share Price Low	0.99	0.51	0.34	0.53
At 30 June	1.13	0.60	0.54	0.66

## Barramundi Unaudited Net Asset Value and Share Price

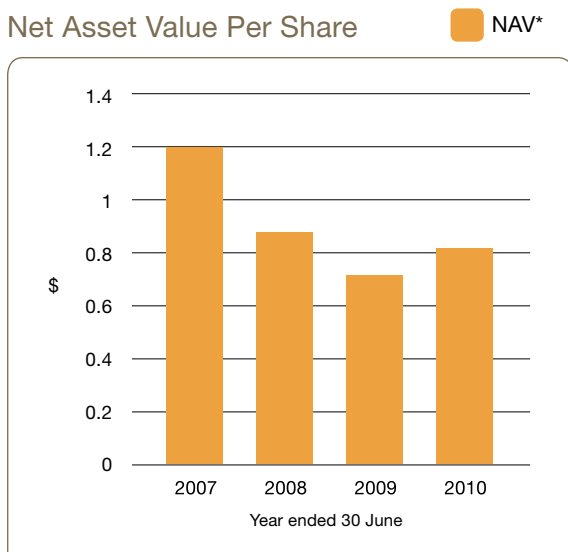


Undiluted Gross NAV includes dividends, assumed to be reinvested.

## Dividend Payments

Year Ended 30 June	Dividends Paid (cents per share)
2009	2.00
2010	6.85
Total	8.85

## Net Asset Value Per Share



\*Audited. Not adjusted for dividends paid.

## Share buybacks

Barramundi bought back 1,682,091 of its shares on-market in the year at an average cost of 72 cents per share. The share buyback policy was renewed for another twelve months in October 2009 and is intended to again be renewed for a further year in October 2010.

In accordance with the Companies Act 1993, Barramundi can purchase up to 5% of its shares in a rolling 12 month period. Share buybacks increase Barramundi's net asset value and therefore the returns for all shareholders. The Board takes into account a number of factors when deciding whether to buy back shares. These include prevailing discount levels, market trading volumes, share price and the Manager's assessment of investment alternatives. The shares bought back are held as treasury stock and are re-issued under the Company's dividend reinvestment plan.

Share buybacks may also help the discount between share price and NAV but in our experience factors such as market sentiment and the state of local and global economies are greater determinants of discount levels.

The discount to diluted NAV (that is assuming all warrants are issued) on 30 June 2010 was 18.1%. At the date of this report it had narrowed to 16.5%.

## Outlook

Although the Australian economy is well placed given its robust fiscal position, market volatility is expected to prevail over the short to medium term, requiring a patient and well disciplined approach to generating returns.

While Barramundi's current share price discount to NAV remains, it does present an opportunity to invest in the underlying portfolio of quality companies for less than the cost of purchasing each stock on its own. Combined with the regular dividend stream, we expect markets to recognise the attractiveness of Barramundi as an investment which in turn may assist reducing the discount. To further assist with increasing Barramundi's profile in the market, we have contracted a person dedicated to investor relations to communicate with market participants so that we are able to identify and resolve any issues or concerns and highlight Barramundi as an investment.

Our next report to you will be in October when we provide an update for the quarter ending 30 September and the outcome of Barramundi's Annual Shareholders Meeting which will be held at the Ellerslie Event Centre in Auckland on Friday 15 October. We look forward to seeing many of you then.

The Chairman's and Manager's written presentations will be accessible on our website [www.barramundi.co.nz](http://www.barramundi.co.nz) if you are unable to attend the meeting.

### On behalf of the Board

**Rob Challinor** Chairman - Barramundi Ltd  
23 August 2010

## Share Buybacks and Treasury Stock

Our corporate office often receives queries as to why Barramundi buys back its shares. By buying Barramundi shares, on market, at a discount to the asset value represented by that share, the Board is able to boost underlying value for all other Barramundi shareholders. This is a tangible way that the Board can help in improving returns for all shareholders. However, any decision by the Board to acquire shares will also consider market trading volumes, share price trends and our Manager's assessment of investment alternatives.

The shares that are bought back by the company are referred to as "**Treasury Stock**" shares. The company can at any time hold up to 5% of total shares on issue as Treasury Stock and any shares bought back in excess of 5% will be cancelled upon acquisition. Treasury Stock may be re-issued to shareholders under Barramundi's dividend reinvestment plan, issued to the Manager as part consideration of any performance fee, or it can also be issued to other parties as a placement. In all these cases the Directors are required to resolve that such an issue is fair and reasonable to the Company and to all existing shareholders.

When the NAV is calculated, the number of Treasury Stock is deducted from total shares on issue of the Company. This increases the NAV per share, although it takes a significant (>10 million) number of shares bought back to have any meaningful impact on the NAV per share.

Shareholders are sent a **share buyback letter** within three months of a buyback. This is to notify you of the number of shares bought back on-market, the total cost including brokerage, and the average cost per share. We are required to inform you of this as part of our obligations under the Companies Act. The Company cannot buy back shares directly from shareholders – it must be via the NZSX.

# Manager's Report

## Market Environment and Portfolio Performance

After two very difficult years for investors it is great to be able to report on a pleasing return to form in 2010 with the Barramundi portfolio NAV rising 21.0% for the year. This was a superb result in light of the still challenging environment and was significantly better than the Australian smaller industrial companies index which rose 8.6% over the same time period.



To add cream to what was a pleasing year for shareholders, the discount to Net Asset Value that Barramundi was trading at in the share market declined over the year, meaning that the total return (share price lift plus dividends paid) enjoyed by Barramundi shareholders was 34.1%.

The winners driving portfolio returns that we identified in the half year report continued to be largely responsible for the 21% increase in the Barramundi portfolio NAV over the year.

The largest contributor was Arrow Energy up 36.6% for the twelve months on a takeover offer from a Shell/PetroChina JV. Adding to the takeover theme which we comment on below was Pipe Networks which rose 46.3% over the year as it was taken over by TPG Telecom. Rounding out the top three contributors to returns was Credit Corp, rising 126.2%, as its phoenix-like renaissance continued.

## Portfolio Company Highlights

In the half year report we speculated that merger and acquisition activity would be a major return driver in 2010. Little did we realise how prescient that comment would be. In particular we highlighted **Arrow Energy** and **Centrebet** (+56.1%) as possible takeover candidates. It was a case of two up and two down as it turned out.

Centrebet advised the market in March that they are actively courting suitors and Arrow Energy, also in March, received a takeover offer from a Royal Dutch Shell, PetroChina joint venture. The takeover offer for Arrow was for \$4.70 per share in cash plus one Dart Energy share for every two Arrow shares owned. Dart Energy is a new company that will house Arrow's international and New South Wales coal seam assets. Fisher Funds, on behalf of Barramundi shareholders, accepted the takeover offer. This was a great win for Barramundi with its first shares purchased at just \$0.84. For now the Centrebet sale process continues – watch this space for updates.

**Credit Corp** (+126.2%) showed the benefit of patience and the importance of understanding the underlying value of a business. As long-term shareholders will be aware Barramundi's investment in Credit Corp has been challenging to say the least with the company share price trading in an exaggerated range from over \$12 to below \$0.50 at its lows. We used the dramatic sell off to purchase

more shares in Credit Corp reaping the reward as the company, now stabilised and growing again under new management, enjoyed a share price resurgence. This materially added to returns for Barramundi in 2010. Interestingly the company is now, as of its last profit announcement, back to levels of profitability enjoyed before its dramatic share price tumble.

**Pipe Networks** (+46.3%) made a major contribution to returns over the year on the back of a takeover offer which we reluctantly accepted.

## Portfolio Additions

In addition to Noni B which we discussed in the 2010 interim report we introduced a number of new investments to the portfolio over the year.

**DWS Advanced Business Solutions** is a leading IT services company. The firm, set up by CEO Danny Wallis 19 years ago, has an enviable record of growth, having improved revenues in each year of its existence. We believe with its unique business model and strong leadership DWS is set to repeat this strong growth in years to come. This business generates strong fee cash flow, has no debt and unusually for a company with its growth profile pays an attractive dividend yield.

**RP Data** provides a property data service to real estate agents, valuers and banks. The moat around this business is the difficulty a competitor would have in replicating the richness of the company's proprietary database. This database includes years of property transaction information, street level photos and council reports all wrapped up in an easy to use portal. We see significant growth potential for this firm as the company finds new ways to monetise its core information asset.

**CSG's** core business is in managed print services although it has complementary operations in managed IT services and the provision of enterprise solutions. CSG's core print services business involves the management of work place photocopiers and multi function devices. The play in this space is two fold. First MFD manufacturers are increasingly using specialists like CSG to drive sales and to optimise print services for their customers. We expect CSG to benefit from this trend – the recent deal with Canon in Australia is an example of this. We also see the higher margins from the migration to colour printing driving higher per client profitability for CSG. >>

## Outlook

Normally in our commentaries we don't talk a lot about big macroeconomic issues, but its fair to say that these factors have been the primary drivers of returns in the last two years. Whilst some of those are still at play shaping the price action of markets we believe that the next twelve months will be "more normal" with investment returns determined by company specific factors.

Despite that we do need to be conscious of how the nuances of today's environment might impact the optimal investment strategy for Barramundi. It is a truism that we have lived through a major dislocation in the global economy over the past three years. The echoes of this continue to be felt and continue to influence the right strategy for making money in financial markets.

Whilst it is tempting to speculate on the macroeconomic headlines - will Greece default? What about inflation or deflation? Is the Euro going to make it or fall apart? Ultimately no one really knows the answers to those big picture questions. They are dynamic problems and the attitudes of governments and central banks on any given day will change outcomes.

Our focus in setting investment strategy for Barramundi is on those things that we believe are predictable in today's complex world and then feed these into our investment thinking. The key themes we are focused on at present are:

1. Governments are going to continue to play a major role in what were once free market economies – this will tend to mean periods of instability are followed by periods of euphoria as policy responses kick in. To see how this works we only need to think of 2008 which was wildly unstable only to be followed by 2009 where government policy induced a euphoric rise in markets.
2. Consumers remain too highly indebted and so will continue to spend less and save more. This is clearly true in the United States but is also true in most Western economies like Australia. This makes us cautious on 'me too' style consumer shares.
3. As consumers reduce debt and governments implement austerity programmes Western economies will grow less and inflation, ex a major liquidity shock like money being madly printed, will remain subdued.
4. Companies, unlike governments and consumers, on the other hand are flush with cash. This sounds to us like the raw material for an acquisition binge and is pretty exciting for equity investors – we have already reaped the rewards of this in Barramundi with Pipe Networks and Arrow Energy.
5. The banking system is still rebuilding and upcoming regulatory changes will lower credit availability.
6. We believe that the Emerging Market growth story will continue but the mercantilist approach of countries like China, basically selling widgets to US consumers, is over, necessitating a rebalancing of growth drivers. Expect to see countries like China trying to stimulate domestic consumption. This will be a huge driver of the Australian economy and very supportive for companies exposed to the mining sector like Toxfree Solutions.

