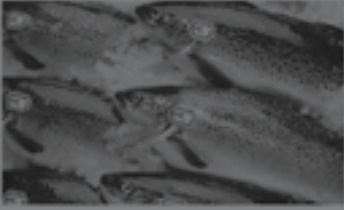


*A positive year of transition...*



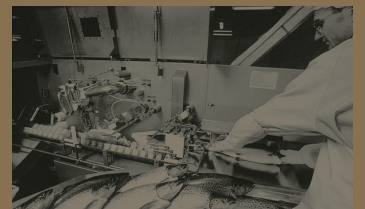
Tassal Group Limited  
2004 Annual Report



Premium fresh Atlantic Salmon destined for both discerning domestic and export markets.

... has seen Tassal successfully consolidate two underperforming Salmon operations, emerge from Receivership as the country's largest salmon producer and begin the transition to world's best practice. A strategy of "seafood excellence, business excellence" premised on a strong risk mitigation focus, has led to gains from reduced growing and processing costs as a result of improved fish management practices, processing efficiencies and capital expenditure initiatives. This transition from past to present to future will mean...

... successfully competing with global salmon players. Tassal is now repositioning itself to be globally cost competitive using global technology, automation and improved work practices that lead to...



Continually investing in processing automation technology underpins the drive for global cost competitiveness.



Automated feeding practices underpin Tassal's drive to reduce costs and enhance fish performance.

... growth, both top and bottom line,  
from domestic and export markets.  
In FY2004, Tassal was able to achieve  
improved growth and survivability.  
The risk mitigation focus and  
rationalised value-adding processing  
environment is allowing Tassal to  
generate improved economies of scale,  
and that means...

... it must exploit current and new price-premium niche markets for Atlantic Salmon and Trout. Tassal is striving to strengthen its position in the value chain and to enhance its profitability by continuing its focus on fresh packed whole fish and value-added products. There is more to do, and the transition has only just begun...



Fresh packed whole fish and value added products lay at the core of the company's product range.



# Company Details

Tassal Group Limited and Controlled Entity

## Directors

David Williams, B.Ec (Hons), M.Ec, FAICD (Chairman)

Max Fremder

Allan McCallum, Dip.Ag Science, MAICD

Jill Monk, B.Arts, B.Laws, FAICD

Maurice Van Ryn, B.Bus

John Watson, AM, MAICD

## Company Secretary

Nicholas Jon Burrows

(B.Com, FCIS, ACA, ASIA, CFTP, MAICD)

## Registered Office

191 Glen Road,

Huonville, Tasmania 7109

Telephone (03) 6211 9611

Facsimile (03) 6224 2222

E-mail [tassal@tassal.com.au](mailto:tassal@tassal.com.au)

Web site [www.tassal.com.au](http://www.tassal.com.au)

ABN 15 106 067 270

## Principal Administrative Office\*

100 -104 Mornington Road,

Mornington, Tasmania 7018

Telephone (03) 6244 9099

Facsimile (03) 6244 8012

(\*Also principal place of business)

## Auditors

Deloitte Touche Tohmatsu

22 Elizabeth Street,

Hobart, Tasmania 7000

## Bankers

Australia and New Zealand Banking Group Limited

198 Sandy Bay Road,

Sandy Bay, Tasmania 7005

## Solicitors

Murdoch Clarke,

10 Victoria Street,

Hobart, Tasmania 7000

Page Seager

162 Macquarie Street,

Hobart, Tasmania 7000

## Stock Exchange Listing

The Company is listed on the Australian Stock Exchange.

The Home Exchange is Melbourne, Victoria.

ASX Code: TGR

## Share Registry

Register of Securities is held at the following address:

Computershare Investor Services Pty Limited

Yarra Falls,

452 Johnston Street,

Abbotsford, Victoria 3067

Telephone (03) 9415 4000

Facsimile (03) 9473 2555

## Executive Directory

Mark Ryan Chief Executive Officer

Nicholas Burrows Company Secretary

General Manager –  
Finance & Administration

Dr Trevor Dix Head – Research, Technical  
and Planning

Matthew Green General Manager – Operations

Ashley McCoy General Manager – Processing

Alan Newman General Manager –  
Sales and Marketing

Peter Warner Acting General Manager –  
Marine Operations

# Chairman's and Chief Executive Officer's Report

Tassal Group Limited and Controlled Entity

On behalf of the Directors we are pleased to submit Tassal Group Limited's ("Tassal") first Annual Financial Report covering the period from the commencement of trading, 10 November 2003 to 30 June 2004. The consolidated net profit after tax of \$11.442 million for the period represents an encouraging start to Tassal's operations. A pre SGARA [Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA)] and Discount on Acquisition ("DOA") net profit after tax of \$3.904 million was reported. This result was particularly pleasing, given the highly competitive market conditions experienced by Tassal between Christmas 2003 and Easter 2004.

The key financial performance indicators for the period are set out below:

For Tassal, the period ending 30 June 2004 ("FY2004") was a period of transitioning from Receivership to generating sustainable shareholder value. We have been able to successfully turn around the operations of two underperforming Salmon operations (Tassal Limited and Nortas Pty Limited), integrate them under a consolidated structure and then implement a turnaround plan to maximise value. The value creation came from improved fish management practices (Salmon biomass for FY2005 is some 30% up on the previous year class of fish), growing and processing efficiencies and cost savings from economies of scale, and better utilisation of processing capacity. Tassal is now well positioned to generate further scale benefits.

	Pre SGARA and DOA <sup>1</sup> \$'000	Post SGARA and DOA \$'000
Revenue from ordinary activities	59,671	102,789
EBITDA	6,375	13,913
EBIT	4,413	11,951
Profit before income tax expense / (benefit)	3,076	10,614
Less income tax expense / (benefit)	(828)	(828)
Net profit after income tax expense / (benefit)	3,904	11,442
Basic earnings per share (cents)	\$0.05	\$0.14

1. These figures have not been adjusted to reflect the impact of the DOA or SGARA adjustments in order to present a relatively Prospectus comparable view of earnings.

Tassal has maintained a conservative gearing position with net interest bearing debt of \$24.848 million and a debt to equity ratio of 59.5%. Since the end of the financial year, we have successfully completed negotiations with our primary banker, Australia and New Zealand Banking Group Limited, for more appropriate banking facilities at a reduced cost.

The Directors have declared a final unfranked dividend of two cents per share, payable on 1 November 2004. The "Record Date" for determining entitlements to the dividend is 8 October 2004. The Company's Dividend Reinvestment Plan will apply to the final dividend, and the Directors have resolved that a discount rate of 5% will be applicable.

From an operational perspective, there were significant developments in the marine side of the business in FY2004. Our risk mitigation strategies were fully implemented during the period and we were able to achieve improved growth and survivability, together with improved feed conversion ratios. Not all the cost saving initiatives undertaken during the period under review could be realised in the period, as they relate to the year class of fish to be harvested for FY2005. We have rationalised our value adding processing and now have the ability to generate improved economies of scale.



Tassal is well positioned to further reduce its costs of growing and processing and to reposition itself to be globally cost competitive. We will be assisted in this by using global technology and automation, and improved work practices. To underpin this, we have set in place a capital expenditure program for the next year that accommodates both the growth in the biomass for Salmon and Trout, and drives further efficiencies and profitability through increased automation of our growing and processing environments.

From a financial perspective for FY2004, the profit flowing from our cost savings initiatives and the relatively stable sales prices in the Australian domestic market for Atlantic Salmon were partially offset by the significant market pressure associated with the high Australian dollar (making imports cheaper and exports more expensive), the fact that global Salmon prices had not recovered as expected during 2003, and the impact of cheaper white fish and crustacean prices at our peak sales season of Christmas 2003 and Easter 2004. Some of these negative market forces may be reversing, with global prices exhibiting signs of improvement and white fish and crustaceans prices currently returning to higher historical levels.

While Tassal remains firmly focussed on driving costs to world's best practice, the real value for Tassal will be in finding further profitable markets in which to sell the additional fish biomass, both domestically and in export markets. Tassal focuses on supplying the niche premium price sectors of both these sales markets. To this end, Tassal is striving to strengthen its position in the value chain and to enhance its profitability by continuing its focus on fresh packed whole fish and value added products.

To help grow the domestic market incrementally and to expand to absorb additional biomass, the Tasmanian Salmon Industry is launching a marketing campaign which will commence in October 2004. This campaign focuses on the quality aspects of Tasmanian Salmon and encourages "new" and "light users" to eat Salmon as a quick, easy, healthy meal choice. Tassal has also been active in export markets, with around 1,300 tonnes committed to premium export markets for FY2005. Further, we are well positioned to continue our product development and innovation practices in the fresh value adding market segment, which underpins our strategy of consolidating our partnership with key retailers.

In summary, we have been pursuing a strategic plan to allow Tassal to maximise shareholder value by:

- positioning Tassal to be globally cost competitive in the growing and processing of Atlantic Salmon and Trout; and
- positioning Tassal to exploit current and new price premium niche fresh whole Salmon and fresh value added markets, both domestically and in export markets.

We are happy with the progress we have made but we recognise that there is more to do. We are focused on maximising value.

We wish to thank our employees, customers, suppliers and shareholders who, through their continued support and confidence in our maiden year, have allowed us to focus on, and ultimately deliver on, our vision and strategy.



D. J. Williams  
Chairman



M. A. Ryan  
Chief Executive Officer

# Corporate Governance Statement

Tassal Group Limited and Controlled Entity

The Board of Directors of the Company (the Board) is responsible for the corporate governance of the Company and its controlled entity. Corporate governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Australian Stock Exchange Limited (ASX) Listing Rules require a listed company to provide in its Annual Financial Report a statement of the main corporate governance practices that it had in place during the reporting period. The ASX Listing Rules also require a listed company to report any instances where it has failed to follow the recommendations issued by the ASX Corporate Governance Council ("Principles of Good Corporate Governance and Best Practice Recommendations") and the reasons for not following them.

The best practice recommendations of the ASX Corporate Governance Council ("ASX CGC") are differentiated between ten core principles that the ASX CGC believes underlie good corporate governance.

The Board has an approved corporate governance policy and framework in place, which is premised upon compliance with these ten core principles. The framework has been followed and progressively formalised since the Company's ASX listing date (12 November 2003) and the date of this Annual Financial Report. The Corporate Governance Framework is progressively being updated to the Company's website [www.tassal.com.au](http://www.tassal.com.au). Unless explicitly stated otherwise, the Directors believe the Company complies with the core principles. The following provides an overview of the Company's position with respect to each principle.

## Lay Solid Foundation for Management and Oversight

### ASX CGC principle 1

The ASX CGC recommends that the Board recognise and publish the respective roles and responsibilities of the Board and management. This should be designed to:

- enable the Board to provide strategic guidance for the Company and effective oversight management;
- clarify the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability; and

- ensure a balance of authority so that no single individual has unfettered powers.

The Board has adopted a Board Charter which clearly outlines the role of the Board, has developed separate role statements for the Chairman and Chief Executive Officer and implemented a policy prescribing the delegated and reserved powers of the Board.

The Board Charter describes the Board's role and responsibilities and regulates internal Board procedure. The Board has responsibility to work to enhance the value of the Company in the interests of the Company and its shareholders.

In summary, the Board:

- is engaged in active and continuous strategic planning, including the approval of transactions relating to acquisitions and divestments and capital expenditure above delegated authority limits;
- reviews, approves and monitors the corporate strategy and annual operating plan, including the capital expenditure and operating budget and reviews performance against strategic objectives;
- assesses business opportunities and risks on an ongoing basis and oversees the Company's internal control and accountability systems;
- monitors the Company's risk management framework to ensure that established policies, guidelines and controls are implemented through a scheduled program of audits and reviews;
- ensures that appropriate financial reporting is provided to the Board on a monthly, quarterly and annual basis;
- appoints (and has the authority to remove) the Chief Executive Officer and approves with the guidance of the Remuneration and Nominations Committee, performance based remuneration recommendations for the Chief Executive Officer and his direct reports;
- oversees succession planning for the Chief Executive Officer and senior executives;
- monitors and approves the Company's dividend policy; and
- makes decisions concerning the most appropriate capital structure for the Company.