For businesses this is a challenging environment and one that management teams have to adjust to. It means:

1. It will be hard to get customers to part with their money – companies need to present a compelling proposition (e.g the Apple iPhone) or simply be the cheapest.
2. Few businesses will have pricing power. We love those who do, like Reckon.
3. Credit will be tight so in many cases growth will have to be financed by retained earnings or new equity.

In our view this is an investment environment that will starkly differentiate between the also ran businesses and those special companies that present a compelling value proposition to their customers and that can efficiently deploy capital to fund organic growth. These investments will thrive in a share market that will increasingly reward high quality assets.

So for Barramundi what factors need to be considered in the investment game?

1. STEEPP remains the touchstone – at the heart of the STEEPP process is the concept of the “Strength” of a company’s business – those attributes that do confer pricing power and deliver superior customer experiences.
2. Debt is a four letter word – the bad kind – companies relying on too much debt to fuel growth aspirations will not be for us. Access to capital markets was once considered a right. It is now a privilege.
3. Cash is a four letter word – the good kind. In the past we tended to be fully invested most of the time. In this more volatile world we are more comfortable holding higher cash levels and using market volatility to buy cheap shares when other investors panic.
4. Market leadership is the only thing. Being 1 or 2 in your market is critical for success. Players at 5, 6 or 7 in their market segment run the risk of being squashed in a lower growth, low inflation world.
5. Wait until the price is right – volatile markets mean we can be picky on price waiting until the market delivers a bargain. Like the shoppers of the world we now expect to be able to buy the best at sale prices. The market will deliver two or three sales a year - wait for them and buy. This is particularly germane as we spend the cash we have accumulated as a result of recent takeovers.

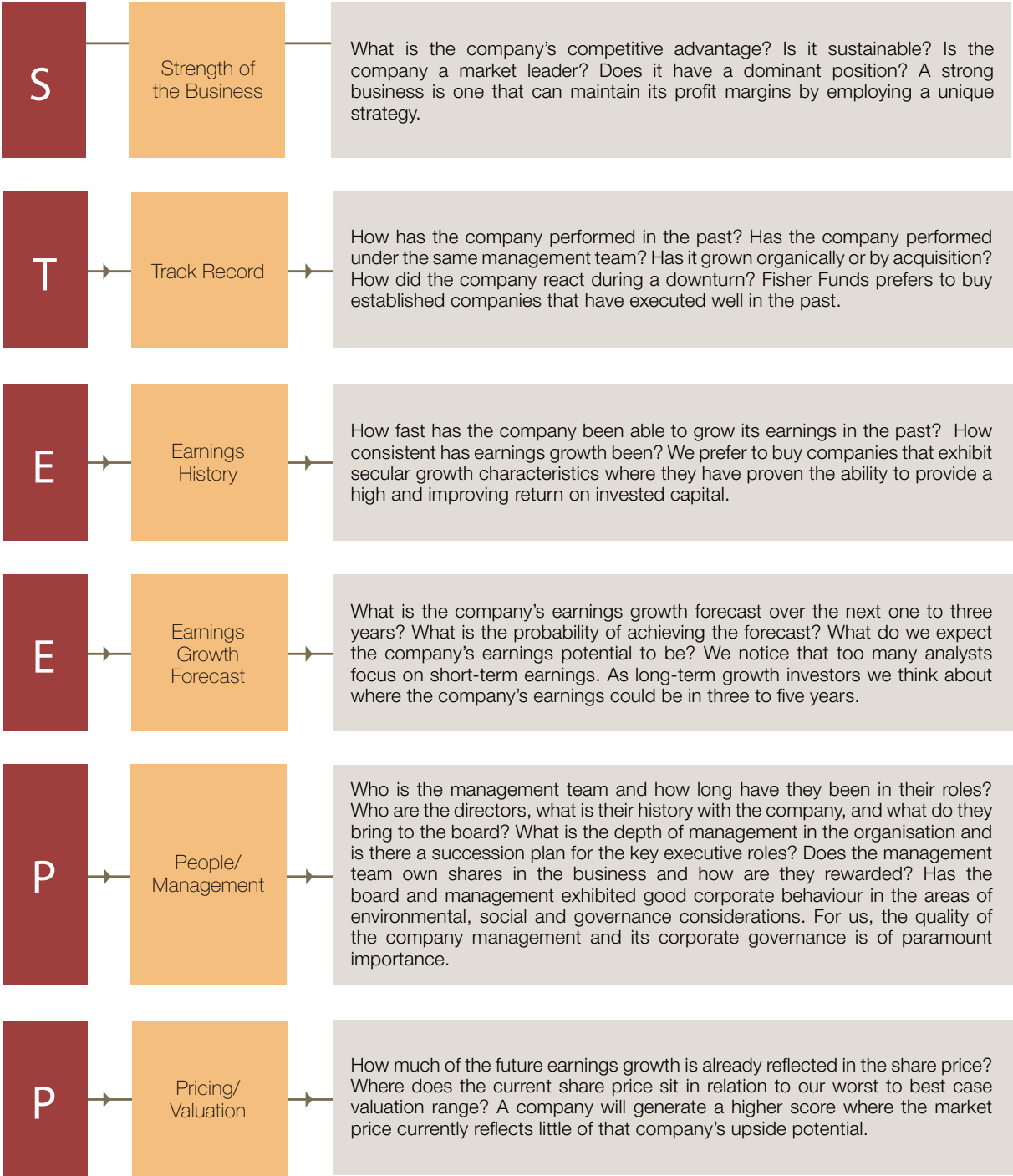
All in all we appreciate the investment challenges presented as the western world reduces debt but we see plenty of ways to make money in investment markets. In short we have a clear game plan, are patient, will wait for the right price and most importantly we buy the best companies that lead their industry. Do those things diligently and returns will follow. >>



### Selecting your Portfolio Stocks

In the Prospectus and Investment Statement, when we launched Barramundi, we included a discussion on our STEEPP process that we thought, to wrap up, is worthwhile reiterating here. We use STEEPP to analyse all prospective investments and to monitor and rank our existing investments. The analysis gives each company a score against a number of criteria that we believe need to be present in a successful portfolio company.

The STEEPP criteria are as follows:



Using this STEEPP analysis, we constructed and maintained a portfolio which comprised 18 securities at the end of June 2010.

## Portfolio Holdings Summary

as at 30 June 2010

COMPANY	% HOLDING
Aevum	6.8%
Arrow Energy	11.3%
Austbroker Holdings	4.3%
Bravura Solutions	3.2%
Centrebet Limited	5.4%
Credit Corp	3.8%
CSG Limited	2.0%
DWS Solutions	5.1%
McMillan Shakespeare	4.7%
Noni B	1.3%
Oakton	1.3%
Pharmaxis	8.3%
Reckon	4.2%
RP Data	0.4%
ToxFree Solutions	6.3%
Treasury Group	2.7%
Vision Group	0.5%
WHK Group	5.3%
<b>Equity Total</b>	<b>76.9%</b>
New Zealand Dollar Cash	8.2%
Australian Dollar Cash	14.3%
Forward Foreign Exchange Contracts	0.6%
<b>Cash Total</b>	<b>23.1%</b>
<b>TOTAL</b>	<b>100.0%</b>



**Carmel Fisher**  
 Managing Director  
 Fisher Funds Management Ltd  
 23 August 2010



**Frank Jasper**  
 Senior Portfolio Manager  
 Fisher Funds Management Ltd  
 23 August 2010

### Portfolio Stocks

The following is a brief introduction to each of your portfolio companies, with a description of why we believe they deserve a position in the Barramundi portfolio. Market capitalisations shown are as at 30 June 2010 in New Zealand dollars.



#### Aevum

What does it do?

Aevum is a retirement village and aged care operator with 21 villages in New South Wales and Western Australia. In all they now own 2,156 independent living units and 202 aged care beds.

Why do we own it?

We like Aevum's deferred management fee revenue model which is profitable and capital efficient and, with premium assets in Sydney's metropolitan area, we see Aevum as having a strong and defensible market position.

Market Capitalisation

\$195m



#### Arrow Energy

What does it do?

Arrow Energy is a leading Australian integrated energy company focused on the development of coal seam gas throughout eastern Australia and Asia.

Why do we own it?

In March 2010, Arrow Energy received a takeover offer from a Royal Dutch Shell/PetroChina joint venture company. This takeover was for \$4.70 per Arrow Energy share plus one share in new company Dart Energy for every two Arrow Energy shares. This takeover was successfully completed in August 2010.

Market Capitalisation

\$3b



#### Austbrokers

What does it do?

Austbrokers operates a general insurance broking network focused on the small to medium sized business market.

Why do we own it?

We like Austbrokers owner-driver business model where member firms are strongly incentivised to grow. We believe insurance broking is an industry ripe for consolidation and are of the view that Austbrokers will be an aggregator of smaller broking firms.

Market Capitalisation

\$277m





## Bravura Solutions

What does it do?

Bravura Solutions is a leading supplier of wealth management software and services for the superannuation and pension, investment, life insurance, portfolio administration, transfer agency and STP financial messaging industries.

Why do we own it?

Despite a tough twelve months, demand for wealth management products is still growing globally and Bravura Solutions has market leading software in the key areas of wrap platforms and registry systems. We like Bravura's technology, the 'lock-in' they get with key clients, and the global market they address with clients in Australia, the UK, Europe, Asia and South Africa.

**Market Capitalisation**

**\$78m**



## Centrebet International

What does it do?

Centrebet is an online wagering (sports and horse betting) and gaming business. It is an international business with dominant market positions in Australia and Scandinavia, and a growing European presence.

Why do we own it?

Centrebet participates in the high growth online wagering and gaming industry that we believe will continue to take market share from traditional land based providers of these services. We expect to see Centrebet to cross sell more gaming products to their wagering customer base further driving sales. We also expect them to enter new geographic and product markets using their core strengths in marketing and risk management.

**Market Capitalisation**

**\$107m**



## Credit Corp Group

What does it do?

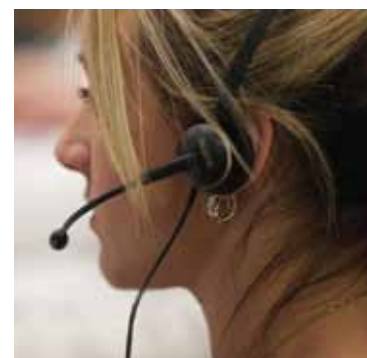
Credit Corp is a specialist purchaser and collection agent of defaulted debt ledgers working for a variety of financial institutions and other credit providers.

Why do we own it?

Despite a tough 2008 we maintained our investment in Credit Corp based on its market leading industry position and by having a clear market niche and business strategy which is differentiated from their main competitors.

**Market Capitalisation**

**\$119m**





### CSG Limited

**What does it do?**

CSG's core business is in managed print services although it has complementary operations in managed IT services and the provision of enterprise solutions.

**Why do we own it?**

CSG's core print services business involves the management of work place photocopiers and multi function devices (MFD). The play in this space is two fold. First MFD manufacturers are increasingly using specialists like CSG to drive sales and to optimise print services for their customers. We expect CSG to benefit from this trend – the recent deal with Canon in Australia is an example of this. We also see the higher margins from the migration to colour printing driving higher per client profitability for CSG.

**Market Capitalisation**  
**\$147m**



### DWS Solutions

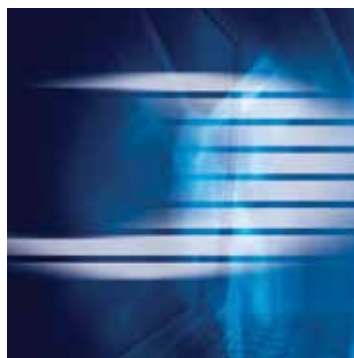
**What does it do?**

DWS Advanced Business Solutions is a leading IT services company.

**Why do we own it?**

DWS, from when it was initially founded by CEO Danny Wallis 19 years ago, has an enviable record of growth having improved revenues in each year of its existence. We believe with its unique business model and strong leadership DWS is set to repeat this strong growth in years to come. This business generates strong fee cash flow, has no debt and unusually for a company with its growth profile pays an attractive dividend yield.

**Market Capitalisation**  
**\$203m**



### McMillan Shakespeare

**What does it do?**

McMillan Shakespeare provides bureau style services in salary packaging administration and fleet management.

**Why do we own it?**

We like McMillan Shakespeare's market leadership position which we think will strengthen over time as the benefits of scale support a "winner takes most" outcome. This also helps establish high barriers to entry in this industry. To fuel future growth McMillan Shakespeare will take advantage of the trend to outsource packaging services and can drive service uptake within the existing client base.

**Market Capitalisation**  
**\$276m**



# Noni·B

## Noni B

### What does it do?

Noni B is a specialist retailer focusing on the 40+ year old woman's fashion segment.

### Why do we own it?

We believe Noni B will post strong earnings growth over the next three to five years as sales rebound from the global financial crisis, the company experiences a demographic tailwind and it continues a measured rollout of new stores. The pricing on this stock is very reasonable with a price earnings ratio of 7.7x on broker consensus forecasts.

### Market Capitalisation

**\$34m**



# oakton

## Oakton Limited

### What does it do?

Oakton is a mid-scale IT services business positioned below the major full-service global consulting firms such as Accenture and Cap Gemini, but with a broader range of services than more specialist mid-scale operators and smaller boutiques.

### Why do we own it?

Oakton is a superb operator in the IT services sector showing an ability to extract maximum utilisation from its consultant base which in turn drives industry leading profit margins and financial metrics.

### Market Capitalisation

**\$221m**



# pharmaxis

## Pharmaxis

### What does it do?

Pharmaxis Ltd is an Australian specialty integrated pharmaceutical company focused on the development of new products for the diagnosis and treatment of chronic respiratory and immune disorders.

### Why do we own it?

We own Pharmaxis as we believe the quality of their intellectual property, primarily Aridol and Bronchitol, will drive long-term earnings growth for the company.

### Market Capitalisation

**\$464m**





### Reckon

What does it do?

Reckon is a software company specialising in the development, marketing and distribution of accounting software ranging from personal financial services, to ledger and business management solutions for smaller businesses, through to accounting firm practice management software.

Why do we own it?

In our view Reckon has a key competitive advantage through its relationship with major US software developer Intuit – this provides Reckon with access to a product stream from a company spending over US\$200 million per annum on software development. This means top quality products for Reckon to sell to its Australasian client base.

Market Capitalisation

\$123m



### RP Data

What does it do?

RP Data provides a property data service to real estate agents, valuers and banks.

Why do we own it?

The moat around this business is the difficulty a competitor would have in replicating the richness of the company's proprietary database. This database includes years of property transaction information, street level photos and council reports all wrapped up in an easy to use portal. We see significant growth potential for this firm as the company finds new ways to monetise its core information asset.

Market Capitalisation

\$126m



### Tox Free Solutions

What does it do?

Tox Free Solutions is a provider of waste management and environmental services based in Western Australia. The company specialises in the treatment of industrial and hazardous waste, the remediation of contaminated soil and equipment and the provision of industrial services.

Why do we own it?

We like Tox Free's market position in the rapidly growing Western Australian economy where they have established a strong foothold that is difficult to compete with given green-fields waste operations are notoriously hard to start under current environmental regulations.

Market Capitalisation

\$258m



## Treasury Group Ltd

### Treasury Group

#### What does it do?

Treasury Group is a specialist service provider and investor in boutique funds management businesses. The firm currently has interests in six fund managers and has the management rights to a Listed Investment Company, Premier Investors.

#### Why do we own it?

The key to Treasury Group's proposition that we see as desirable is the synthesis between their experienced executive team and the opportunity provided by highly motivated boutique funds managers in the secular growth wealth management industry.

#### Market Capitalisation

**\$123m**



### Vision Group Holdings

#### What does it do?

Vision Group is a specialist provider of ophthalmology services, diagnosing and treating people with eye disorders and diseases.

#### Why do we own it?

Vision's long run appeal is driven by growth in the core cataract business as the population ages, increasing uptake of laser refractive error treatment, market consolidation and advancements in technology meaning new conditions can be successfully treated hence opening up new revenue opportunities.

#### Market Capitalisation

**\$18m**



### WHK Group

#### What does it do?

WHK Group owns a network of mid market accountancy firms across Australian and New Zealand. In addition to traditional accounting services WHK offers clients a full range of financial services through its network including financial planning, lending services and provision of risk insurance.

#### Why do we own it?

The outlook for the firm is driven by organic growth in both financial services and the accountancy business, ongoing acquisition of accounting practices and through the cross sell of new services to existing and newly acquired clients.

#### Market Capitalisation

**\$258m**



## Board of Directors



**Rob Challinor** *BCom, FCA, FCIS, CMA, AFInst D*

### Chairman

Rob has over 25 years experience as a director of numerous public and private companies. His directorships include Kingfish Limited (Chairman), Marlin Global Limited (Chairman), The Warehouse Group Limited and CDL Investments New Zealand Limited. Rob is a retired partner and consultant to investment bankers Northington Partners Limited. Former directorships include Ports of Auckland Limited, Electricity Corporation of New Zealand Limited, Mighty River Power Limited (Chairman), National Australia Bank New Zealand Limited, Sheffield Limited (Chairman), Television New Zealand Limited and Tower Health and Life Limited (Chairman). Earlier in his career he was a Deloitte partner and a corporate finance adviser.



**Ian Hendry** *FCII, APMI*

### Independent Director

Ian has over 40 years experience in the financial services industry and held senior management positions with a major UK insurance company in London and Hong Kong before coming to New Zealand in 1988 to become a co-founder of Sovereign Limited. Ian was Group Managing Director at the time of Sovereign's IPO in 1998 and for three years after its acquisition by ASB Bank later that year. Ian is a Fellow of the Chartered Insurance Institute and is a director of Kingfish Limited, Marlin Global Limited and Seniors Money International Limited and has also served as a director of the Investment Savings and Insurance Association of New Zealand.



**Annabel Cotton** *BMS, ACA, CSAP*

### Independent Director

A qualified investment analyst and accountant, Annabel worked as an equity analyst before specialising in working alongside a number of New Zealand listed companies on their investor relations and equity management programmes. Annabel is a Member of the Securities Commission and a director of Kingfish Limited, Marlin Global Limited and a number of private companies. During 2009, Annabel was the Commissioner for Financial Advisers.



**Carmel Fisher** *BCA*

### Non-Independent Director

Carmel established Fisher Funds Management Limited in 1998 and is also a director of Kingfish Limited and Marlin Global. Carmel's interest and involvement in the New Zealand sharemarket spans more than twenty years. Carmel's career started when she left Victoria University with an accounting degree to spend four years in the sharebroking industry. She then managed funds for Prudential Portfolio Managers NZ Limited and Sovereign Asset Management Limited. Carmel can be contacted at Barramundi's registered office.

# Corporate Governance Statement

The Board of Directors (“Board”) of Barramundi is committed to strong corporate governance practices and has adopted a comprehensive corporate governance code. The Board believes that the corporate governance structures and practices must encourage the creation of value for Barramundi shareholders whilst ensuring the highest standards of ethical conduct and providing accountability and control systems commensurate with the risks involved.

This code meets the required corporate governance principles under the NZX Corporate Governance Best Practice Code and the Securities Commission Corporate Governance Principles and Guidelines.

## Compliance

Barramundi seeks to follow the best practice recommendations for listed companies to the extent that it is appropriate to the size and nature of its operations. The company considers its governance practices complied with the NZX Corporate Governance (‘NZXCG’) Best Practice Code and the Securities Commission Corporate Governance Principles and Guidelines in its entirety during the year ended 30 June 2010. The following reports against these principles and guidelines:

The Company’s constitution, the Board and committee charters, codes and policies referred to in this section are available to view at [www.barramundi.co.nz](http://www.barramundi.co.nz).

## Principle 1 – Ethical Standards

*Directors observe and foster high ethical standards.*

Barramundi has adopted policies of business conduct that provide all Directors and representatives with clear guidance on those standards.

The **Code of Ethics** details the ethical and professional behavioural standards required of the Directors and Officers. The code also provides the means for proactively addressing and resolving potential ethical issues.

The **Conflicts of Interests Policy** details the process to be adopted for identifying conflicts of interests and the actions that should be taken.

The **Insider Trading Policy** details the procedure whereby persons nominated by Barramundi (its Directors, Officers and Portfolio Manager) may trade in Barramundi shares and take up shares purchased

under the Barramundi Dividend Reinvestment Plan. Nominated Persons may not trade in Barramundi shares when they have price sensitive information that is not publicly available. In addition, except where the Nominated Person has the permission of the Board, the Nominated Person may trade in the Company shares only during the trading window commencing immediately after Barramundi’s weekly disclosure of its net asset value (‘NAV’) to the New Zealand Exchange, and ending at the close of trade two days following the NAV disclosure.

A copy of the full terms of Code of Ethics, Conflicts of Interest Policy and the Insider Trading policy is available at [www.barramundi.co.nz](http://www.barramundi.co.nz)

## Principle 2 – Board Composition and Performance

*There is a balance of independence, skills, knowledge, experience and perspective among Directors that allows the Board to work effectively.*

### Board Size and Composition

The Barramundi Constitution requires a minimum of three Directors with a maximum of seven. At least two of the Directors must be ordinarily resident in New Zealand. The composition of the Board must include a minimum number of two Independent Directors. The Board currently comprises three independent non-executive Directors including the Chairman and one Director who is not deemed to be independent due to also being a Director of Fisher Funds Management Limited.

The Board elects a Chairman whose primary responsibility is the efficient functioning of the Board.

Profiles of the individual Directors can be found on pg 22. >>

### Director Independence

Barramundi retains a separate Board of Directors from the Manager, Fisher Funds Management Limited (Fisher Funds). The Board ensures that shareholders' interests are held paramount.