To discharge its role the Board meets regularly, usually on a monthly basis, to review the performance of the Company against its goals, both financial and non-financial. Prior to the scheduled monthly Board meetings, each Board member is provided with a formal Board package containing appropriate management and financial reports.

The responsibilities of the senior executive, including the Chief Executive Officer, are also contained in letters of appointment and detailed position descriptions given to each executive on appointment.

The Chairman, Chief Executive Officer and Company Secretary establish meeting agendas to ensure adequate coverage of key issues during the year. In addition, workshops and strategy meetings take place. Executives regularly attend Board meetings and are also available to be contacted by Directors between meetings.

To enhance efficiency, the Board has delegated some of its powers to the Chief Executive Officer and his direct reports. The terms of the delegation by the Board to the Chief Executive Officer are clearly documented.

The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.

#### **[ASX CGC Best Practice Recommendation 1.1]**

##### **Structure the Board to Add Value**

###### **ASX CGC Principle 2**

The ASX CGC recommends that the Board be structured in such a way that it:

- is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- has a proper understanding of and competence to deal with, the current and emerging issues of the business; and
- can effectively review and challenge the performance of management and exercise independent judgement.

To achieve best practice the ASX CGC recommends that:

- a majority of the Board be “independent” Directors;
- the Chairperson be an “independent” Director;
- the role of the Chairperson and Chief Executive Officer should not be exercised by the same individual; and
- the Board should establish a nomination committee.

The Board is conscious of the need to have independent Directors but must also ensure that Board members can add value in the context of Tassal’s business. Therefore the Board will seek to ensure that the Board comprises Directors who have a strong understanding of Tassal’s business. The names and qualifications of the Directors of the Company in office at the date of this report are outlined in the Directors’ Report.

To assist in judging whether a Director is independent for the purposes of services on the Board and Board Committees, the Board has adopted a Policy on Independence. Directors are required to provide all relevant information to allow a regular assessment of independence. The fundamental premise of the policy is that an independent Director must be independent of management and free to exercise his or her unfettered and independent judgement.

The Directors considered by the Board to constitute independent Directors are identified, along with their period in office, in the Directors’ Report.

The Company presently has six Non-Executive Directors, five of whom are considered by the Board to be independent in terms of the ASX CGC’s definition of independent Director. The Chief Executive Officer is not a Director of the Company. The Board is accordingly comprised of a majority of independent Directors.

The Chairman of the Board, Mr Williams however, is not regarded as being independent by virtue of his relevant interest in Mariner Corporate Finance Limited, the Company’s largest substantial shareholder. As a consequence the Company does not comply with recommendation 2.2 of the ASX CGC which requires the Chairperson to be an independent Director. The Board does not consider that this position will have any adverse impact on the conduct of the Company’s affairs or the representation of the interests of other shareholders.

# Corporate Governance Statement

(continued)

Tassal Group Limited and Controlled Entity

The Board has, however, adopted a number of measures outlined in its Board and Board Committee Charters to ensure that independent judgement is achieved and maintained in respect of its decision making processes, which include the following:

- given that the Chairman is not an independent Non-executive Director the Board have appointed Mr M. Fremder to act as “lead independent Director” and to assume the Chair in that capacity in circumstances where the Board decides that it is appropriate;
- Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Chairman, or in his absence, the Board;
- Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic; and
- Non-executive Directors confer on a needs basis without management in attendance.

The Board is balanced in its composition with each current Director bringing a range of complementary skills and experience to the Company as indicated in the Directors' Report section of this Annual Financial Report.

To assist the Board in discharging its responsibilities, the Board has established a Remuneration and Nominations Committee and an Audit and Risk Committee.

Both these Committees have formal Charters which have been approved by the Board. These Charters reflect the Board's policy that Board Committees should:

- be chaired by a Non-Executive Director;
- comprise a majority and at least three Non-executive Directors;
- be entitled to obtain independent professional or other advice at the cost of the Company; and
- be entitled to obtain such resources and information from the Company, including direct access to employees of and advisors to the Company, as they may require.

From a Board composition and structure perspective, the Remuneration and Nominations Committee is charged with the responsibility of reviewing the composition, tenure, performance and membership of the Board and Board Committees and to make recommendations on new appointments to ensure that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance.

The procedures for the appointment and removal of Directors are ultimately governed by the Company's constitution. The Board has delegated to the Remuneration and Nominations Committee the responsibility for recommending to the Board candidates to be nominated to act as Director. Where appropriate, external consultants are used to access a wide base of potential candidates and to review the suitability of candidates for appointment based on formally adopted criteria for Director selection.

All Directors have received formal letters of appointment setting out the key terms and conditions of their appointment and consistent with the Board Charter, undertake an appropriate induction program.

The Board is committed to the ongoing development of both individual Directors and the Board as a whole, undertaking to conduct an annual evaluation of its performance that:

- compares the performance of the Board with the requirements of its Charter;
- sets forth goals and objectives of the Board for the upcoming year; and
- effects any improvement to the Board Charter deemed necessary or desirable.

**[ASX CGC Best Practice Recommendations 1.1, 2.1, 2.2, 2.3, 2.4]**

## Promote Ethical and Responsible Decision Making

### ASX CGC principle 3

The ASX CGC recommends that the Company should:

- clarify the standards of ethical behaviour required of Directors and executives and encourage the observance of those standards; and
- publish its position concerning the issue of Board and employee trading in Company shares.

To achieve best practice the ASX CGC recommends that the Board establish a code of conduct to guide the Directors and senior executives as to:

- the practices necessary to maintain confidence in the Company integrity; and
- the responsibility and accountability of individuals for reporting and investigating reports or unethical practices.

The Company expects all its employees and Directors to maintain the highest ethical standards. Tassal's "Corporate Code of Conduct and Business Ethics" establishes the framework by which all employees are expected to conduct their professional lives by facilitating behaviour and decision making that meets Tassal's business goals and is also consistent with Tassal's values, policies and legal obligations.

The Corporate Code of Conduct and Business Ethics is available to Tassal employees via the Company's intranet.

The Code addresses, among other things:

- ethical conduct and expected behaviours;
- conflicts of interest and confidentiality;
- trading in shares;
- privacy;
- giving and receiving of gifts;
- corporate opportunities;
- the proper use of Tassal's assets and infrastructure, compliance with laws and Company policy; and
- reporting issues regarding breaches of the Code, legal obligations or other Tassal policies.

Tassal also has a Directors' Code of Conduct which addresses similar topics and establishes the behaviour framework expected of Directors. The Board supports the Code of Conduct issued by the Australian Institute of Company Directors.

The Company has a share trading policy which restricts the times and circumstances in which Directors, senior executives and certain employees may buy or sell shares in the Company. Trading is limited to specified short periods (six weeks) after announcements are made to the ASX of the Company's half yearly and annual financial results.

However and pursuant to the policy, a Director or senior executive must not:

- deal in the Company's securities at any time when he or she is in possession of insider information;
- engage in short term trading of the Company's securities;
- deal in the Company's securities within the designated "blackout" periods; and
- deal in the Company's securities without advising the Board before commencing the transaction.

Directors must advise the Company which in turn advises the ASX, of any transactions conducted by them in the Company's securities within five business days after the transaction occurs.

### [ASX CGC Best Practice Recommendations 3.1, 3.2, 10.1]

## Safeguard Integrity in Financial Reporting

### ASX CGC principle 4

The ASX CGC recommends that the Company have a structure to independently verify and safeguard the integrity of the Company's financial reporting.

It recommends that a Company put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position, including, for example, review and consideration of the accounts by the Audit Committee and a process to ensure the independence and competence of the Company's external auditors.

# Corporate Governance Statement

(continued)

Tassal Group Limited and Controlled Entity

To achieve best practice the ASX CGC recommends that the Board:

- require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- establish an Audit Committee with a formal charter;
- structure the Audit Committee so it consists of:
  - only Non-executive Directors;
  - a majority of independent Directors;
  - an independent Chairperson, who is not Chairperson of the Board; and
  - at least three members.

Tassal's Chief Executive Officer and the Company Secretary report in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

The Board has established an Audit and Risk Committee with a formally adopted charter.

The members of the Audit and Risk Committee at the date of this Annual Financial Report are:

- Mr M. Van Ryn (Chairman of the Committee and independent Non-executive Director);
  - Ms J. Monk (independent Non-executive Director); and
  - Mr J. Watson (independent Non-executive Director).
- The qualifications of Committee members together with details of the number of Committee Meetings held during the year and attendance by Directors who were members of the Committee are set out in the Directors' Report.

Tassal's Audit and Risk Committee complies with the ASX CGC's best practice recommendations and is structured so that:

- it comprises at least three members, with where possible, at least one member with an appropriate depth of experience in accounting or finance;
- all Committee members are Non-executive Directors, with the majority being independent; and
- the Chairman of the Board is not a member of the Committee.

The Audit and Risk Committee's role, responsibilities and membership requirements are documented in the Audit and Risk Committee Charter.

The Committee Charter outlines the principal functions of the Audit and Risk Committee, which are to:

- assist the Board in the discharge of its responsibilities in respect of the preparation of the Company's financial statements, in particular, reviewing the external financial reporting and then recommending, if appropriate, that the Board adopt the external financial reporting;
- assist the Board in the discharge of its responsibilities in respect to the Company's internal controls, in particular, assessing their adequacy after consultation with management and the auditors;
- ensure that policies and processes exist to effectively identify, manage and monitor principal business risks and review the Company's risk profile;
- recommend to the Board nominees for appointment as external auditors;
- review the scope of the audit, the level of audit fees, independence of and performance of the external auditors;
- provide a line of communication between the Board and the external auditors; and
- review and discuss the reports prepared by the external auditors ensuring that the external lead audit partner and concurring review partner (or equivalents) are rotated off the Company's audit after no more than five years and are not reassigned to the Company's audit for at least five years.

**[ASX CGC Best Practice Recommendations 4.1, 4.2, 4.3, 4.4]**

## Make Timely and Balanced Disclosure

### ASX CGC principle 5

The ASX CGC recommends that a Company promote timely and balanced disclosure of all material matters concerning the Company. It recommends that it put in place mechanisms designed to ensure all investors have equal and timely access to material information concerning the Company (including its financial situation, performance, ownership and governance) and that a Company's announcements are factual and presented in a clear and balanced way. Written policies and procedures should be designed to ensure compliance with ASX Listing Rule requirements and to ensure accountability at a senior management level for that compliance.

The Board has adopted a Continuous Disclosure and Compliance Policy to ensure Tassal complies with its disclosure obligations under ASX Listing Rules and the Corporations Act and to attribute accountability at a senior management level for that compliance. The policy encompasses comprehensive procedures to ensure that matters are identified that are likely to have a material affect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with its Listing Rule disclosure requirements. The procedures relating to the notification of price sensitive matters to the ASX and the subsequent posting of them on the Company's website are detailed in policy documentation.

Tassal's website contains copies of all ASX releases covering such publications as Annual Financial Reports, half-year results, Notices of Meeting, media releases and analyst briefings, with the latter released prior to the commencement of the briefing.

The Company Secretary is responsible for all communications with the ASX.

**[ASX CGC Best Practice Recommendations 5.1, 6.1]**

## Respect the Rights of Shareholders

### ASX CGC principle 6

The ASX CGC recommends that a Company respects the rights of shareholders and facilitate the effective exercise of those rights by effectively communicating with them, giving them balanced and understandable information about the Company and corporate proposals and making it easy for them to participate in general meetings.

To achieve best practice the ASX CGC recommends that the Board:

- design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings;
- request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Tassal places considerable importance on effective communication with its shareholders, market participants, customers, employees, suppliers, financiers, creditors other stakeholders and the wider community. Accordingly the Board have adopted a Communications Policy.