The Board considers that all Directors, other than Carmel Fisher, are independent in terms of the New Zealand Exchange definition.

On appointment, each Director is required to provide information to the Board to assess and confirm their independence as part of their consent to act as a Director. Directors have undertaken to inform the Board as soon as practicable if they think their status as an Independent Director has or may have changed. The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. The Board considers that Directors retain independence of character and judgement regardless of length of service and regardless of them also being Directors of other Fisher Funds listed investment companies Kingfish Limited and Marlin Global Limited.

### Board Role and Responsibility

The Board is responsible for the direction and control of Barramundi and is accountable to shareholders and others for Barramundi's performance and its compliance with the appropriate laws and standards.

Barramundi offers shareholders a highly experienced Board with financial markets experience and strengths in funds management and corporate governance.

The Board's responsibilities include:

- Manager's performance – regularly review both the performance of, and contractual arrangements with, the Manager;
- capital management – implementing initiatives including share buybacks if it is in the opinion of the Board that the value of the shares do not appropriately reflect the underlying asset value;
- determining dividend policy;
- Board performance and composition – evaluating the performance of Independent Directors, determining the size and composition of the Board as well as making recommendations for the appointment and removal of Directors;

- succession planning – planning Board succession;
- financial performance – approving the annual budget and monitoring financial performance;
- financial reporting – considering and approving the annual and half-year financial reports;
- audit – selecting and recommending to shareholders the appointment of the external auditor. Maintaining a direct and ongoing dialogue with the external auditor;
- risk management – identifying the principal risks faced by the Company and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- overseeing communication and reporting to shareholders;
- relationship with regulators, NZSX and continuous disclosure – maintaining ongoing dialogue with the NZSX;
- custodian – appointing a custodian to safeguard the Company's assets. Trustees Executor's Limited is the custodian of Barramundi's assets;
- other service providers – appointing other service providers and evaluating their performance.

The Board met eleven times during the year and received papers, including regular reports from the Corporate Manager and Investment Manager to read and consider before each meeting. The Board is provided at all times with accurate timely information on all aspects of Barramundi operations. The Board is kept informed of key risks to Barramundi on a continuing basis. In addition the Board meets whenever necessary to deal with specific matters needing attention between the scheduled meetings and the Independent Directors meet as required.

BOARD MEMBERS	MEETINGS ATTENDED
Rob Challinor - Chairman	11
Ian Hendry	11
Annabel Cotton	11
Carmel Fisher	10
<b>MEETINGS HELD</b>	<b>11</b>

The Manager's responsibilities as stated in the Management Agreement include:

- the provision of management services to the Company such as the investment and portfolio management services and administrative services;
- dealing with the Custodian;
- attendance at Barramundi Board meetings.

The Manager is to at all times invest the portfolio on a prudent and commercial basis consistent with the Company's investment criteria and performance objectives.

While the Board's key role is to monitor the performance of the Manager, it is not involved in the selection or management of investments within the Barramundi portfolio.

#### Retirement and Re-election of Directors

In accordance with the Company's constitution one third, or the number nearest to one third, of the Directors (excluding any Director appointed since the previous Annual Shareholders Meeting) retire by rotation at the Annual Shareholders Meeting (ASM). As the current Barramundi Directors were appointed on the same day, they retire in the order determined by lot.

Appropriate notice of Director nominations has been provided in accordance with the requirements of the New Zealand Exchange, the Barramundi Constitution and the Companies Act 1993.

#### Board Performance Review

The Board conducts a formal review of its performance annually.

The Chairman, occasionally with the assistance of an appropriate external adviser, assesses the performance of individual Directors whilst Directors also assess the collective performance of the Board and the performance of the Chairman.

## Principle 3 – Board Committees

*The Board uses committees where this enhances effectiveness in key areas while retaining Board responsibility.*

#### Audit Committee

The Barramundi Audit Committee focuses on audit and risk management and specifically addresses responsibilities relative to financial reporting and

regulatory conformance. The Committee operates within the terms of reference established by the Barramundi Board, which the Committee reviews annually.

The Audit Committee is accountable for ensuring the performance and independence of the external auditor – PricewaterhouseCoopers (PwC). A statement regarding PwC's independence is included in their Auditor's and Accountants' Reports.

The Audit Committee also recommends to the Board which services other than the statutory audit, may be provided by PwC as auditor.

During the year, the Committee held private sessions with the auditor. The auditor has a clear line of direct communication at any time with either the Chairman of the Audit Committee or the Chairman of the Board, both of whom are Independent Directors.

The Audit Committee relies on information provided by management and the external auditor. Management determines and makes representations to the Board that the Company's financial statements and disclosures are complete and accurate. The external auditor has the duty to plan and conduct audits.

The Audit Committee comprises Annabel Cotton (Chairman), Ian Hendry and Rob Challinor, who have appropriate financial experience and an understanding of the industry in which Barramundi operates. Meetings are held not less than twice a year having regard to Barramundi's reporting and audit cycle.

AUDIT COMMITTEE MEMBERS	MEETINGS ATTENDED
Annabel Cotton - Chairman	2
Ian Hendry	2
Rob Challinor	2
MEETINGS HELD	2

The Audit Committee may have in attendance such members of management including the Barramundi Corporate Manager, a representative from the Manager, and such other persons including the external auditor, as it considers necessary to provide appropriate information and explanations.

A copy of the full terms of engagement of the Audit Committee is available at [www.barramundi.co.nz](http://www.barramundi.co.nz). >>

### Other Committees

Due to the importance of nomination and remuneration matters, these are addressed by all Board members as a whole and consequently there is no separate Nomination or Remuneration Committee.

## Principle 4 – Reporting and Disclosure

*The Board demands integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.*

### Timely and Balanced Disclosure

The Company is committed to promoting investor confidence by providing complete and equal access to information in accordance with the NZSX Listing Rules. The Company has a Continuous Disclosure Policy designed to ensure this occurs. That policy can be found on the Company website.

The Corporate Manager is the Company's market disclosure officer, and is responsible for ensuring compliance with its disclosure obligations. The Board is accountable for making the final decision as to whether or not information requires disclosure.

The Corporate Manager is responsible for releasing any relevant information to the market once that has been approved. Financial information release is approved by the Board on the recommendation of the Audit Committee, while information release on other matters is approved by the Board.

Directors formally consider at each Board meeting whether there is relevant material information which should be disclosed to the market.

### Financial Reporting

The Audit Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements.

It reviews half-yearly and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

The Barramundi Corporate Manager is responsible for ensuring compliance with the NZSX continuous disclosure requirements and overseeing and co-ordinating disclosure to the exchange.

## Principle 5 – Remuneration

*The remuneration of Directors and executives is transparent, fair and reasonable.*

### Non-executive Directors' Remuneration

The fees payable to non-executive Directors are determined by the Board within the aggregate amount approved by shareholders. The current Directors' fee pool limit of \$120,000 was approved by shareholders' written resolution in September 2006.

Details of remuneration paid to Directors are disclosed in note 1 to the Financial Statements and is further disclosed on page 51 of this report.

## Principle 6 – Risk Management and Internal Control

*The Board regularly verifies that the entity has appropriate processes that identify and manage potential and relevant risks.*

The Board has overall responsibility for Barramundi's system of risk management and internal control. Barramundi has in place policies and procedures to identify areas of significant business risk and implement procedures to manage effectively those risks. Key risk management tools used by Barramundi include the Audit Committee function, outsourcing of certain functions to service providers, internal controls, financial and compliance reporting procedures and processes, business continuity planning and insurance.

A copy of the complete Risk Management Policy is available at [www.barramundi.co.nz](http://www.barramundi.co.nz)

In addition to the Company's policies and procedures in place to manage business risks, the Manager has its own comprehensive risk management policy. The Barramundi Board is informed of any changes to the Manager's policy.

## Principle 7 – Auditors

*The Board ensures the quality and independence of the external audit process.*

### Approach to Audit Governance

The independence of the external auditor is of particular importance to shareholders and the Board. The Audit Committee is responsible for overseeing the external audit of the Company. Accordingly, it

monitors developments in the areas of audit, and threats to audit independence, to ensure its policies and practices are consistent with emerging best practice in these areas.

As part of its responsibilities, the Audit Committee reviews the independence of external auditors and the appropriateness of any non-audit services they undertake for the Company.

#### Engagement of the External Auditor

Barramundi's external auditor is PricewaterhouseCoopers ('PwC'). PwC was appointed by shareholders at the 2007 annual meeting in accordance with the provisions of the Companies Act 1993 ('Act'). PwC is automatically reappointed as auditor under Section 200 of the Act.

#### Attendance at the Annual Meeting

PwC, as external auditor of the 2010 financial statements, is invited to attend this year's annual meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditors' report, accounting policies adopted by Barramundi and the independence of the auditor in relation to the conduct of the audit.

### Principle 8 – Shareholder Relations

*The Board fosters constructive relationships with shareholders that encourage them to engage with the Company.*

The Board recognises the importance of providing to shareholders comprehensive, timely and equal access to information about its activities. The Board aims to ensure that shareholders have available to them all information necessary to assess the Company's performance. It has a system in place for canvassing shareholder views and for communicating the Board's views to shareholders.

Alongside periodic and continuous disclosure to NZSX, Barramundi maintains an up-to-date website [www.barramundi.co.nz](http://www.barramundi.co.nz) including making available the most recent Net Asset Value that is released to the NZSX on a weekly basis and at the end of each month, corporate governance policies, shareholder reports, market announcements, copies of ASM minutes, presentations, press releases and news articles as well as performance data.

Information is also communicated to shareholders in the Annual and Interim Reports and the Quarterly

Shareholders *Update* Newsletter which is published between these two reports.

The release of the Annual Report is followed by the ASM which the Board recognises as an important forum at which the shareholders can meet and question the Board and Manager. The notice of meeting is circulated at least ten days prior to the meeting and is also posted on the Company's website. Shareholders are provided with notes on any resolutions proposed through the notice of meeting each year. The Board holds the ASM at a time and venue that is considered convenient to the greatest number of its shareholders. This year's meeting will be held on 15 October 2010 at 10.30am at the Ellerslie Event Centre in Auckland. Full participation of shareholders is encouraged at the ASM to ensure a high level of accountability and identification with the Company's strategies and goals. Shareholders are encouraged to submit questions in writing prior to the meeting.

### Principle 9 – Stakeholder Interests

*The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.*

The Board recognises that other stakeholders may have an interest in the Company's activities. While there are no specific stakeholders' interests that are currently identifiable, the Company will continue to review policies in consideration of future interests.

# Directors' Statement of Responsibility

For the year ended 30 June 2010

We have pleasure in presenting the financial statements for Barramundi Limited for the year ended 30 June 2010.

We have ensured that the financial statements for Barramundi Limited give a true and fair view of the financial position of the Company as at 30 June 2010 and its financial performance and cash flows for the year ended on that date.