Tassal's Communications Policy requires communication with shareholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

The Company's website ([www.tassal.com.au](http://www.tassal.com.au)) is the primary means for shareholders to access communications and it has been designed to enable information to be accessed in a clear and readily accessible manner.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

# Corporate Governance Statement

(continued)

Tassal Group Limited and Controlled Entity

The Company's Notice of Annual General Meeting provides details of the location, time and date of the meeting, the business to be considered by shareholders and details about each candidate standing for election or re-election as a Director of the Company. The Board has developed guidelines for the format and content of Notices of Meetings.

The Company ensures that the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

**[ASX CGC Best Practice Recommendations 5.1, 6.1, 6.2]**

## Recognise and Manage Risk

### ASX CGC principle 7

The ASX CGC recommends that the Company establish a sound system of risk oversight and management and internal control. It recommends that the system be designed to identify, assess, monitor and manage risk and inform investors of material changes to the Company's risk profile. It suggests that to achieve best practice the Board, or an appropriate Board Committee, should establish policies on risk oversight and management. The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) should provide the Board a written statement confirming the soundness of risk management and internal control systems and that they are operating efficiently and effectively.

The Board has established an Audit and Risk Committee with a formally adopted Charter. The Charter outlines the roles, responsibilities, composition and membership requirements.

The Board is responsible for the oversight of the Company's risk management and control framework and the Audit and Risk Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Company's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer and senior executive having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the annual operating plan and presented to the Board by the Chief Executive Officer each year. The Board reviews and approves the parameters under which significant business risks will be managed before adopting the Annual Business Plan.

The Audit and Risk Committee Charter outlines the principal functions of the Committee which, from a risk management perspective, are to:

- implement and review risk management and internal compliance and control systems throughout the Company;
- review the adequacy and effectiveness of the Company's compliance management framework;
- review balance sheet risk management framework and strategies;
- oversee the Company's credit policies;
- assess operational risk limits; and
- review and monitor the Company's foreign currency and interest rate exposures and risk management priorities, ensuring compliance with the Board approved financial risk management policies.

The Chief Executive Officer and Company Secretary report in writing to the Audit and Risk Committee that their joint statement that the Company's Annual Financial Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards is:

- founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

**[ASX CGC Best Practice Recommendations 7.1, 7.2]**





## Encourage Enhanced Performance

### ASX CGC principle 8

The ASX CGC recommends that the Board fairly review and actively encourage enhanced Board and management effectiveness. In this regard it is suggested that the Board and key executives should be equipped with the knowledge and information that they need to discharge their duties effectively and that individual and collective performance is regularly and fairly reviewed. To achieve best practice it recommends that a company disclose the process for performance evaluation of the Board, its Committees and individual Directors and key executives.

The Board Charter requires that each year the Board will conduct an evaluation of its performance that:

- compares the performance of the Board with the requirements of its Charter;
- sets forth goals and objectives of the Board for the upcoming year; and
- effects any improvement to the Board Charter deemed necessary or desirable.

The respective Board Committee Charters also require the Committees to evaluate their performance and composition at least annually to determine whether it is functioning effectively by reference to current best practice. This evaluation will be presented to the Board for review.

Given the relative short history of the Company as a listed company and the brief periods of appointment of the incumbent Directors, the Board and Board Committees have yet to undertake this review. The Board intends to have a formalised review process in place during the 2004/05 financial year.

The Chief Executive Officer's compensation arrangements and performance is reviewed, monitored and evaluated by the Remuneration and Nominations Committee on an annual basis, against annually established and mutually agreed performance criteria.

The senior executives' compensation arrangements and performance is reviewed, monitored and evaluated by the Chief Executive Officer against annually established and mutually agreed performance criteria. A formal performance review methodology is in place.

The Chief Executive Officer provides the Remuneration and Nominations Committee with an overview of individual senior executive performance and compensation recommendations for Committee assessment and review.

### [ASX CGC Best Practice Recommendation 8.1]

## Remunerate Fairly and Responsibly

### ASX CGC principle 9

The ASX CGC recommends that the Company ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. In this regard it recommends that companies adopt remuneration policies that attract and maintain talented and motivated Directors and employees so as to encourage enhanced performance and that there be a clear relationship between performance and remuneration and that the policy underlying executive remuneration be understood by investors.

To achieve best practice the ASX CGC recommends that the Board:

- provide disclosure in relation to the Company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to Directors and key executives and Corporate performance;
- establish a Remuneration Committee with a formal charter;
- clearly distinguish the structure of Non-executive Directors' remuneration from that of executives; and
- ensure that any payment of equity-based executive remuneration is made in accordance with thresholds set in place and approved by shareholders.

The Board has established a Remuneration and Nominations Committee with a formally adopted Charter.

# Corporate Governance Statement

(continued)

Tassal Group Limited and Controlled Entity

The members of the Remuneration and Nominations Committee at the date of this Annual Financial Report are:

- Mr D. Williams (Chairman of the Committee and Non-executive Director);
- Mr A. McCallum (independent Non-executive Director); and
- Ms J. Monk (independent Non-executive Director).

The qualifications of Committee members together with details of the number of Committee meetings held during the year and attendance by Directors who were members of the Committee are set out in the Directors' Report.

Tassal's Remuneration and Nominations Committee is structured so that it comprises at least three Non-executive Directors with the majority being independent. The Committee Charter requires that the Chairman of the Board assume the role of the Chairman of the Remuneration and Nominations Committee. Whilst the Chairman of the Remuneration and Nominations Committee is not an independent Director he is independent of management. The Board does not consider that this position will have any adverse impact on the conduct of the Committee or the Company's affairs, nor is it considered to be an issue of concern from the perspective of either the functioning and integrity of the Committee or the calibre of its recommendations to the Board for assessment.

The Remuneration and Nominations Committee's role, responsibilities and membership requirements are documented in the Remuneration and Nominations Committee's Charter.

The Committee's Charter outlines the principal functions of the Remuneration and Nominations Committee with respect to remuneration, which are to:

- review the compensation arrangements for the Chief Executive Officer, other senior executives (in consultation with the Chief Executive Officer) and the Directors themselves;
- prepare a compensation recommendation for presentation to the Board for it to discuss and ratify based on the Board's annual evaluation of the Chief Executive Officer's performance;

- develop and oversee a remuneration and benefits philosophy that provides for fair and equitable outcomes for Board members and employees and ensures that the Company attracts and retains the right mix of quality employees; and
- periodically review and assess the adequacy of the Company's remuneration policy and recommend any proposed changes to the Board for approval.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Company may seek the advice of external advisers in connection with the structure of remuneration packages.

The Board have approved a formal Remuneration Policy which governs the remuneration of Non-executive Directors, the Chief Executive Officer and senior executives.

The key principles that underpin Tassal's Remuneration Policy are:

- remuneration must reflect the market in which the Company operates;
- key performance indicators will apply to deliver results for the Company;
- remuneration is to be linked to the creation of value to shareholders; and
- remuneration is to reward both financial and non-financial performance.

To achieve its goals in relation to executive staff, the remuneration policy is designed to encourage executives to align their interests with those of shareholders and align individual and team reward with business performance, in both the short and long term.

Executive remuneration incorporates both fixed and variable key performance elements, with both a short and long term focus. Further commentary on remuneration policy and particulars concerning Directors' and executives' remuneration is set out in the notes to the financial statements and the Directors' Report.

Remuneration of Non-executive Directors is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The Remuneration Policy is designed to:

- attract and retain Directors;
- motivate Directors to achieve the Company's business objectives; and
- align the interests of Directors with the long term interests of shareholders.

The Remuneration and Nominations Committee may from time to time seek independent advice in relation to the remuneration of Non-executive Directors and may make recommendations to members in relation to any total fee increase.

The fixed sum from which Directors can be paid remuneration has been set at \$400,000 per annum, as outlined in the Company's Prospectus dated 9 October 2003. The Board accepts that, given the size of the Company, Directors fees and associated costs must not place an inappropriate burden on the Company's finances.

Non-executive Directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations which are required to be met by the Company.

The CEO's employment contract with the Company includes short and long term equity-based remuneration incentives the details of which are outlined in note 4 to the Financial Statements.

The Company currently does not have in place any additional equity-based executive remuneration arrangements, however, these will be developed in the future and payments of this nature will be made in accordance with thresholds set in place and approved by shareholders where applicable.

**[ASX CGC Best Practice Recommendations 9.1, 9.2, 9.3, 9.4]**

## **Recognise the Legitimate Interests of Stakeholders**

### **ASX CGC principle 10**

The ASX CGC recommends that the Company recognise the legal and other obligations to all legitimate stakeholders. In this regard it is acknowledged that companies have a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole and it is suggested that companies disclose a code of conduct.

The Directors have adopted a Corporate Code of Conduct and Business Ethics which establishes the framework by which employees are expected to conduct their professional lives by facilitating behaviour and decision making that appropriately acknowledges the interests of the broad spectrum of stakeholders with which the Company deals.

Further details on the Corporate Code of Conduct and Business Ethics are outlined in commentary on ASX CGC Principle 3 earlier in this Corporate Governance Statement.

**[ASX CGC Best Practice Recommendation 10.1]**

# Directors' Report

Tassal Group Limited and Controlled Entity

**The Directors present their report together with the Annual Financial Report of Tassal Group Limited ("the Company") and the consolidated Annual Financial Report of the consolidated entity, being the Company and its controlled entity, for the year ended 30 June 2004 and the independent auditor's report thereon.**

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## 1. Directors

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

Name	Appointed
Mr David Williams, (Chairman)	5 Sept. 2003
Mr Max Fremder	3 Oct. 2003
Mr Allan McCallum	7 Oct. 2003
Ms Jill Monk	7 Oct. 2003
Mr Maurice Van Ryn	7 Oct. 2003
Mr John Watson	7 Oct. 2003

In addition, Mr A. Gianotti (a past employee of Mariner Corporate Finance Limited) and Mr P. Powell (a Director of Mariner Corporate Finance Limited), who were both appointed on 5 September 2003, resigned on 3 October 2003 and 7 October 2003, respectively.

## 2. Principal Activities

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

The Company was incorporated on 5 September 2003 and commenced business on 10 November 2003.

## 3. Consolidated Result

The net profit for the consolidated entity for the year after an income tax benefit of \$0.828 million was \$11.442 million.

## 4. Dividends

No dividends have been paid since the beginning of the financial year.

On 31 August 2004, the Directors declared a final unfranked dividend of 2 cents per ordinary share in respect of the financial year ended 30 June 2004. The record date for determining entitlements to dividends is 8 October 2004. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 5% has been determined by the Directors.

The Company will not have any franking credits available for distribution at the date of the dividend payment. Franking credits will arise when the Company makes income tax payments, which is not anticipated to be until December 2005.

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2004.

## 5. Review of Operations

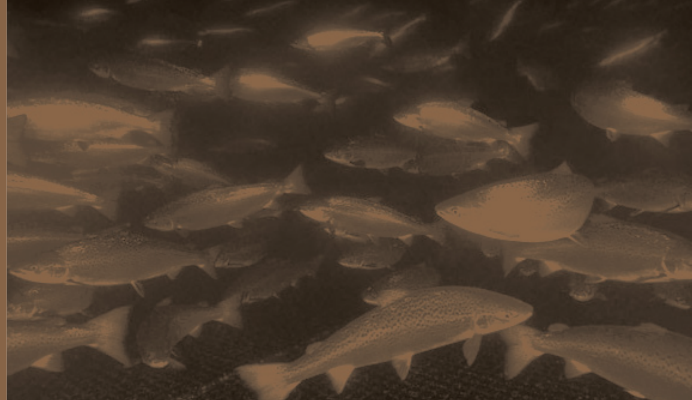
The consolidated entity recorded a net profit after tax of \$11.442 million for the period from the commencement of trading, 10 November 2003 to 30 June 2004. A pre SGARA [Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA)] and Discount on Acquisition ("DOA") net profit after tax of \$3.904 million was reported, as compared with a pre SGARA and DOA net profit after tax of \$3.500 million projected in the Prospectus dated 9 October 2003.

The consolidated entity's revenue from ordinary activities was reported at \$102.789 million. This was translated to a pre SGARA and DOA trading revenue of \$59.671 million, which was in line with the Company's Prospectus projection of \$57.800 million.

Earnings before interest and tax ("EBIT") on a pre SGARA and DOA basis was \$4.413 million as compared with a Prospectus EBIT value of \$6.000 million. During the financial period, Tassal incurred redundancy costs and other restructuring items totalling \$0.600 million in rationalising processing facilities to improve operating efficiencies and profitability. Adjusting for the above, the net difference in EBIT from forecast was \$1 million, with this difference due in the main to reduced margins on products.

Cash flow from operating activities was significantly utilised to underpin the growth of fish biomass.

An earnings per share ("EPS") was recorded at 14.0 cents per share. Pre SGARA and DOA EPS was recorded at 5.0 cents per share for this trading period.



Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 to 3 of this Annual Financial Report.

## 6. Changes in State of Affairs

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

## 7. Likely Developments

Likely developments in the consolidated entity's operations have been commented on in a general nature in the Annual Financial Report. In particular, reference should be made to the joint Chairman's and CEO's Report. In the opinion of the Directors, it would be likely to result in unreasonable prejudice to the consolidated entity to include in this Directors' Report further information required to be included by sub-section 299(1)(e) of the Corporations Act 2001 and pursuant to section 299(3) of the Corporations Act 2001 such further information has not been included.

## 8. Directors' Interests

The Directors relevant interest in shares and options are set out in section 13 of this Directors' Report.

## 9. Events Subsequent to Balance Date

The Company, as head entity and Tassal Operations Pty Ltd (wholly-owned subsidiary), together comprising the tax-consolidated group, will be lodging the statutory election to consolidate from 19 September 2003 with the Australian Taxation Office on or before lodgement of the 30 June 2004 consolidated tax return.

There are no other matters or circumstances which have arisen since the end of the financial year which, in the opinion of the Directors, have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs in future financial years of the consolidated entity.

## 10. Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the

Company (as named above), the Company Secretary, Mr N.J. Burrows and all executive officers of the Company against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

## 11. Environmental Regulation

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation, primarily in relation to its marine farming and processing activities. Primary regulatory compliance obligations encompass environmental monitoring of the consolidated entity's marine lease sites, processing establishments, hygiene protocols, effluent treatment and disposal and noise levels.

The consolidated entity's management regularly and routinely monitor compliance with the relevant environmental regulations and compliance is further regularly reviewed by the Board's Audit and Risk Committee.

The Directors believe that all regulations have been appropriately met during the period covered by this Annual Financial Report.

## 12. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to the principles of good corporate governance.

The consolidated entity's statement on the main corporate governance practices in place during the year is set out on pages 4 to 13 of this Annual Financial Report.

The CEO and Company Secretary have declared, in writing to the Board, that the Company's Annual Financial Reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

# Directors' Report

(continued)

Tassal Group Limited and Controlled Entity

## 13. Information on Current Directors

Director	Qualifications and Experience	Special Responsibilities	Particulars of Directors' Relevant Interests in Ordinary Shares and Options Over Ordinary Shares in Tassal Group Limited
<b>David Williams</b> B.ec (Hons), M.Ec, FAICD	<p>David is Managing Director of Mariner Corporate Finance Limited with approximately 20 years experience in the investment banking sector.</p> <p>David holds a Masters and an Honours degree in Economics and is a Director of Medical Developments International Limited.</p>	<p>Chairman of the Board of Directors.</p> <p>Non-executive Director.</p> <p>Chairman of the Remuneration and Nominations Committee.</p>	16,000,000 Ordinary Shares
<b>Max Fremder</b>	<p>Max is Non-Executive Chairman of Select Harvests Limited, a former Director of IAMA Limited and founder of Nufarm Limited, one of Australia's largest chemical manufacturers for the rural industry.</p>	<p>"Lead" independent Non-executive Director.</p>	1,500,000 Ordinary Shares
<b>Allan McCallum</b> Dip. Ag Science, MAICD	<p>Allan is Deputy Chairman of Graincorp Limited, Non-Executive Director of Incitec Pivot Limited, Director of Grain Growers Association Limited, Director of Medical Developments International Limited, Chairman of Nugrain Pty Ltd and President of the Australian Oilseeds Federation.</p> <p>Allan has over 30 years experience in the agricultural sector with representation on industry bodies at State, national and international levels.</p>	<p>Independent Non-executive Director.</p> <p>Member of the Remuneration and Nominations Committee.</p>	150,000 Ordinary Shares
<b>Jill Monk</b> B.Arts, B.Laws, FAICD	<p>Jill holds a Bachelor of Arts, a Bachelor of Laws and a Fellowship of Insurance. She has 28 years experience in company secretarial, commercial legal, business risk and compliance and human resources, having spent 18 years with CGU Insurance Limited.</p> <p>Jill held general management roles including responsibility for legal, superannuation compliance and the role of Director of Human Resources. Jill held numerous directorships across the CGU Group.</p>	<p>Independent Non-executive Director.</p> <p>Member of the Remuneration and Nominations Committee</p> <p>Member of the Audit and Risk Committee.</p>	30,000 Ordinary Shares

The particulars of Directors' interests in ordinary shares and options over ordinary shares disclosed above are as at the date of this Directors' Report and as notified by Directors to Australian Stock Exchange Limited in accordance with the S205G(1) of the Corporations Act 2001.

Director	Qualifications and Experience	Special Responsibilities	Particulars of Directors' Relevant Interests in Ordinary Shares and Options Over Ordinary Shares in Tassal Group Limited
<b>Maurice Van Ryn</b> B.Bus	<p>Maurice is Chief Executive Officer of Bega Cheese where he has worked for the past 18 years. He is also Non-Executive Director of So Natural Foods Limited and Medical Developments International Limited. Prior to his involvement with Bega Cheese, Maurice was employed as Financial Controller in the Brewing Materials Division of Elders IXL Limited for 9 years.</p> <p>Maurice has over 27 years experience in direct management of food companies in the Australian manufacturing sector.</p>	<p>Independent Non-executive Director. Chairman of the Audit and Risk Committee.</p>	<p>248,250 Ordinary Shares</p>
<b>John Watson</b> AM, MAICD	<p>John is Non-Executive Chairman of Incitec Pivot Limited, Chairman of Primesafe and of the Co-operative Research Centre for Innovative Dairy Products, a Councillor of the Royal Agricultural Society of Victoria and a Member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. He is a former Senior Vice President of the National Farmers Federation.</p> <p>John has a long history in the food and agricultural industries, having served on numerous industry advisory councils, including advisory roles to the Victorian and Commonwealth Governments.</p>	<p>Independent Non-executive Director. Member of the Audit and Risk Committee.</p>	<p>150,000 Ordinary Shares</p>

The particulars of Directors' interests in ordinary shares and options over ordinary shares disclosed above are as at the date of this Directors' Report and as notified by Directors to Australian Stock Exchange Limited in accordance with the S205G(1) of the Corporations Act 2001.

# Directors' Report

(continued)

Tassal Group Limited and Controlled Entity

## 14. Directors' Meetings

The following table sets out the number of meetings and meetings of Committees of Directors held in the period each Director held office (or in the period from commencement as a member of the relevant Committee) during the financial year and the number of meetings attended by each Director.

Director	Board of Directors Meetings		Audit and Risk Committee Meetings		Remuneration and Nominations Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
D. Williams	17	17	*	*	2	2
M. Fremder	13	13	*	*	*	*
A. McCallum	13	13	*	*	2	2
J. Monk	13	13	4	4	2	2
M. Van Ryn	13	11	4	3	*	*
J. Watson	13	12	4	4	*	*
P. Powell	5	5	*	*	*	*
A. Gianotti	4	2	*	*	*	*

\* Not a committee member

## 15. Share Options

There were no shares and/or options granted to Directors or executives during or since the end of the financial year.

No options were exercised during or since the end of the financial year.

The Company has an employment contract with Mr Mark Ryan, the Chief Executive Officer ("CEO") which includes the provision for the issue of options over ordinary shares as a long term incentive and are valued utilising the Black-Scholes option valuation methodology. The number of options that can be granted is based on him achieving specific and quantitative performance criteria, as detailed in section 16 of this Directors' Report. Any options issued are also subject to an annual vesting profile over a three year period. At the date of this Directors' Report, no options have been issued pursuant to the employment contract.

On 20 January 2004, the Company issued 500,000 options over fully paid ordinary shares in the Company to an unrelated third party. The exercise price for the options is 95.73 cents per share, with the price determined by reference to the weighted average Australian Stock Exchange traded price of the Company's shares for the 5 business days commencing Monday 1 March 2004.

The options will expire if not exercised by written notice with payment to the Company on or before 30 June 2005.

## 16. Directors' and Senior Executives' Emoluments

The Remuneration and Nominations Committee is responsible for reviewing and making recommendations to the Board with respect to remuneration policies and remuneration packages of Directors and senior executives of the Company. The Committee develops and oversees a remuneration and benefits philosophy that provides for fair and equitable outcomes for Board members and employees and ensures that the Company attracts and retains the right mix of quality employees.

The Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to both the Company's and individual's performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration and Nominations Committee may seek the advice of external advisers in connection with the structure of remuneration packages.





The key principles that underpin Tassal's remuneration policy are:

- remuneration must reflect the market in which the Company operates;
- key performance indicators will apply to deliver results for the Company;
- remuneration is to be linked to the creation of value to shareholders; and
- remuneration is to reward both financial and non-financial performance.

To achieve its goals in relation to executive staff, the remuneration policy is designed to encourage executives to align their interests with those of shareholders and align individual and team reward with business performance, in both the short and long term.

Executive remuneration incorporates both fixed and variable key performance elements, with an appropriately weighted short and long term focus.

Remuneration packages may contain the following key elements:

- primary benefits* – salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles;
- post employment benefits* – superannuation and prescribed retirement benefits;

(iii) *equity* – share options and ordinary shares may be granted under the Chief Executive Officer's employment contract as disclosed in note 4 to the financial statements.

(iv) *other benefits*.

Remuneration of Non-executive Directors is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The remuneration policy is designed to:

- attract and retain Directors;
- motivate Directors to achieve the Company's business objectives; and
- align the interests of Directors with the long term interests of shareholders.

The Remuneration and Nominations Committee may from time to time seek independent advice in relation to the remuneration of Non-executive Directors and may make recommendations to members in relation to any total fee increase.