We have ensured that the accounting policies used by the Company comply with generally accepted accounting practice in New Zealand and believe that proper accounting records have been kept. We have ensured compliance of the financial statements with the Financial Reporting Act 1993.

We also consider that adequate controls are in place to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

The Barramundi Board authorised these financial statements for issue on 23 August 2010.



**Robert Challinor | Chairman**



**Annabel Cotton**



**Carmel Fisher**



**Ian Hendry**

# Financial Statements

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BARRAMUNDI LIMITED  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
		\$000	\$000
Interest income		525	421
Dividend income		1,759	1,890
Foreign exchange losses on cash and cash equivalents	1(i)	(358)	(187)
Net changes in fair value on investments	1(ii)	15,010	(16,537)
Foreign exchange gains on forward contracts		1,564	300
<b>Total net income/(loss)</b>		<b>18,500</b>	<b>(14,113)</b>
Operating expenses	1(iii)	(2,024)	(1,217)
<b>Operating profit/(loss) before tax</b>		<b>16,476</b>	<b>(15,330)</b>
Total tax expense	3(i)	(495)	(387)
<b>Net operating profit/(loss) after tax attributable to shareholders</b>		<b>15,981</b>	<b>(15,717)</b>
<b>Other comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income after tax attributable to shareholders</b>		<b>15,981</b>	<b>(15,717)</b>
<b>Earnings per share</b>			
<b>Basic earnings per share</b>			
Profit/(loss) attributable to owners of the Company (\$000)		15,981	(15,717)
Weighted average number of ordinary shares on issue net of treasury stock ('000)		101,286	100,980
		<b>\$0.16</b>	<b>\$(0.16)</b>
<b>Diluted earnings per share</b>			
Profit/(loss) attributable to owners of the Company (\$000)		15,981	(15,717)
Weighted average number of ordinary shares on issue net of treasury stock and adjusted for warrants ('000)			
- Weighted average ordinary shares on issue		101,286	100,980
- Weighted average warrants on issue		50,230	49,447
		<b>151,516</b>	<b>150,427</b>
		<b>\$0.11</b>	<b>\$(0.10)</b>

The Accounting Policies set out on pages 35 to 38 and the Notes to the Financial Statements set on pages 39 to 47 should be read in conjunction with this Statement of Comprehensive Income.

BARRAMUNDI LIMITED  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
		\$000	\$000
<b>Profit/(loss) for the year attributable to shareholders</b>		<b>15,981</b>	<b>(15,717)</b>
Other comprehensive income		0	0
<b>Total profit/(loss) and comprehensive income for the year attributable to shareholders</b>		<b>15,981</b>	<b>(15,717)</b>
<b>Contributions from owners</b>			
- Warrants exercised	2	276	0
- Dividends reinvested	2	2,223	555
<b>Distributions to owners</b>			
- Dividends paid	4	(6,930)	(2,019)
- Share buybacks	2	(1,207)	(653)
<b>Movements in equity for the year</b>		<b>10,343</b>	<b>(17,834)</b>
Equity at beginning of year		72,783	90,617
<b>Equity at end of year</b>		<b>83,126</b>	<b>72,783</b>

The Accounting Policies set out on pages 35 to 38 and the Notes to the Financial Statements set on pages 39 to 47 should be read in conjunction with this Statement of Changes in Equity.

BARRAMUNDI LIMITED  
**STATEMENT OF FINANCIAL POSITION**  
 AS AT 30 JUNE 2010

	Notes	2010	2009
		\$000	\$000
<b>ASSETS</b>			
<b>Current Assets</b>			
- Cash and cash equivalents		18,810	11,753
- Trade and other receivables	5	34	543
- Financial assets at fair value through profit or loss	7	64,866	60,757
<b>Total current assets</b>		<b>83,710</b>	<b>73,053</b>
<b>Total assets</b>		<b>83,710</b>	<b>73,053</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
- Trade and other payables	6	314	123
- Current tax payable	3(ii)	270	147
<b>Total current liabilities</b>		<b>584</b>	<b>270</b>
<b>Total liabilities</b>		<b>584</b>	<b>270</b>
<b>EQUITY</b>			
- Share capital	2	99,994	98,702
- Accumulated deficits	4	(16,868)	(25,919)
<b>Total equity</b>		<b>83,126</b>	<b>72,783</b>
<b>Total equity and liabilities</b>		<b>83,710</b>	<b>73,053</b>

These financial statements have been authorised for issue for and on behalf of the Board by:



**R L Challinor** - Director  
 23 August 2010



**A M Cotton** - Director  
 23 August 2010

The Accounting Policies set out on pages 35 to 38 and the Notes to the Financial Statements set on pages 39 to 47 be read in conjunction with this Statement of Financial Position.

BARRAMUNDI LIMITED  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000
<b>Operating Activities</b>		
<i>Cash was provided from:</i>		
- Sale of investments	27,552	13,252
- Interest received	524	422
- Dividends received	1,759	1,890
- Realised foreign exchange gains on cash and cash equivalents	45	34
<i>Cash was applied to:</i>		
- Purchase of investments	(14,756)	(9,324)
- Operating expenses	(1,654)	(1,062)
- Taxes paid	(372)	(749)
<b>Net cash inflows from operating activities</b>	<b>13,098</b>	<b>4,463</b>
<b>Financing Activities</b>		
<i>Cash was provided from:</i>		
- Proceeds from warrant exercise	276	0
<i>Cash was applied to:</i>		
- Share buybacks	(1,207)	(653)
- Dividends paid (net of dividend reinvested)	(4,707)	(1,464)
<b>Net cash outflows from financing activities</b>	<b>(5,638)</b>	<b>(2,117)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>7,460</b>	<b>2,346</b>
Cash and cash equivalents at beginning of year	11,753	9,628
Effects of foreign currency translation on cash balance	(403)	(221)
<b>Cash and cash equivalents at end of year</b>	<b>18,810</b>	<b>11,753</b>

All cash balances comprise short-term cash deposits.

The Accounting Policies set out on pages 35 to 38 and the Notes to the Financial Statements set on pages 39 to 47 should be read in conjunction with this Statement of Cash Flows.

BARRAMUNDI LIMITED  
**STATEMENT OF CASH FLOWS** CONTINUED  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000
<b>Reconciliation of operating profit/(loss) after tax to net cash flows from operating activities</b>		
<b>Net profit/(loss) after tax</b>	<b>15,981</b>	<b>(15,717)</b>
<i>Items not involving cash flows:</i>		
- Unrealised gain on cash and cash equivalents	403	221
- (Gain)/loss on revaluation of fair value through profit or loss financial assets	(8,088)	16,005
	<b>(7,685)</b>	<b>16,226</b>
<b>Impact of changes in working capital items</b>		
- Increase/(decrease) in fees and other payables	191	(71)
- Decrease in interest, dividends and other receivables	509	44
- Increase/(decrease) in current tax payable	123	(362)
	<b>823</b>	<b>(389)</b>
<b>Items relating to investments</b>		
- Net amount received from investments	12,796	3,928
- Realised (gain)/loss on investments	(8,486)	232
- Increase in unsettled purchases of investments	(151)	(14)
- (Decrease)/increase in unsettled sales of investments	(180)	197
	<b>3,979</b>	<b>4,343</b>
<b>Net cash inflows from operating activities</b>	<b>13,098</b>	<b>4,463</b>

The Accounting Policies set out on pages 35 to 38 and the Notes to the Financial Statements set on pages 39 to 47 should be read in conjunction with this Statement of Cash Flows.

# Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2010

## General Information

### Entity Reporting

The financial statements for Barramundi Limited have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

### Legal Form & Domicile

Barramundi Limited is incorporated and domiciled in New Zealand.

The Company is a limited liability company, incorporated under the Companies Act 1993 on 8 September 2006.

Barramundi Limited is listed on the NZSX and is an issuer under the terms of the Financial Reporting Act 1993.

The Company is a profit-oriented entity and began operating as a listed investment company on 26 October 2006.

The Company's registered office is disclosed in the Directory.

### Authorisation of Financial Statements

The Barramundi Board of Directors authorised these financial statements for issue on 23 August 2010.

No party may change these financial statements after their issue.

## Accounting Policies

### Period Covered by Financial Statements

These financial statements cover the audited results from operations for the year ended 30 June 2010.

### Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), the Companies Act 1993 and the Financial Reporting Act 1993. They comply with the New Zealand Equivalents to Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board.

The following changes to NZ IFRS relevant to the Company's financial statements have been adopted for the 2010 financial year:

NZ IFRS 7 (Amendment): *Financial instruments – Disclosures* – The amendment requires enhanced disclosures about fair value measurement. In particular, the amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

As this change in accounting policy only results in additional disclosures, there is no impact on earnings or financial position.

NZ IAS 1 (Revised) *Presentation of Financial Statements* has been issued, effective for annual periods commencing on or after 1 January 2009 and has been adopted by the Company. This standard requires the preparation of a Statement of Comprehensive Income and certain changes to the presentation of the Statement of Changes in Equity; however, there is no impact on the measurement of amounts recognised in the financial statements.

The following standard has been issued but is not yet effective:

NZ IFRS 9: *Financial instruments* – This standard will eventually replace New Zealand equivalent to International Accounting Standard 39 ("NZ IAS 39") *Financial instruments – recognition and measurement* and is expected to be adopted by the Company in the year ending 30 June 2014. The standard is not expected to materially affect the Company's financial statements.

Any other new accounting standards and amendments not disclosed are not expected to have a material >>

# Statement of Accounting Policies

## FOR THE YEAR ENDED 30 JUNE 2010

impact on the financial statements when they are initially applied.

### Summary of Significant Accounting Policies

The accounting policies that materially affect the recognition, measurement and disclosure of items in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows are set out below. These policies have been consistently applied to all the years presented.

### Measurement Base

The financial statements have been prepared on the historical cost basis, as modified by the fair valuation of certain assets as identified in specific accounting policies below.

### Critical Judgements, Estimates and Assumptions

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Specifically these relate to the measurement of deferred tax assets and liabilities that reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand and short-term money market deposits. Cash and cash equivalents are classified as loans and receivables under NZ IAS 39.

### Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

- (a) Operating activities include all principal revenue producing activities and other events that are not financing activities.
- (b) Financing activities are those activities that result in changes in the size and composition of the capital structure.

### Functional and Presentation Currency

The financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency.

### Foreign Currency Transactions and Translations

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income as foreign exchange gains or losses on cash.

Assets and liabilities denominated in foreign currencies at balance date are translated to the functional currency at the foreign currency exchange rates at that date. Foreign exchange gains and losses resulting from the translation of these balances at year end are recognised in the Statement of Comprehensive Income.

Translation differences on monetary financial assets and liabilities such as cash are recognised in the Statement of Comprehensive Income as Foreign Exchange Losses on Cash and Cash Equivalents.

Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Statement of Comprehensive Income within the fair value net gain or loss.

### Interest Income & Dividend Income

Interest is accounted for as earned using the effective interest method.

Dividend income is recognised when the Company's right to receive payments is established (ex-dividend date).