The following table discloses the remuneration of the Directors of the Company:

	Primary			Post Employment		Equity		Total
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed Benefits \$	Fully paid shares \$	Options \$	
<b>2004</b>								
D. Williams	47,701	-	-	4,293	-	-	-	51,994
M. Fremder	33,024	-	-	2,972	-	-	-	35,996
A. McCallum	33,024	-	-	2,972	-	-	-	35,996
J. Monk	33,024	-	-	2,972	-	-	-	35,996
M. Van Ryn	33,024	-	-	2,972	-	-	-	35,996
J. Watson	33,024	-	-	2,972	-	-	-	35,996
P. Powell	-	-	-	-	-	-	-	-
A. Gianotti	-	-	-	-	-	-	-	-
<b>Total</b>	<b>212,821</b>	<b>-</b>	<b>-</b>	<b>19,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,974</b>

# Directors' Report

(continued)

Tassal Group Limited and Controlled Entity

The following table discloses the remuneration of the five highest remunerated executives of the Company and the consolidated entity:

	Primary			Post Employment		Equity		Total \$
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed Benefits \$	Fully paid shares \$	Options \$	
<b>2004</b>								
M. Ryan	220,172	-	141	17,624	-	96,000	6,082	340,019
A. Newman	124,057	-	1,493	8,044	-	-	-	133,594
T. Dix	104,559	-	947	8,355	-	-	-	113,861
N. Burrows	103,255	-	2,117	8,373	-	-	-	113,745
A. McCoy	86,240	-	1,411	7,052	-	-	-	94,703
<b>Total</b>	<b>638,283</b>	<b>-</b>	<b>6,109</b>	<b>49,448</b>	<b>-</b>	<b>96,000</b>	<b>6,082</b>	<b>795,922</b>

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

## 17. Rounding Off of Amounts

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

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

On behalf of the Directors



D. J. Williams  
Chairman

Hobart this 28th day of September 2004



# Statement of Financial Performance

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	Note	Consolidated 2004 \$'000	Company 2004 \$'000
Revenue from ordinary activities	2	102,789	49
Changes in inventories of finished goods and work in progress		(1,669)	-
Raw materials and consumables used		(69,360)	-
Employee benefits expense		(14,420)	-
Depreciation and amortisation expense	2	(1,962)	-
Borrowing costs	2	(1,337)	-
Other expenses from ordinary activities		(3,427)	-
<b>Profit from ordinary activities before income tax benefit/(expense)</b>		<b>10,614</b>	<b>49</b>
Income tax benefit/(expense) relating to ordinary activities	3	828	87
<b>Profit from ordinary activities after income tax benefit/(expense)</b>		<b>11,442</b>	<b>136</b>
<b>Total revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity</b>		<b>-</b>	<b>-</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>11,442</b>	<b>136</b>
		<b>Cents per Share</b>	
<b>Earnings per share:</b>			
Basic (cents per share)	22	14.0	
Diluted (cents per share)	22	13.9	

Notes to the financial statements are included on pages 25 to 53.

# Statement of Financial Position

As at 30 June 2004

Tassal Group Limited and Controlled Entity

	Note	Consolidated 2004 \$'000	Company 2004 \$'000
<b>Current Assets</b>			
Cash assets		5	-
Receivables	6	14,423	30,275
Inventories	7	7,579	-
Self-generating and regenerating assets (SGARA)	8	32,476	-
Other	9	480	-
<b>Total Current Assets</b>		<b>54,963</b>	<b>30,275</b>
<b>Non-Current Assets</b>			
Other financial assets	10	3,581	-
Property, plant and equipment	11	22,566	-
Deferred tax assets	12	1,391	1,391
Other	13	318	-
<b>Total Non-Current Assets</b>		<b>27,856</b>	<b>1,391</b>
<b>Total Assets</b>		<b>82,819</b>	<b>31,666</b>
<b>Current Liabilities</b>			
Payables	14	12,577	-
Interest-bearing liabilities	15	6,406	-
Provisions	16	1,961	-
<b>Total Current Liabilities</b>		<b>20,944</b>	<b>-</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	17	18,447	-
Deferred tax liabilities	18	1,223	1,223
Provisions	19	456	-
<b>Total Non-Current Liabilities</b>		<b>20,126</b>	<b>1,223</b>
<b>Total Liabilities</b>		<b>41,070</b>	<b>1,223</b>
<b>Net Assets</b>		<b>41,749</b>	<b>30,443</b>
<b>Equity</b>			
Contributed equity	20	30,307	30,307
Retained profits	21	11,442	136
<b>Total Equity</b>		<b>41,749</b>	<b>30,443</b>

Notes to the financial statements are included on pages 25 to 53.

# Statement of Cash Flows

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	Note	Consolidated 2004 \$'000	Company 2004 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		59,054	-
Payments to suppliers and employees		(60,286)	(10)
Interest and bill discounts received		49	49
Interest and other costs of finance paid		(1,494)	-
<b>Net cash provided by/(used in) operating activities</b>	32(e)	<b>(2,677)</b>	<b>39</b>
<b>Cash Flows from Investing Activities</b>			
Payment for property, plant and equipment		(2,610)	-
Proceeds from sale of property, plant and equipment		596	-
Advance to controlled entity		-	(29,768)
Payment for business	32(b)	(49,139)	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(51,153)</b>	<b>(29,768)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of equity securities		32,001	31,001
Payment for share issue costs		(1,694)	(1,272)
Proceeds from borrowings		25,256	-
Repayment of borrowings		(4,510)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>51,053</b>	<b>29,729</b>
<b>Net increase/(decrease) in cash held</b>		<b>(2,777)</b>	<b>-</b>
<b>Cash at the beginning of the financial year</b>		<b>-</b>	<b>-</b>
<b>Cash at the end of the financial year</b>	32(a)	<b>(2,777)</b>	<b>-</b>

Notes to the financial statements are included on pages 25 to 53.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 1. SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

The Annual Financial Report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views and complies with other requirements of the law.

The Annual Financial Report has been prepared on the basis of historical cost and except for self-generating and regenerating assets (SGARAs) which are measured at net market value, does not take into account changing money values or current valuations of non-current assets, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Annual Financial Report:

#### (a) Date of Incorporation and Comparatives

The Company was incorporated on 5 September 2003 under the name Natamy Limited, and changed its name to Tassal Group Limited on 23 September 2003.

Accordingly only current period figures covering the period from incorporation are shown.

#### (b) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the Company and its controlled entity as defined in accounting standard AASB 1024 "Consolidated Accounts". The consolidated entity comprises the Company and Tassal Operations Pty Ltd, which is a 100% wholly-owned subsidiary company. Where an entity either began or ceased to be controlled during the reporting period, the results are included only from the date control commenced or up to the date control ceased. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated in full.

#### (c) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

The carrying amount of accounts payable approximates net fair value.

#### (d) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

#### (e) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of non-current assets constructed by the consolidated entity.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

#### (f) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 1. SUMMARY OF ACCOUNTING POLICIES (cont.)

### (g) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost or, where applicable, the revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity.

Estimates of remaining useful lives are made on an ongoing basis for all assets. The expected useful lives used in the calculation of depreciation are as follows:

Buildings	25 – 50 years
Plant and equipment	2 – 20 years

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives on the above basis.

### (h) Derivative Financial Instruments

The consolidated entity's borrowings and transactions in foreign currencies give rise to an exposure to market risks from changes in interest rates and foreign exchange rates. Certain other transactions create risks associated with changes in the price of commodities. The consolidated entity has a policy for utilising derivative financial instruments to reduce those risks.

Under the Company's Treasury Policy the types of derivatives which may be used are interest rate swaps, forward rate agreements, interest rate options, foreign currency forward exchange contracts or currency options.

There were no derivative financial instruments in place at the Annual Financial Report date.

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination date are:

- deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

Gains and losses on forward interest rate contracts are deferred and amortised over the term of the underlying borrowing.

Gains and losses on interest rate swaps are included in the determination of interest expense.

### (i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

The provisions for employee entitlements to wages, salaries, annual leave, long service leave and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions for other employment benefits, including long service leave, which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

### (j) Financial Instruments Issued by the Company

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Dividends are classified as distributions of profit consistent with the statement of financial position classification of the related equity instrument.



# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## (k) Foreign Currency Transactions

All foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at the reporting date are translated at exchange rates existing at that date.

Exchange differences are recognised in the profit or loss in the period they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

There were no hedge transactions in place at the date of the Annual Financial Report.

## (l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Statement of Financial Position.

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

## (m) Income Tax

Tax effect accounting principles have been adopted where income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and the deferred tax liabilities, as applicable.

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

This legislation, which includes both mandatory and elective elements, is applicable to the Company. The impact of the mandatory elements of the tax consolidation system on existing deferred tax balances of the consolidated entity and the Company has been reflected in the financial statements.

The Company and its wholly-owned Australian resident entity are eligible to consolidate for tax purposes under this legislation and intend to elect to be taxed as a single entity from 19 September 2003. An election to enter the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Tassal Group Limited.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Tassal Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on a notional taxable income calculation for the entity at the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Prior to the adoption of the tax consolidation system, the head entity has also agreed to compensate its wholly-owned subsidiary for the carrying amount of its deferred tax balances. This agreement has not resulted in an onerous contract.

The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax-sharing agreement as these amounts are recognised as inter-company receivables and payables.

There is not expected to be any net financial effect flowing from adoption of the tax consolidation system, and accordingly no adjustments are required to be recognised in the financial statements.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 1. SUMMARY OF ACCOUNTING POLICIES (cont.)

### (n) Interest-Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

### (o) Inventories

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

Other inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis.

### (p) Investments

Investments in controlled entities and other corporations are brought to account at cost and where applicable, dividend income is recognised in the statement of financial performance when receivable.

### (q) Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property.

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

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which the economic benefits from the leased asset are consumed.

### (r) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the reporting date.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

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**(s) Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

The carrying amount of receivables approximates net fair value.

**(t) Recoverable Amount of Non-Current Assets**

Non-current assets are written down to recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

**(u) Revenue Recognition**

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer, except with respect to self-generating and regenerating assets (See note 1 (v)).

**(v) Self-Generating and Regenerating Assets (SGARAs) – Live Finfish**

Self-generating and regenerating assets are valued at net market value. Net market value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal. The net increment / (decrement) in the net market value of SGARAs is recognised as revenue / (expenditure) in the reporting period.

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

Net market valuation has been determined in accordance with a Directors' valuation.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>2. PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before income tax benefit/(expense) includes the following items of revenue and expense:		
<b>(a) Operating Revenue</b>		
Revenue from the sale of goods	58,686	-
Net market value of non-living produce extracted	35,580	-
Decrement in net market value of SGARA's SGARA restatement after application of discount on acquisition	(83)	-
Rental revenue	7,621	-
Interest revenue	9	-
Other	49	49
	331	-
<b>Total Operating Revenue</b>	<b>102,193</b>	<b>49</b>
<b>(b) Non-Operating Revenue</b>		
Proceeds from sale of property, plant and equipment	596	-
<b>Total Non-Operating Revenue</b>	<b>596</b>	<b>-</b>
<b>Total Revenue from Ordinary Activities</b>	<b>102,789</b>	<b>49</b>
<b>(c) Expenses</b>		
Cost of sales	58,325	-
Depreciation of non-current assets	1,955	-
Amortisation - Marine Farming Lease	7	-
<b>Total Depreciation and Amortisation</b>	<b>1,962</b>	<b>-</b>
Interest – other entities	1,293	-
Finance lease charges	44	-
<b>Total Borrowing Costs</b>	<b>1,337</b>	<b>-</b>
Net bad and doubtful debts – other entities	4	-
Write-downs in value of inventories	511	-
Written down value of property, plant and equipment sold	250	-
Operating lease rental expenses	2,133	-
<b>(d) Sale of Assets</b>		
Sale of assets in the ordinary course of business have given rise to the following profits:		
Property, plant and equipment	346	-

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated</b>	<b>Company</b>
	<b>2004</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>

### 3. INCOME TAX BENEFIT/(EXPENSE)

The prima facie income tax benefit/(expense) on pre-tax accounting profit reconciles to the income tax benefit/(expense) in the financial statements as follows:

<b>Profit from ordinary activities</b>	<b>10,614</b>	<b>49</b>
Income tax benefit/(expense) calculated at 30%	(3,184)	(15)
<b>Permanent differences:</b>		
Amortisation of share issue costs	102	102
SGARA and inventory restatement after application of DOA	2,286	-
Restatement of trading stock to tax cost	1,589	-
Other	35	-
<b>Impact of the tax consolidation system:</b>		
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax-consolidated group	-	741
Net income tax benefit/(expense) arising under the tax-sharing agreement with subsidiaries in the tax-consolidated group	-	(741)
<b>Income tax benefit/(expense) relating to ordinary activities</b>	<b>828</b>	<b>87</b>

#### Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

This legislation, which includes both mandatory and elective elements, is applicable to the Company. The impact of the mandatory elements of the tax consolidation system on existing deferred tax balances of the consolidated entity and the Company has been reflected in the financial statements.

The Company and its wholly-owned Australian resident entity are eligible to consolidate for tax purposes under this legislation and intend to elect to be taxed as a single entity from 19 September 2003. An election to enter the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Tassal Group Limited.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Tassal Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on a notional taxable income calculation for the entity at the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Prior to the adoption of the tax consolidation system, the head entity has also agreed to compensate its wholly-owned subsidiary for the carrying amount of its deferred tax balances. This agreement has not resulted in an onerous contract.

There is not expected to be any net financial effect flowing from adoption of the tax consolidation system, and accordingly no adjustments are required to be recognised in the financial statements.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 4. DIRECTORS' AND EXECUTIVES' REMUNERATION

This disclosure is prepared in accordance with the new Australian Accounting Standard AASB1046 – “Directors and Executive Disclosures by Disclosing Entities”.

The specified Directors of Tassal Group Limited during the year were:

<b>Name</b>	<b>Title</b>	<b>Tenure</b>
D. Williams	Chairman, Non-executive Director	Appointed 5 September 2003
M. Fremder	Non-executive Director	Appointed 3 October 2003
A. McCallum	Non-executive Director	Appointed 7 October 2003
J. Monk	Non-executive Director	Appointed 7 October 2003
M. Van Ryn	Non-executive Director	Appointed 7 October 2003
J. Watson	Non-executive Director	Appointed 7 October 2003
P. Powell	Non-executive Director	Appointed 5 September 2003, Resigned 7 October 2003
A. Gianotti	Non-executive Director	Appointed 5 September 2003, Resigned 3 October 2003

The specified executives of the consolidated entity during the year were:

<b>Name</b>	<b>Title</b>	<b>Tenure</b>
M. Ryan	Chief Executive Officer	Appointed 18 December 2003
A. Newman	General Manager – Sales and Marketing	*
T. Dix	Head – Research, Technical and Planning	*
N. Burrows	Company Secretary, General Manager Finance and Administration	*
A. McCoy	General Manager – Processing	*
M. Green	General Manager – Operations	Appointed 29 December 2003

\* From 10 November 2003, unless otherwise indicated.

The Remuneration and Nominations Committee reviews the remuneration packages of all specified Directors and specified executives on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and benchmarked against comparable industry salaries, adjusted (where appropriate) by a performance factor to reflect changes in and alignment with, the performance of the Company.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

Specified Directors	Primary			Post Employment		Equity		Total
	Salary & Fees (Note 1) \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed Benefits \$	Fully paid shares \$	Options \$	
D. Williams	47,701	-	-	4,293	-	-	-	51,994
M. Fremder	33,024	-	-	2,972	-	-	-	35,996
A. McCallum	33,024	-	-	2,972	-	-	-	35,996
J. Monk	33,024	-	-	2,972	-	-	-	35,996
M. Van Ryn	33,024	-	-	2,972	-	-	-	35,996
J. Watson	33,024	-	-	2,972	-	-	-	35,996
P. Powell	-	-	-	-	-	-	-	-
A. Gianotti	-	-	-	-	-	-	-	-
<b>Total</b>	<b>211,821</b>	<b>-</b>	<b>-</b>	<b>19,153</b>		<b>-</b>	<b>-</b>	<b>231,974</b>

Specified Executives	Primary			Post Employment		Equity		Total
	Salary & Fees (Note 2) \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed Benefits \$	Fully paid shares \$	Options \$	
M. Ryan	220,172	-	141	17,624	-	96,000	6,082	340,019
A. Newman	124,057	-	1,493	8,044	-	-	-	133,594
T. Dix	104,559	-	947	8,355	-	-	-	113,861
N. Burrows	103,255	-	2,117	8,373	-	-	-	113,745
A. McCoy	86,240	-	1,411	7,052	-	-	-	94,703
M. Green	84,711	-	3,011	6,717	-	-	-	94,439
<b>Total</b>	<b>722,994</b>	<b>-</b>	<b>9,120</b>	<b>56,165</b>	<b>-</b>	<b>96,000</b>	<b>6,082</b>	<b>890,361</b>

## Notes:

- The constitution of the Company provides that Non-executive Directors may collectively be paid from a fixed sum out of the funds of the Company as remuneration for their services. Pursuant to the Prospectus dated 9 October 2003, the Directors have fixed this sum at \$400,000 per annum. Following ASX listing this amount can only be increased by the passing of an ordinary resolution of shareholders. The Board can determine the allocation of this fixed sum to the Directors. Initial fees to the Non-executive Directors of the Company have been established as follows:
  - the Chairman is entitled to a fee of \$65,000 each year;
  - each other Director is entitled to a fee of \$45,000 each year.

Non-executive Directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations which are required to be met by the Company.

Non-executive Directors do not receive short-term or long-term incentive payments. Directors' fees cover all main Board activities and membership of Board Committees.
- The base salary for specified executives is based on a package that permits salary sacrificing including motor vehicles and Fringe Benefits Tax. Amounts disclosed reflect the respective specified executives' period of service. The base salary is disclosed on a cost to the Company basis and includes movements in accrued annual leave and long service leave entitlements for the respective specified executives.
- Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 4. DIRECTORS' AND EXECUTIVES' REMUNERATION (cont.)

### Contract for Services:

The Company entered into a two-year employment contract with the CEO, Mr M. Ryan, commencing from the date of his employment on 18 December 2003.

Mr Ryan's total remuneration package consists of four elements: base salary, short-term cash incentive, long-term options incentive and share incentive. Achievement of incentive hurdles is consistently measured on a financial year basis. Payment under Mr Ryan's short-term cash incentive, long-term options incentive and the share incentive are subject to approval by the Board's Remuneration and Nominations Committee, which at report date had not been granted.

Mr Ryan's base salary is \$400,000 per annum inclusive of superannuation guarantee legislation requirements and permits salary sacrificing including motor vehicles.

For the 2005 and 2006 financial years, Mr Ryan will be entitled to a cash bonus of between 15% and 20% of his base salary provided that the Company's Earnings Per Share ("EPS") is at least 10% greater than the pre-SGARA and DOA EPS for the 2004 financial year.

Mr Ryan is also entitled to a long-term incentive bonus payable in the form of options equivalent to a value of 25% of his base salary. For the 2005 and 2006 financial years, the issue of options is conditional upon the pre-SGARA and DOA EPS of the Company for the particular year being at least 10% greater than for the previous year, and on a cumulative basis if the EPS growth target is missed.

The number of options issued will be the bonus portion of base salary divided by a valuation of the options using standard Black-Scholes methodology. The exercise price will be determined based on a five-day weighted average price, a month post the release of the annual results for the year in respect of which the options are issued and after the application of a 5% discount factor. The vesting period is three years, with one-third vesting in each year.

At the date of this report, no options have been granted to Mr Ryan in respect of this arrangement and no obligation exists with respect to the 2004 financial year. The estimated fair value of the options at the grant date is \$18,245 and the estimated fair value of Mr Ryan's contractual right to options is \$6,082 in the 2004 financial year, which has been disclosed in the specified executives' remuneration table.

Mr Ryan is also entitled to a one-off issue of 600,000 fully paid ordinary shares. The vesting period for ordinary shares issued pursuant to this arrangement is three years, with one-third vesting each year. For the 2005 and 2006 financial years, the vesting of shares is conditional upon the EPS for the Company for the particular year being at least 10% greater than the previous year and on a cumulative basis if the EPS growth target is missed.

At the date of this report, no shares have been vested under this arrangement and no obligation exists with respect to the 2004 financial year. The estimated fair value of the shares at the grant date is \$432,000 (\$0.72 per ordinary share) and the estimated fair value of Mr Ryan's contractual right to fully paid ordinary shares is \$96,000 in the 2004 financial year, which has been disclosed in the specified executives' remuneration table.

Other specified executives are not subject to employment contracts. Other specified executives may receive short-term incentive payments, the payment of which is subject to achievement of individually quantifiable financial and non-financial performance criteria. The Remuneration and Nominations Committee determines applicable criteria in consultation with the CEO and is also responsible for developing appropriate equity based longer-term incentive arrangements for approval by shareholders where required. The Company does not have a Company-wide executive share options scheme at the date of this report.



# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$</b>	<b>Company 2004 \$</b>
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## 5. REMUNERATION OF AUDITORS

Auditing the Annual Financial Report	85,000	-
Other services (i)	548,628	-
	<b>633,628</b>	<b>-</b>

- (i) The "other services" principally refers to the Independent Accountants' review undertaken as part of the acquisition of the business of Tassal Limited (Receivers and Managers Appointed), the Independent Accountants' Report prepared for the Prospectus dated 9 October 2003 and associated tax and business acquisition structuring advice.

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
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## 6. CURRENT RECEIVABLES

Trade receivables	13,648	-
Allowance for doubtful debts	(243)	-
	13,405	-
Goods and services tax (GST) recoverable	478	-
Amount receivable from wholly-owned controlled entity (i)	-	30,275
Other receivables	540	-
	<b>14,423</b>	<b>30,275</b>

- (i) Amounts receivable from the entities in the wholly-owned group include amounts arising out of the entity's tax-sharing agreement (refer to note 3 for details).

## 7. CURRENT INVENTORIES

### Raw materials

At cost	1,209	-
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### Finished goods

At cost	6,370	-
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	<b>7,579</b>	<b>-</b>
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## 8. SGARA

### Livestock (i)

At net market value	<b>32,476</b>	<b>-</b>
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- (i) Tassal Operations Pty Ltd grows fish from juveniles through to harvest (approximately 16 months). Total weight of live finfish at the end of the year was 5,152,557 kilograms.

## 9. OTHER CURRENT ASSETS

Prepayments	424	-
Term charges – finance leases	56	-
	<b>480</b>	<b>-</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
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## 10. OTHER NON-CURRENT FINANCIAL ASSETS

<b>Shares – other entities at cost (i)</b>	<b>3,581</b>	<b>-</b>
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- (i) The Company and consolidated entity owns 47% of the voting shares (53% of the issued capital) of Salmon Enterprises of Tasmania Pty Ltd (Saltas). The principal activity of Saltas is the supply of smolt to the Tasmanian aquaculture industry. The Board does not consider it to be appropriate to consolidate or equity account for the consolidated entity's interest in Saltas. The nature of the voting powers of the Board members as detailed in the Constitution of Saltas is such that the consolidated entity does not have the capacity to control or exert significant influence over Saltas.

## 11. PROPERTY, PLANT AND EQUIPMENT

<b>2004</b>	<b>Freehold land at cost \$'000</b>	<b>Buildings at cost \$'000</b>	<b>Plant &amp; equipment at cost \$'000</b>	<b>Equipment under finance lease at cost \$'000</b>	<b>Capital works in progress at cost \$'000</b>	<b>Total \$'000</b>
<b>Gross carrying amount</b>						
Balance as at 5 September 2003	-	-	-	-	-	-
Acquisition of business (i)	1,571	8,555	10,074	980	889	22,069
Additions	-	-	-	-	2,702	2,702
Disposals	-	-	(278)	-	-	(278)
Transfers to asset categories	-	-	2,191	324	(2,515)	-
Balance as at 30 June 2004	1,571	8,555	11,987	1,304	1,076	24,493
<b>Accumulated depreciation</b>						
Balance as at 5 September 2003	-	-	-	-	-	-
Depreciation expense	-	(135)	(1,679)	(141)	-	(1,955)
Disposals	-	-	17	11	-	28
Balance as at 30 June 2004	-	(135)	(1,662)	(130)	-	(1,927)
<b>Net book value</b>						
As at 5 September 2003	-	-	-	-	-	-
As at 30 June 2004	1,571	8,420	10,325	1,174	1,076	22,566

- (i) Property, plant and equipment acquired pursuant to the acquisition of the business of Tassal Limited (Receivers and Managers Appointed).

Aggregate depreciation allocated during the year is recognised as an expense and is disclosed in note 2(c) to the financial statements.

Freehold and leasehold land and buildings were independently valued by Mr M.J. Page B.Bus (Property) AAPI of Knight Frank Tasmania as at 10 November 2003. The valuations were assessed using depreciated replacement cost techniques incorporating an allowance for age, condition and functional obsolescence and where appropriate, applying criteria relevant to the specified use of the property.