### Manager's Performance Fee

The performance fee is recognised in the Statement of Comprehensive Income on an accrual basis based on the performance of the Company up to the balance date. Refer to Note 11 of the Notes to the Financial Statements.

### Share-Based Payments

The consideration for any performance fee paid to

# Statement of Accounting Policies

## FOR THE YEAR ENDED 30 JUNE 2010

Fisher Funds Management Limited (“the Manager”) is calculated in accordance with the management agreement described in Note 11 and comprises cash and Barramundi share capital in equal portions. Performance fees, where earned by the Manager, are paid annually within 30 days of balance date, relating to the preceding period and recognised as an expense in the Statement of Comprehensive Income. The portion paid in share capital is an equity-settled share-based payment and is recognised at the fair value of half of the performance fee expense (excluding GST) as an equity reserve until the ordinary shares are issued. These shares are issued at a price equal to volume weighted average traded price of ordinary shares in the Company over five trading days ending on the calculation date.

### Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in the tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the Company in respect of the taxable profits or losses to date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

The measurement of deferred tax liabilities and

assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company elected into the Portfolio Investment Entity (“PIE”) regime on 1 October 2007.

### Goods and Services Tax (GST)

The Company de-registered for GST on 9 April 2010 as it is no longer able to reclaim GST. The financial statements include GST where it is charged by other parties as it cannot be reclaimed.

### Investments at Fair Value Through Profit or Loss

#### Classification

Investments in listed entities are classified at fair value through profit or loss in the financial statements under NZ IAS 39. This designation on inception is to provide more relevant information given that the investment portfolio is managed, and performance evaluated, on a fair value basis, in accordance with a documented investment strategy.

#### Recognition & Measurement

All investments at fair value through profit or loss are initially recognised at fair value and are subsequently re-valued to reflect changes in fair value.

Net changes in the fair value of investments classified as fair value through profit or loss are recognised in the Statement of Comprehensive Income as they arise.

The fair values of investments at fair value through profit or loss traded in active markets are based on current market bid prices at balance date.

Transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred.

All purchases and sales of investments are recognised at trade date, which is the date on which the Company commits to purchase or sell the asset.

Dividend income from investments at fair value through profit or loss is separately recognised in the Statement of Comprehensive Income when the Company’s right to receive payments is established (ex-dividend date). >>

# Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2010

## **Held for trading financial assets at fair value through profit or loss**

Held for trading financial assets at fair value through profit or loss comprise forward exchange contracts. The use of these contracts by the Company is limited to the risk management of their investments.

Forward exchange contracts are used as economic hedges for equity investments against currency risk. Therefore, they are accounted for on the same basis as those investments and are recognised at their fair value. Forward exchange contracts are measured at fair value both upon initial recognition and subsequently. Gains and losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income when 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. They arise when the Company makes short-term cash deposits or accrues trade receivables with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

## **Trade Receivables**

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost less impairment where collection is doubtful. Receivables are assessed on a case-by-case basis for impairment. The fair value of trade receivables is equivalent to their carrying amount.

## **Trade Payables**

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. The fair value of trade payables is equivalent to their carrying amount.

## **Financial Instruments**

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, equity investments, trade receivables,

trade payables and borrowings (when used). The various accounting policies associated with these financial instruments have been disclosed above.

## **Dividends Payable**

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are declared by the Barramundi Board.

## **Segmental Reporting**

Operating segments are identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker, which for the Company is deemed to be the Board of Directors and the Manager, to govern the Company's operations and assess its performance.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors and Manager.

## **Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year. Refer to the Statement of Comprehensive Income for the earnings per share calculations.

Diluted earnings per share adjusts the weighted average number of ordinary shares assuming all warrants were exercised on the date of calculation of earnings per share. Refer to the Statement of Comprehensive Income for the diluted earnings per share calculation.

## **Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Share capital bought back by the Company reduces share capital and may be held as treasury stock at the value of the consideration paid. Treasury stock may later be re-issued which increases share capital by the fair value of the shares on issue date.

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000

**Note 1 Statement of Comprehensive Income**

**(i) Foreign exchange gains/(losses) on cash and cash equivalents**

- Unrealised losses	(403)	(221)
- Realised gains	45	34
<b>Total foreign exchange losses on cash and cash equivalents</b>	<b>(358)</b>	<b>(187)</b>

**(ii) Net changes in fair value of investments**

*Fair value through profit or loss - designated*

*Equity investments*

- Unrealised	10,696	(14,140)
- Realised	5,612	(1,620)
<i>Foreign exchange on equity investments</i>		
- Unrealised	(3,030)	(1,926)
- Realised	1,732	1,149

<b>Total investment gains/(losses)</b>	<b>15,010</b>	<b>(16,537)</b>
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*Fair value through profit or loss - held for trading*

*Foreign exchange forward contracts gains*

- Unrealised	422	62
- Realised	1,142	238

<b>Total foreign exchange gains on forward contracts</b>	<b>1,564</b>	<b>300</b>
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<b>Total net changes in fair value of financial assets</b>	<b>16,574</b>	<b>(16,237)</b>
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**(iii) Operating expenses**

Audit fees	33	33
Manager's fees (note 8)	1,255	564
Directors' fees	131	131
Brokerage fees	102	72
Custody and NZX fees	112	78
Personnel	98	113
Administration & other	39	27
Investor relations and communications	147	80
Registry fees	44	47
Taxation and legal services	63	72

<b>Total operating expenses</b>	<b>2,024</b>	<b>1,217</b> >>
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BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000

**Note 2 Share Capital**

**Ordinary Shares**

As at 30 June 2010 there were 102,576,560 (30 June 2009: 101,444,890) fully paid Barramundi shares on issue, including treasury stock of 182,530 shares (30 June 2009: 843,186). All ordinary shares are classified as equity, rank equally and have no par value. All shares (with the exception of treasury stock) carry an entitlement to dividends and one vote attached to each fully paid ordinary share.

Opening balance	98,702	98,800
Proceeds of shares issued for warrants exercised	276	0
Proceeds of new shares issued under the dividend reinvestment plan	640	0
Proceeds of shares issued from treasury stock under the dividend reinvestment plan	1,583	555
Share buybacks initially held as treasury stock	(1,207)	(653)
<b>Closing balance</b>	<b>99,994</b>	<b>98,702</b>

**Treasury Stock**

On 30 October 2009, Barramundi Limited announced the continuation of its share buyback programme of its ordinary shares in accordance with section 65 of the Companies Act 1993. All the shares acquired under the buyback scheme are initially held as treasury stock but are available to be re-issued. The net cost of treasury stock is deducted from share capital.

	Number of Shares			
	2010 \$000	2009 \$000	2010 '000	2009 '000
Opening balance	462	364	843	519
Share buybacks	1,207	653	1,682	1,161
Shares re-issued under the dividend reinvestment plan	(1,583)	(555)	(2,342)	(837)
<b>Closing balance</b>	<b>86</b>	<b>462</b>	<b>183</b>	<b>843</b>

**Warrants**

Relating to the period, the following transactions affected warrants on issue by the Company:

- (i) On 26 October 2009, the remaining Barramundi 2007 warrants (BRMWA) of 49,446,684 expired.
- (ii) On 27 October 2009, 50,513,313 new Barramundi warrants (BRMWB) were allotted and listed on the NZSX. One new warrant was issued for every two shares held on record date to all eligible shareholders, exercisable at \$0.75. The remaining exercise dates are: 24 August 2010, 23 November 2010, 22 February 2011, 24 May 2011, 23 August 2011 and 27 October 2011 (final exercise date). Holders can elect to exercise some or all of their warrants on any these dates subject to a minimum exercise of 500 warrants.
- (iii) On 30 October 2009, Barramundi announced the continuation of its warrant buyback programme for up to a maximum of 2,500,000 warrants between 1 November 2009 and 31 October 2010. At 30 June 2010, no Barramundi warrants (BRMWB) had been acquired under the programme.
- (iv) In the year to 30 June 2010, 368,523 warrants were converted to ordinary shares at \$0.75 per share.
- (v) As at 30 June 2010, there were 50,144,790 warrants (BRMWB) on issue. The fair value of the warrants based on the last trading price at 30 June 2010 was \$0.05 each.

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000

**Note 3 Taxation**

**(i) Taxation expense**

Net profit/(loss) before tax	16,476	(15,330)
<b>Taxable loss</b>	<b>16,476</b>	<b>(15,330)</b>
Tax thereon at 30% (2009: 30%)	4,943	(4,599)
Non-taxable realised (gain)/loss on investments	(2,196)	141
Unrealised (gain)/loss not taxable	(2,300)	4,820
Dividends not taxable	(72)	(101)
Fair Dividend Rate income	78	104
Prior period adjustment	11	0
Non-deductible expenses	31	22
<b>Taxation expense</b>	<b>495</b>	<b>387</b>
<i>Taxation expense comprises:</i>		
- Current tax	495	387
- Deferred tax	0	0
	<b>495</b>	<b>387</b>

**(ii) Tax payable**

Opening balance	147	509
Current tax movement	495	387
Tax paid	(372)	(749)
<b>Current tax payable</b>	<b>270</b>	<b>147</b>

**(iii) Imputation credit account balances**

Opening balance	168	34
Net imputation credits attached to dividends paid	(203)	(134)
Taxation paid	192	268
<b>Closing balance</b>	<b>157</b>	<b>168</b>

**(iv) Dividend withholding payment account balance**

Opening balance	321	383
Dividend withholding payment paid	101	622
Dividend withholding payment refunded	(422)	(684)
<b>Closing balance</b>	<b>0</b>	<b>321</b>

On 20 May 2010, the New Zealand Government announced a change in the corporate tax rate from 30% to 28% for the 2011/12 tax year. This does not impact these financial statements. >>

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$000	\$000

**Note 4 Accumulated Deficits**

Balance at beginning of year	(25,919)	(8,183)
Net operating profit/(loss) for the year	15,981	(15,717)
Dividends paid	(6,930)	(2,019)
<b>Balance at the end of the year</b>	<b>(16,868)</b>	<b>(25,919)</b>

The following dividends were paid in the years ended 30 June:

	Cents Per Share	
September	1.47	2.00
December	1.72	-
March	1.84	-
June	1.82	-
<b>Total dividends for the year</b>	<b>6.85</b>	<b>2.00</b>

**Note 5 Trade and Other Receivables**

Interest receivable	2	1
Unsettled investment sales	17	197
Related party receivable (note 8)	0	342
Other receivables	15	3
<b>Total trade and other receivables</b>	<b>34</b>	<b>543</b>

Trade receivables are classified as loans and receivables under NZ IAS 39. Total loans and receivables are \$18,844,000 (30 June 2009: \$11,954,000) being cash plus trade and other receivables.

**Note 6 Trade and Other Payables**

Related party payable (note 8)	100	51
Unsettled investment purchases	165	14
Accruals & other payables	49	58
<b>Total trade and other payables</b>	<b>314</b>	<b>123</b>

Trade payables are classified as other financial liabilities under NZ IAS 39. All payables are contractually required to be paid within three months.