The independent valuation of these properties determined a value of \$13.600 million.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>12. DEFERRED TAX ASSETS</b>		
<b>Future income tax benefit:</b>		
Tax losses - revenue	506	506
Timing differences attributable to:		
Parent entity	-	-
Entities in the tax-consolidated group (i)	885	885
	<b>1,391</b>	<b>1,391</b>

- (i) Entities in the tax-consolidated group have entered into a tax-sharing agreement. Refer to note 3 for further information.

## 13. OTHER NON-CURRENT ASSETS

Marine farming lease – at cost	265	-
Accumulated amortisation	(7)	-
	258	-
Term charges – finance leases	60	-
	<b>318</b>	<b>-</b>

## 14. CURRENT PAYABLES

Trade payables	9,599	-
Other creditors and accruals	2,911	-
Goods and services tax (GST) payable	67	-
	<b>12,577</b>	<b>-</b>

## 15. CURRENT INTEREST-BEARING LIABILITIES

### Secured:

Bank overdrafts (i)	2,782	-
Commercial bills (i)	3,000	-
Finance lease liabilities (ii)	453	-
Bank loans (iii)	139	-
	6,374	-

### Unsecured:

Other loans	32	-
	<b>6,406</b>	<b>-</b>

- (i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.
- (ii) Secured by assets leased, the value of which exceeds the lease liability.
- (iii) Secured by assets, the value of which exceeds the loan liability.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated</b>	<b>Company</b>
	<b>2004</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>

## 16. CURRENT PROVISIONS

<b>Employee benefits</b> (refer to note 19)	<b>1,961</b>	<b>-</b>
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## 17. NON-CURRENT INTEREST-BEARING LIABILITIES

### Secured:

Commercial bills and bank loans (i)	17,235	-
Finance lease liabilities (ii)	591	-
Other bank loans (iii)	557	-
	<b>18,383</b>	<b>-</b>

### Unsecured:

Other loans	64	-
	<b>18,447</b>	<b>-</b>

(i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.

(ii) Secured by assets leased, the value of which exceeds the lease liability.

(iii) Secured by assets, the value of which exceeds the loan liability.

## 18. DEFERRED TAX LIABILITIES

### Deferred income tax liability attributable to:

Parent entity	-	-
Entities in the tax-consolidated group (i)	1,223	1,223
	<b>1,223</b>	<b>1,223</b>

(i) Entities in the tax-consolidated group have entered into a tax-sharing arrangement. Refer to note 3 for further information.

## 19. NON-CURRENT PROVISIONS

<b>Employee benefits</b>	<b>456</b>	<b>-</b>
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### Employee benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

### Provision for employee benefits

Current (refer to note 16)	1,961	-
Non-current (refer to note 19)	456	-
	<b>2,417</b>	<b>-</b>

There were 429 employees at the end of the financial year.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
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## 20. CONTRIBUTED EQUITY

### (a) Issued share capital (fully paid)

<b>82,000,000 ordinary shares (i)</b>	<b>30,307</b>	<b>30,307</b>
---------------------------------------	---------------	---------------

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<b>Consolidated and Company No.</b>	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>(b) Movements in ordinary share capital</b>			
Balance as at 5 September 2003	1,000	1	1
Issued to financiers	308	-	-
Share split (i)	16,998,692	-	-
Financier shares (ii)	2,000,000	1,000	1,000
Issued to underwriter (iii)	1,000,000	500	500
Issued pursuant to prospectus (iv)	62,000,000	31,000	31,000
	<b>82,000,000</b>	<b>32,501</b>	<b>32,501</b>
Share issue costs pursuant to prospectus – non cash (v)		<b>(500)</b>	<b>(500)</b>
Share issue costs pursuant to prospectus – cash (v)		<b>(1,694)</b>	<b>(1,694)</b>
<b>Balance as at end of financial year</b>	<b>82,000,000</b>	<b>30,307</b>	<b>30,307</b>

(i) Splitting of the ordinary share capital of the company from 1,308 ordinary shares into 17,000,000 ordinary shares.

(ii) The issue of 2,000,000 ordinary shares to the financiers as defined within the Prospectus\*.

(iii) The issue of 1,000,000 ordinary shares to the underwriters of the Prospectus\*.

(iv) The issue of 62,000,000 ordinary shares pursuant to the Prospectus\*.

(v) Share issue costs in respect of the Prospectus\*.

\* During the period and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its Controlled Entity acquired the business of Tassal Limited (Receivers and Managers Appointed) (refer to note 28).

As part of the consideration the Company allotted 62,000,000 ordinary shares at an issue price of \$0.50 per ordinary share pursuant to a Prospectus dated 9 October 2003 and lodged with the Australian Securities and Investments Commission on that date.

### (c) Share options

On 20 January 2004, the Company issued 500,000 options over fully paid ordinary shares in the Company to an unrelated third party. The exercise price for the options is 95.73 cents per share, with the price determined by reference to the weighted average Australian Stock Exchange traded price of the Company's shares for the 5 business days commencing Monday 1 March 2004. The options will expire if not exercised by written notice with payment to the Company on or before 30 June 2005.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 21. RETAINED PROFITS

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
Balance as at 5 September 2003	-	-
Net profit attributable to members of the parent entity	11,442	136
<b>Balance at the end of the year</b>	<b>11,442</b>	<b>136</b>

## 22. EARNINGS PER SHARE

	<b>Earnings per share (CPS)</b>	<b>Earnings (i) (\$'000)</b>	<b>Weighted average no. of shares (No. '000)</b>
Basic	14.0	11,442	82,000 (ii)
Diluted	13.9	11,442	82,346 (iii)

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

(ii) The options issued to an unrelated party are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

(iii) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	82,000
Options issued to unrelated third party	346
Weighted average number of ordinary shares used in the calculation of diluted EPS	82,346

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 23. DIVIDENDS

	<b>Consolidated 2004 \$'000</b>
<b>Final dividend – unrecognised amount</b>	<b>1,640</b>

The Directors have declared a final unfranked dividend of 2 cents per ordinary share in respect of the financial year ended 30 June 2004. The record date for determining entitlements to dividends is 8 October 2004. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 5% will be applicable.

The Company has no franking credits available and will not have any franking credits available for distribution at the date of the dividend payment. Franking credits will arise when the Company makes income tax payments, which is not anticipated to be until December 2005.

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this report because the final dividend was declared subsequent to 30 June 2004.

## 24. COMMITMENTS FOR EXPENDITURE

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Not longer than 1 year	118	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>118</b>	<b>-</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 25. LEASES

### (a) Finance lease liabilities

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	Consolidated 2004 \$'000	Company 2004 \$'000	Consolidated 2004 \$'000	Company 2004 \$'000
No later than 1 year	453	-	397	-
Later than 1 year and not later than 5 years	591	-	531	-
Later than 5 years	-	-	-	-
Minimum lease payments*	1,044	-	928	-
Less future finance charges	(116)	-	-	-
<b>Present value of minimum lease payments</b>	<b>928</b>	<b>-</b>	<b>928</b>	<b>-</b>
Included in the financial statements as:				
Current interest-bearing liabilities (refer to note 15)			453	-
Less future finance charges (refer to note 9)			(56)	-
Non-current interest-bearing liabilities (refer to note 17)			591	-
Less future finance charges (refer to note 13)			(60)	-
			<b>928</b>	<b>-</b>

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

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

### (b) Non-cancellable operating leases

	Consolidated 2004 \$'000	Company 2004 \$'000
Not longer than 1 year	1,459	-
Longer than 1 year and not longer than 5 years	3,565	-
Longer than 5 years	-	-
	<b>5,024</b>	<b>-</b>

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

## 26. CONTINGENT LIABILITIES

Details on estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the Financial Statements) arising in respect of:

### Bank Guarantees

The Company's wholly-owned controlled entity has provided bank guarantees (\$4.924 million) for the purposes of securing supply of product and services from third parties on normal commercial terms and conditions.



# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 27. INVESTMENTS IN CONTROLLED ENTITIES

Details of controlled entities are reflected below:

<b>Name of Entity</b>	<b>Country of Incorporation</b>	<b>Ownership Interest 2004 %</b>
<b>Parent Entity:</b>		
Tassal Group Limited (i)	Australia	
<b>Controlled Entity:</b>		
Tassal Operations Pty Ltd (ii)	Australia	100

- (i) Tassal Group Limited is the head entity within the tax-consolidated group.  
(ii) Company established as a wholly-owned subsidiary on 19 September 2003.

## 28. ACQUISITION OF BUSINESS

The Company listed on the Australian Stock Exchange on 12 November 2003. As part of the Initial Public Offering (IPO), the Company issued 62,000,000 ordinary shares at an issue price of \$0.50 per ordinary share pursuant to a Prospectus dated 9 October 2003 and lodged with the Australian Securities and Investments Commission on that date. A summary of the proceeds raised from the share issue is provided in note 20.

During the period and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its controlled entity acquired the business of Tassal Limited (Receivers and Managers Appointed). A summary of the consideration paid and fair value of net assets acquired is provided at note 32(b). The acquisition was funded with the proceeds from the IPO and bank debt.

A discount on acquisition of \$14.063 million arose on the acquisition of the business of Tassal Limited (Receivers and Managers Appointed). Under current Australian Accounting Standards this discount must be written off immediately to non-monetary assets (being inventory, SGARA, property, plant and equipment and investments) on a pro rata basis. Following the allocation of the DOA to the non-monetary assets acquired and the application of the Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA), which requires SGARA inventory to be revalued back to its net market value, a revaluation of \$7.621 million has been reflected in the Statement of Financial Performance as an uplift in the net profit.

## 29. SEGMENT INFORMATION

The consolidated entity operates principally within a single primary segment, being the seafood industry predominately within Australia and derives its revenue predominately from the sale of Atlantic Salmon and Ocean Trout within Australia.

## 30. RELATED PARTY DISCLOSURES

### Identity of related parties

The following persons and entities are regarded as related parties:

#### (a) Controlled entity:

Tassal Operations Pty Ltd (refer to note 27).

#### (b) Specified Directors and specified executives:

Specified Directors and specified executives also include specified Directors' and specified executives' spouses, relatives, siblings and other Director and executive personally related entities.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 30. RELATED PARTY DISCLOSURES (cont.)

### Transactions between related parties

#### (a) Specified Directors and specified executives

In determining the disclosures noted below, specified Directors and specified executives have made appropriate enquiries to their best ability and the information presented reflects their knowledge.

Other than as disclosed herein, specified Directors and specified executives are not aware of any relevant transactions, other than transactions entered into during the year with Directors and executives of the Company and its controlled entity and their Director and personally related entities which occur within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions with other customers.

#### (i) Loans

There have been no loans entered into during or since the end of the financial year to specified Directors and specified executives of the Company.

#### (ii) Shares

The movement during the reporting period in the number of ordinary shares of Tassal Group Limited held directly, indirectly or beneficially, by each specified Director and each specified executive, including Directors' spouses, relatives, siblings and other personally related entities for the respective periods of their office during the reporting period is as follows:

	Balance as at 5 Sept 2003 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance as at 30 June 2004 No.
<b>Specified Directors</b>					
D. Williams	1	-	-	15,999,999	16,000,000
M. Fremder	-	-	-	1,500,000	1,500,000
A. McCallum	-	-	-	150,000	150,000
J. Monk	-	-	-	30,000	30,000
M. Van Ryn	-	-	-	248,250	248,250
J. Watson	-	-	-	150,000	150,000
P. Powell	-	-	-	-	-
A. Gianotti	-	-	-	-	-
<b>Specified Executives</b>					
M. Ryan	-	-	-	-	-
A. Newman	-	-	-	-	-
T. Dix	-	-	-	-	-
N. Burrows	-	-	-	10,000	10,000
A. McCoy	-	-	-	-	-
M. Green	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>18,088,249</b>	<b>18,088,250</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## (iii) *Options and shares granted as remuneration*

At the balance date the specified Directors and specified executives held no options over unissued shares in Tassal Group Limited.