**Note 7 Financial Assets at Fair Value Through Profit or Loss**

*Financial assets at fair value through profit or loss are summarised as follows:*

**Financial assets at fair value through profit or loss - designated**

Australian listed equity investments at cost	86,273	90,251
Unrealised losses on Australian listed equity investments	(21,890)	(29,556)

**Financial assets at fair value through profit or loss - held for trading**

Fair value of foreign exchange forward contracts	483	62
<b>Total financial assets at fair value through profit or loss</b>	<b>64,866</b>	<b>60,757</b>

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 7 Financial Assets at Fair Value Through Profit or Loss continued**

Although investments at fair value through profit or loss are treated as current assets from an accounting point of view, the investment strategy of the Company is to hold for the medium to long term.

All investments at fair value through profit or loss are valued using quoted bid prices from an active market and are classified as Level 1 in the fair value hierarchy.

Foreign exchange contracts are valued using market prices (as they are not quoted), and they are classified as level 2 in the fair value hierarchy. The notional value of foreign exchange contracts held at 30 June 2010 was \$40m (30 June 2009: \$12m).

**Note 8 Related Party Information**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The Manager of Barramundi Limited is Fisher Funds Management Limited ("Fisher Funds" or "the Manager"). Fisher Funds is a related party by virtue of the common directorship and a management agreement.

The management agreement with Fisher Funds provides for the provisional payment of a management fee equal to 1.25% per annum of the Gross Asset Value, calculated weekly and payable monthly in arrears. This management fee is reduced by 0.10% for each 1.0% per annum by which the Gross Return achieved on the portfolio during each financial period is less than the change in the NZX 90-Day Bank Bill Index over the same period but subject to a minimum management fee of 0.75% of the average Gross Asset Value for that period. No such adjustment to the management fee was necessary at balance date (30 June 2009: \$341,638).

Management fees paid or payable (inclusive of GST) to Fisher Funds for the year ending 30 June 2010 totalled \$1,255,441 (30 June 2009: \$563,943), with \$100,113 being payable at 30 June 2010 (30 June 2009: \$51,487). During the year to 30 June 2010, the management fee was calculated and invoiced at 1.25% of Gross Asset Value (30 June 2009: 0.75%).

In addition, the management agreement provides for the payment of a performance fee to the Manager under certain circumstances. No performance fee has been earned by the Manager for the year ended 30 June 2010, see Note 11 (30 June 2009: Nil).

Barramundi's corporate management team are employed by Fisher Funds to provide management services to Barramundi. The corporate team's remuneration is recharged by Fisher Funds and the cost for the year ended 30 June 2010 was \$97,581 (30 June 2009: \$112,614). These costs do not include any key management personnel compensation.

Administration and marketing costs incurred by Fisher Funds on behalf of Barramundi amounted to \$20,720 for year ended 30 June 2010 and were recharged in full to Barramundi (30 June 2009: \$32,194).

The Directors of Barramundi are the only key management personnel and they earn a fee for their services which is disclosed in note 1(iii) under Directors' fees (only independent Directors earn Directors' fees). The Directors also held shares in the Company at 30 June 2010 which are disclosed in the Statutory Information section of the Annual Report and total 0.86% of total shares on issue (30 June 2009: 0.87%). The Directors did not receive any other benefits which may have necessitated disclosure under NZ IAS 24 *Related Party Disclosures* (paragraph 16).

Off-market transactions between Barramundi and other Funds managed by Fisher Funds take place for the purposes of rebalancing portfolios without incurring brokerage costs. These transactions are conducted after the market has closed at last sale price (arm's length). During the year, off-market transactions between Barramundi and other funds managed by Fisher Funds totalled \$13,000 for purchases and \$0 for sales (year ended 30 June 2009: purchases \$2,246,000 and sales \$349,000).

**Note 9 Financial Risk Management Policies**

The Company is subject to a number of financial risks which arise as a result of its investment activities, including; market risk (price, interest rate, and currency), credit risk and liquidity risk. >>

## BARRAMUNDI LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### **Note 9 Financial Risk Management Policies continued**

The management agreement between Barramundi Limited and Fisher Funds details authorised investments. Financial instruments currently recognised in the financial statements also comprise cash and short-term deposits, currency hedges, trade and other receivables and trade and other payables.

##### **Capital Risk Management**

The Company's objective when managing capital (share capital, reserves and borrowings (if any)) is to safeguard its ability to continue as a going concern.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, undertake share buybacks, issue new shares and make borrowings in the short term.

The Company was not subject to any externally imposed capital requirements during the year.

In August 2009, the Company announced a long-term distribution policy of paying out 2% of average Net Asset Value each quarter.

##### **Market Risk**

All equity investments present a risk of loss of capital often due to factors beyond the Company's control such as competition, regulatory changes, commodity price changes and changes in general economic climates domestically and internationally. The Manager moderates this risk through careful stock selection and diversification, daily monitoring of the market positions and monthly reporting to the Board of Directors. In addition, the Manager has to meet the criteria of authorised investments within the prudential limits defined in the management agreement.

The market risk of the Company is concentrated in Australia.

The maximum market risk resulting from financial instruments is determined as their fair value.

##### **Price Risk**

The Company is exposed to the risk of fluctuations in the underlying value of its listed portfolio companies. The following companies individually comprise more than 10% of Barramundi's portfolio at 30 June 2010: Arrow Energy 11% (30 June 2009: Arrow Energy 15%, Pipe Networks 11% and Pharmaxis 11%).

##### **Interest Rate Risk**

Short-term deposits subject the Company to interest rate risk. The Company invests surplus cash in the New Zealand money market (short-term investments only) and interest income is therefore subject to changes in local interest rates.

The Company may use short-term fixed rate borrowings to fund investment opportunities. There is no hedge against the risk of downward movements in interest rates.

##### **Currency Risk**

The Company holds assets denominated in Australian dollars. It is therefore exposed to currency risk as the value of Australian denominated equities and cash held in Australian dollars will fluctuate with changes in the relative value of the New Zealand dollar compared to the Australian dollar. The company mitigates against this risk by entering into forward foreign exchange contracts as and when the Manager deems it necessary.

##### **Credit Risk**

In the normal course of its business, the Company is exposed to credit risk from transactions with its counterparties.

There are no significant concentrations of credit risk. The Company does not expect non-performance by counterparties, therefore no collateral or security is required.

All transactions in listed securities are paid for on delivery according to standard settlement instructions. The Company invests cash with banks registered in New Zealand and Australia which carry a minimum short-term credit rating of A-1.

Listed securities are held in trust by an independent trustee company.

The maximum credit risk of financial assets is deemed to be their carrying amount as reported in the Statement of Financial Position.

##### **Liquidity Risk**

The Company endeavours to invest the proceeds from the issue of shares in appropriate investments while maintaining sufficient liquidity, through daily cash monitoring, to meet working capital and investment requirements. Such liquidity can be augmented by short-term borrowings from a registered bank to a maximum value of 20% of the Gross Asset Value of the Company.

No such borrowings have arisen to date.

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 10 Sensitivity Analysis**

The sensitivity of the year end result and shareholders' equity to reasonably possible changes in market conditions (based on historic trends) at 30 June 2010 and 30 June 2009 is as follows (in thousands of New Zealand dollars):

2010: (\$'000)					
EQUITY PRICES (Note i)					
	Carrying Amount	-15%		+15%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents	18,810	0	0	0	0
Financial assets at fair value through profit or loss - designated (Note iv)	64,383	(9,657)	(9,657)	9,657	9,657
Financial assets at fair value through profit or loss - held for trading (Note v)	483	0	0	0	0
FOREIGN EXCHANGE RATE (Note ii)					
	Carrying Amount	-10%		+10%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents (Note iii)	18,810	1,325	1,325	(1,084)	(1,084)
Financial assets at fair value through profit or loss - designated (Note iv)	64,383	7,154	7,154	(5,853)	(5,853)
Financial assets at fair value through profit or loss - held for trading (Note v)	483	(4,964)	(4,964)	3,612	3,612
INTEREST RATE (Note vi)					
	Carrying Amount	-3%		+3%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents	18,810	(564)	(564)	564	564
Financial assets at fair value through profit or loss	64,866	0	0	0	0

These sensitivities do not take into account impact on tax balances.

2009: (\$'000)					
EQUITY PRICES (Note i)					
	Carrying Amount	-15%		+15%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents	11,753	0	0	0	0
Financial assets at fair value through profit or loss - designated	60,695	(9,104)	(9,104)	9,104	9,104
Financial assets at fair value through profit or loss - held for trading	62	0	0	0	0
FOREIGN EXCHANGE RATE (Note ii)					
	Carrying Amount	-10%		+10%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents	11,753	1,019	1,019	(834)	(834)
Financial assets at fair value through profit or loss - designated	60,695	6,744	6,744	(5,518)	(5,518)
Financial assets at fair value through profit or loss - held for trading	62	(1,333)	(1,333)	1,091	1,091
INTEREST RATE (Note vi)					
	Carrying Amount	-3%		+3%	
		Profit	Equity	Profit	Equity
Cash and cash equivalents	11,753	(353)	(353)	353	353
Financial assets at fair value through profit or loss	60,757	0	0	0	0

These sensitivities do not take into account impact on tax balances.

BARRAMUNDI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**Note 10 Sensitivity Analysis continued**

- (i) Based on historic trends, the Directors consider it reasonable that equity prices may move +/-15%.
- (ii) Based on the NZD/AUD exchange rate volatility over the past 10 years, the Directors consider it reasonably possible that the NZD/AUD exchange rate may move by +/-10%.
- (iii) Cash in Australian bank accounts held at balance date translated to NZ\$11,923,396 using a rate of \$0.8141 A\$/NZ\$. An increase in this rate by 10% to \$0.8955 would lead to an unrealised loss of NZ\$1,083,945. Similarly if the NZ\$ were to drop by 10% to \$0.7327, there would be an unrealised gain of NZ\$1,324,822.
- (iv) Equity investments of A\$52,413,960 were held at balance date and translated to NZ\$64,382,705 using a rate of 0.8141 A\$/NZ\$. An increase in this rate by 10% to 0.8955 would lead to an unrealised loss of NZ\$5,852,973. Similarly if the NZ\$ were to drop by 10% to \$0.7327, there would be an unrealised gain of NZ\$7,153,634.
- (v) Foreign exchange contracts of NZ\$39,740,095 (notional value) were held at balance date using a rate of 0.8141 A\$/NZ\$. An increase in this rate by 10% to 0.8955 would lead to an unrealised gain of NZ\$3,612,332. Similarly if the NZ\$ were to drop by 10% to \$0.7327, there would be an unrealised loss of NZ\$4,964,079.
- (vi) The percentage movement for the interest rate sensitivity relates to an absolute change in the interest rate rather than a percentage change in interest rate.

**Note 11 Performance Fee**

The management agreement with Fisher Funds provides for an annual performance fee for outperforming the Benchmark rate and providing excess returns.

The performance fee payable to the Manager under the agreement is 15% of the lesser of:

- a) The excess return for the applicable period multiplied by the number of shares on issue at the end of the period; or
- b) The dollar amount by which the net asset value per share exceeds the highest net asset value per share at the end of the previous calculation period multiplied by the number of shares on issue.

Excess return is defined as the excess above a benchmark return which is the change in the NZX 90-Day Bank Bill Index in the period plus 7% per annum.

In accordance with the terms of the management agreement, half of any performance fee payable (exclusive of GST) will be applied by the Manager to subscribe for shares ranking equally in all respects with existing ordinary shares in Barramundi Limited and issued at a price equal to the audited net asset value per share at 30 June 2010.

At 30 June 2010 the net asset value per share of \$0.81 was below the high water net asset value per share (after adjustment for capital changes and distributions) of \$1.06 (being the highest net asset value per share at the end of the last calculation period of 30 June 2007 adjusted for any capital changes and distributions).

Accordingly the Company has not accrued a performance fee in its Statement of Comprehensive Income for the year to 30 June 2010 (30 June 2009: Nil).

**Note 12 Net Asset Value**

The audited Net Asset Value per share of Barramundi Limited as at 30 June 2010 was \$0.81 per share (30 June 2009: \$0.72). The audited diluted Net Asset Value per share of Barramundi Limited as at 30 June 2010 was \$0.79 per share (30 June 2009: \$0.81).

The diluted Net Asset Value describes the effect if all warrants were exercised on the date of calculation of the Net Asset Value at \$0.75.

BARRAMUNDI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2010

**Note 13 Contingent Liabilities and Unrecognised Contractual Commitments**

There were no contingent liabilities or unrecognised contractual commitments as at 30 June 2010 (30 June 2009: None).

**Note 14 Segmental Reporting**

The Company operates in a single operating segment being financial investment in Australia.

**Note 15 Subsequent Events**

There were no events subsequent to 30 June 2010 which require adjustment of, or disclosure in, the financial statements (30 June 2009: None).

On 23 August 2010 the Board declared a dividend of 1.71 cents per share. The record date for this dividend is 10 September 2010 with a payment date of 24 September 2010.



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## Auditor's Report

to the shareholders of Barramundi Limited

We have audited the financial statements on pages 30 to 47. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 June 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 35 to 38.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 30 June 2010 and its financial performance and cash flows for the year ended on that date.

### Auditor's Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditor.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 30 to 47:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company as at 30 June 2010 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 23 August 2010 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Auckland

# Shareholder Information

## Size of Shareholding as at 5 August 2010

Size of Holding	# of Shareholders	# of Shares	% of Total
1 to 999	85	39,776	0.04
1,000 to 4,999	544	1,367,207	1.33
5,000 to 9,999	2,151	12,807,885	12.45
10,000 to 49,999	2,890	49,617,992	48.29
50,000 to 99,999	167	10,285,170	10.01
100,000 to 499,999	95	15,677,636	15.26
500,000 +	9	12,963,424	12.62
<b>Total</b>	<b>5,941</b>	<b>102,759,090</b>	<b>100.00</b>

## 20 Largest Shareholders as at 5 August 2010

	NAME	SHARES HELD	% OF ISSUED CAPITAL
1	Custodial Services Limited <a/c 3>	4,004,555	3.90
2	FNZ Custodians Limited	1,817,741	1.77
3	Forsyth Barr Custodians Limited <account 1 M>	1,794,874	1.75
4	Caroline Robyn Ball + Christopher John Thompson Bush	1,387,606	1.35
5	Custodial Services Limited <a/c 2>	1,156,933	1.13
6	Forsyth Barr Custodians Limited <Account 1 L>	821,684	0.80
7	ASB Nominees Limited <a/c 340941 - ML>	740,042	0.72
8	Custodial Services Limited <a/c 4>	674,630	0.66
9	Accident Compensation Corporation - NZCSD <ACCI40>	565,359	0.55
10	Lloyd James Christie	466,834	0.45
11	Anthony John Simmonds + Maureen Simmonds + Timothy Patrick Ward <AJ & M Simmonds Family a/c>	427,576	0.42
12	Custodial Services Limited <A/C 1>	373,230	0.36
13	Presbyterian Support Central	372,609	0.36
14	Mantles Limited	355,000	0.35
15	Maori Investments Limited	307,000	0.30
16	Hubbard Churcher Trust Management Limited	303,937	0.30
17	Neil Sydney Cottle + Marilyn Frances Cottle + Polson Higgs Nominees Limited <Pembroke a/c>	300,000	0.29
18	Ian Andrew Brown	299,432	0.29
19	Asset Custodian Nominees Limited	289,055	0.28
20	Investments Custodial Services Limited <A/C C>	278,314	0.27
<b>TOTAL</b>		<b>16,736,411</b>	<b>16.29 &gt;&gt;</b>

## Shareholder Information CONTINUED

### 20 Largest Warrant Holders as at 5 August 2010

	NAME	WARRANTS HELD	% OF ISSUED CAPITAL
1	Custodial Services Limited <A/C 3>	2,116,750	4.22
2	Peter Butler	1,205,599	2.40
3	Forsyth Barr Custodians Limited <A/C 1 M>	754,027	1.50
4	FNZ Custodians Limited	713,486	1.42
5	Custodial Services Limited <A/C 2>	615,570	1.23
6	Forsyth Barr Custodians Limited <A/C 1 L>	412,435	0.82
7	ASB Nominees Limited <A/C 340941 - ML>	370,021	0.74
8	Custodial Services Limited <A/C 4>	303,919	0.61
9	National Nominees New Zealand Limited - NZCSD <NNLZ90>	300,729	0.60
10	Robert George Wilson	295,616	0.59
11	Selvayogan Devaroyan	275,000	0.55
12	Caroline Robyn Ball + Christopher John Thomas Bush	250,764	0.50
13	Lloyd James Christie	215,972	0.43
14	Paul Jan Kriha	195,097	0.39
15	Custodial Services Limited <A/C 1>	191,615	0.38
16	Harold John Pearson + HTT 2006 Limited	190,000	0.38
17	David Bruce Dunderdale + Jeanette Winifred Dunderdale + Peter David Wilson <Dunderdale Children's A/C>	180,000	0.36
18	Mantles Limited	177,500	0.35
19	Presbyterian Support Central	172,381	0.34
20	Investment Custodial Services Limited <A/C C>	159,620	0.32
<b>TOTAL</b>		<b>9,096,101</b>	<b>18.14</b>

## Statutory Information

### Directors' relevant interests in Equity Securities as at 30 June 2010

#### Interest's Register

The Company is required to maintain an interest's register in which the particulars of certain transactions and matters involving Directors must be recorded. The interest's register for Barramundi Limited is available for inspection at its registered address. Particulars of entries in the interests' register as at 30 June 2010 are as follows:

	ORDINARY SHARES		WARRANTS	
	Directly Held	Associated Persons	Directly Held	Associated Persons
R L Challinor		15,000		7,500
A M Cotton		91,851		44,436
I Hendry	34,158		15,802	
C M Fisher		740,042		370,021

## Statutory Information CONTINUED

### Directors Holding Office

The Company's Directors as at 30 June 2010 were:

- Rob Challinor (Chairman)
- Ian Hendry
- Annabel Cotton
- Carmel Fisher

No Directors ceased to hold office during the period.

### Directors' Remuneration

The following table sets out the total remuneration received by each Director from Barramundi Limited for the year ended 30 June 2010. The Directors' fees disclosed in the financial statements include a portion of non-recoverable GST expensed by Barramundi.

Directors' remuneration for the 12 months ended 30 June 2010.

DIRECTOR	REMUNERATION
Rob Challinor	\$50,000*
Ian Hendry	\$35,000*
Annabel Cotton	\$35,000*

\* excludes GST

Carmel Fisher does not earn Directors' fees.

### Employee Remuneration

Barramundi Limited does not have any employees. Corporate Management services are provided to the Company by Fisher Funds Management Limited under the Management Agreement.

### Disclosure of Interests

General Interest pursuant to section 140 of the Companies Act 1993 as at 30 June 2010.

#### Rob Challinor

The Warehouse Group Limited	Director
Kingfish Limited	Director
Marlin Global Limited	Director
CDL Investments New Zealand Limited	Director
Copthorne Bay of Islands Hotel – JV	Director
Challinor and Associates Limited	Director

#### Ian Hendry

Congratulations Limited	Director
Inverclyde Investments Limited	Director
Kingfish Limited	Director
Marlin Global Limited	Director
No 8 Ventures – 2 Limited	Director
Seniors Money International Limited	Director

#### Annabel Cotton

Merlin Consulting Limited	Director
Kingfish Limited	Director
Marlin Global Limited	Director
Anamallai Tea Estates & Ropeway Company Limited	Director
Riverbend Dairy Farms Limited	Director
Securities Commission New Zealand	Member

#### Carmel Fisher

Fisher Funds Management Limited	Director
Kingfish Limited	Director
Marlin Global Limited	Director

### Directors Indemnity and Insurance

Barramundi Limited has insured all of its Directors against liabilities and costs referred to in Section 162 (3), 162 (4) and 162 (5) of the Companies Act 1993. The insurance does not cover liabilities arising from criminal actions.

### Auditor's Remuneration

During the 30 June 2010 year the following amounts were paid/payable to the auditors – PricewaterhouseCoopers.

	\$000
Audit Fees	33

### Donations

The Company did not make any donations during the year ended 30 June 2010.

# Directory

## Nature of Business

The principal activity of Barramundi Limited is investment in Australian companies.

### Manager

*Fisher Funds Management Limited*  
Level 2  
95 Hurstmere Road  
Takapuna  
North Shore City 0622

### Corporate Manager

Nivedita Findlay

### Directors

#### Independent Directors

Rob Challinor (Chairman)  
Ian Hendry  
Annabel Cotton

#### Director

Carmel Fisher

### Registrar

Shareholders with enquiries about transactions and changes of address should contact Barramundi's share registrar:

*Computershare Investor Services Limited*  
Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622  
Phone: 09 488 8777  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

#### *Managing your shareholding online:*

To change your address, update your payment instructions, and to view your investment portfolio including transactions, please visit:  
[www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

### Direct crediting of dividends

To minimise the risk of fraud and misplacement of dividend cheques, shareholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account. This can be done by notifying the share registrar in writing.

### Auditors

*PricewaterhouseCoopers*  
188 Quay Street  
Auckland 1010

### Solicitors

*Chapman Tripp*  
Level 35  
23 - 29 Albert Street  
Auckland 1010

#### *Hesketh Henry*

Level 11  
41 Shortland Street  
Auckland 1010

### Bankers

*Australia New Zealand Banking Group Limited*  
Level 9  
ANZ Tower  
215 – 229 Lambton Quay  
Wellington 6011

### Investor Enquiries

Barramundi Limited  
Level 2  
95 Hurstmere Road  
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Email: [enquire@barramundi.co.nz](mailto:enquire@barramundi.co.nz)









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