The CEO, Mr Mark Ryan, has a contractual right to receive options if specified performance criteria are met. As at 30 June 2004, no options had been granted and there were nil on issue at year end. However the fair value of the options, determined using standard option valuation models is included in remuneration. Refer to the Directors' Report and note 4 to the financial statements for further discussion. Additionally, no fully paid shares were granted as remuneration during the year, however Mr Ryan has a contractual right to the issue of 600,000 ordinary shares over a three year period if certain performance hurdles are met. Refer to note 4 to the financial statements for further discussion.

## (iv) *Other transactions*

Details of specified Directors' and specified executives' remuneration are set out in note 4.

No specified Director or specified executive has entered into a contract or other transactions with the Company or the consolidated entity during the financial year and there were no contracts or other transactions involving specified Directors' and executives' interests subsisting at year end.

## (b) **Controlled entities**

Tassal Group Limited is the parent entity in the wholly-owned group comprising the Company and its wholly-owned controlled entity.

Transactions between the Company and its controlled entity have been eliminated in the consolidated financial statements.

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

- **Inter-entity loans:**

Loans between the Company and its controlled entity are unsecured and advanced on an interest free basis.

## 31. SUBSEQUENT EVENTS

The Company, as head entity and Tassal Operations Pty Ltd (wholly-owned subsidiary) together comprising the tax-consolidated group will be lodging the statutory election to consolidate from 19 September 2003 with the Australian Taxation Office on or before lodgement of the 30 June 2004 consolidated tax return.

## 32. NOTES TO THE STATEMENTS OF CASH FLOWS

### (a) **Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled as follows:

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
Cash	5	-
Bank overdraft	(2,782)	-
	<b>(2,777)</b>	<b>-</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 32. NOTES TO THE STATEMENTS OF CASH FLOWS (cont.)

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>(b) Business Acquired</b>		
During the period and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its controlled entity acquired the business of Tassal Limited (Receivers and Managers Appointed).		
<b>Consideration:</b>		
Cash applied from proceeds of share issue	30,750	-
Cash applied from proceeds of borrowings	16,808	-
	47,558	-
Add costs incidental to the acquisition	1,586	-
<b>Total purchase cost</b>	<b>49,144</b>	<b>-</b>
Less cash balances acquired	(5)	-
<b>Net cash outflow on acquisition</b>	<b>49,139</b>	<b>-</b>
<b>Fair Value of net assets acquired:</b>		
<b>Current Assets</b>		
Cash	5	-
Receivables	13,386	-
Inventories	4,611	-
Self generating and regenerating assets	33,464	-
Other	351	-
<b>Non-Current Assets</b>		
Other financial assets	4,477	-
Property, plant and equipment	27,706	-
Deferred tax assets	985	-
Other	340	-
<b>Current Liabilities</b>		
Payables	(18,378)	-
Interest-bearing liabilities	(32)	-
Provisions	(1,928)	-
<b>Non-Current Liabilities</b>		
Interest-bearing liabilities	(1,138)	-
Deferred tax liabilities	(1,646)	-
Provisions	(582)	-
Net Assets Acquired	61,621	-
Discount on Acquisition	(14,063)	-
	<b>47,558</b>	<b>-</b>

## (c) Non-Cash Financing and Investing Activities

During the financial year, 1,000,000 shares were issued to the underwriter of the Company's Prospectus dated 9 October 2003 in satisfaction of services rendered and pursuant to the underwriter's contractual terms of engagement.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

	<b>Consolidated 2004 \$'000</b>	<b>Company 2004 \$'000</b>
<b>(d) Financing Facilities</b>		
Secured bank overdraft facilities subject to annual review and payable at call		
Amount used	2,782	-
Amount unused	218	-
	<b>3,000</b>	<b>-</b>
Secured bank loan facilities and invoice financing facilities subject to annual review and payable at call		
Amount used	20,235	-
Amount unused	9,265	-
	<b>29,500</b>	<b>-</b>
Lease finance facilities subject to annual review and payable at call		
Amount used	1,092	-
Amount unused	1,408	-
	<b>2,500</b>	<b>-</b>
<b>(e) Reconciliation of Profit from Ordinary Activities after Income Tax Benefit/ (Expense) to Net Cash Flows from Operating Activities</b>		
Profit from ordinary activities after related income tax benefit/(expense)	11,442	136
Depreciation and amortisation of non-current assets	1,962	-
SGARA restatement after application of DOA	(7,621)	-
Net (increment)/decrement in SGARA	83	-
(Profit)/loss on sale of fixed assets	(346)	-
Amounts set aside to provisions	89	-
(Increase)/decrease in deferred tax balances	(828)	(87)
(Increase)/decrease in assets:		
Inventories	(1,669)	-
Self generating and regenerating assets	70	-
Trade and other debtors	(1,021)	-
Prepayments	(129)	-
Other	(41)	-
Increase/(decrease) in liabilities:		
Current payables	(4,175)	(10)
Current provisions	(366)	-
Non-current provisions	(127)	-
<b>Net Cash from Operating Activities</b>	<b>(2,677)</b>	<b>39</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

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## 33. FINANCIAL INSTRUMENTS

### (a) Significant Accounting Policies

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

### (b) Forward Foreign Exchange Contracts

It is the policy of the consolidated entity to enter into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than two years.

The consolidated entity's policy is to enter into forward exchange contracts to hedge all foreign currency plant and equipment purchases in excess of 50,000 Australian Dollars and to hedge a proportion (up to 100%) of foreign exchange sales expected over a two year time frame. The amount of anticipated future sales is forecast in light of current trading conditions in foreign markets, commitments from customers and experience.

The consolidated entity had no forward foreign exchange contracts outstanding as at the reporting date, however subsequent to year end the Company entered into contracts to sell Japanese yen and buy Australian dollars. Contract dates of maturity range from 30 August 2004 to 30 June 2006 and are for an aggregate value of JPY 1,468,600,000 to be converted to Australian dollars at an average exchange rate of 75.70.

### (c) Interest Rate Risk

Pursuant to the consolidated entity's Treasury Policy, the Company uses interest rate swap contracts to manage interest rate exposure. Under these contracts, the Company agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of rising interest rates.

There were no interest rate swap contracts outstanding as at the reporting date.

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

2004	Average Interest Rate %	Variable Interest Rate \$'000	Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>Financial assets</b>							
Cash	2.0%	5	-	-	-	-	5
Trade receivables	-	-	-	-	-	13,405	13,405
Other receivables	7.5%	-	56	60	-	1,018	1,134
Investments	-	-	-	-	-	3,581	3,581
		<b>5</b>	<b>56</b>	<b>60</b>	<b>-</b>	<b>18,004</b>	<b>18,125</b>
<b>Financial liabilities</b>							
Trade payables	-	-	-	-	-	9,599	9,599
Other payables	-	-	-	-	-	2,978	2,978
Bank overdrafts	9.2%	2,782	-	-	-	-	2,782
Commercial bills and bank loans	5.6%	-	3,000	17,235	-	-	20,235
Finance lease liabilities	7.4%	-	453	591	-	-	1,044
Other bank loans	7.4%	-	139	557	-	-	696
Other loans	8.2%	-	32	64	-	-	96
Employee benefits	-	-	-	-	-	2,417	2,417
		<b>2,782</b>	<b>3,624</b>	<b>18,447</b>	<b>-</b>	<b>14,994</b>	<b>39,847</b>

## (d) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate as a means of mitigating the risk of financial loss from defaults. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

## (e) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the summary of accounting policies disclosed in note 1 and having regard to likely future cash flows.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 34. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

### (a) Management of the Transition to A-IFRS

In accordance with the Financial Reporting Council's strategic directive, Tassal Group Limited and its controlled entity will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, Tassal Group Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first Annual Financial Report prepared under A-IFRS will be for the year ended 30 June 2006.

During the reporting period, the Company engaged consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to A-IFRS and to assist in the interpretation of A-IFRS. As a result of this review the Company has graded impact areas as high, medium or low to assist in addressing each of the areas in order of priority as represented by the gradings. As the consolidated entity has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with A-IFRS as at 1 July 2004. This will form the basis of accounting for A-IFRS in the future and is required when the consolidated entity prepares its first fully A-IFRS compliant financial report for the half year ending 31 December 2005 which will include comparatives for the half year ending 31 December 2004.

Based upon this impact grading approach, the Directors of Tassal Group Limited have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRS.

### (b) Key Differences from Current Accounting Policies

This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

### (i) First-Time Adoption of A-IFRS

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the Annual Financial Report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the Annual Financial Report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 Annual Financial Report and the 2006 Annual Financial Report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the consolidated entity on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, expense share-based payments granted before 7 November 2002, and the identification of a 'deemed cost' for property, plant and equipment.

The impact on Tassal Group Limited of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The consolidated entity is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the consolidated entity.



# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## (ii) *Share-Based Payments*

Share-based compensation forms part of the remuneration of the CEO and may be extended to other employees of the consolidated entity (including executives) as disclosed in the notes to the financial statements. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the instruments determined at grant date and recognised over the expected vesting period of the instruments. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met.

The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 5 September 2003 but not vested before 1 January 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing instruments granted as remuneration has not been completed at the reporting date.

## (iii) *Income Tax*

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, there may be significant increases in deferred tax liabilities in relation to deferred taxes associated with fair value adjustments and intangibles arising in relation to pre-transition business combinations.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

## (iv) *Property, Plant and Equipment*

On transition to A-IFRS, the entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the entity has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

Under current Australian GAAP, revaluation increments and decrements within a class of assets must be set-off, however, A-IFRS requires revaluations to be tracked on an individual asset-by-asset basis. This change in accounting policy may result in the recognition of impairment losses in the profit and loss even though the class of assets has increased in value.

## (v) *Impairment of Assets*

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, although not mandated, Tassal Group Limited has discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future Annual Financial Reports, as any impairment or reversal thereof will be affected by future conditions.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

## 34. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

### (vi) *Off-Balance Sheet Financial Assets and Liabilities*

A-IFRS requires the recognition of all financial assets and financial liabilities, including all derivatives and embedded derivatives, some of which may not be recognised under current Australian GAAP.

Accordingly, recognition of these financial assets and financial liabilities may significantly change the net asset position of the consolidated entity, but the impact of the change will not be known until all financial instruments, including any embedded derivatives, are identified, measured and recognised in accordance with the new requirements.

An embedded derivative will have to be separately recognised at fair value from its host contract unless certain conditions are met. Changes in the fair value of the derivative are to be recognised in the income statement unless specific hedging criteria are met. The process of reviewing all contracts (e.g. lease contracts) for the existence of such derivatives is time-consuming, and whether any such derivatives exist and the value attaching to them, can only be determined subsequent to the review.

### (vii) *Financial Assets and Financial Liabilities*

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost or fair value. On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The consolidated entity is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

### (viii) *Hedge Accounting*

The consolidated entity enters into forward exchange contracts for its purchases and sales in order to hedge its exposure to fluctuations in exchange rates. The current accounting policy for hedging is described in note 1. Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedged instrument that is not effective is recognised immediately in profit and loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard (including no longer accounting for hedging instruments under hedge accounting) has been conducted.

### (ix) *Business Combinations*

Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased are initially recognised at their fair values in the consolidated accounts.

Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate. In addition, the legal acquirer may not be the 'acquirer' per A-IFRS, and the consolidated accounts may consequently reflect the fair values of the legal acquirer's assets and liabilities rather than the fair value of the assets and liabilities of the entity legally acquired.

# Notes to the Financial Statements

For the Year Ended 30 June 2004

Tassal Group Limited and Controlled Entity

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Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. Acquired contingent liabilities must also be recognised at their fair values where acquired in a business combination.

The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them appropriately. On an ongoing basis, this change in policy may significantly affect the profit and loss and balance sheet, as the accounting going forward significantly differs from the manner in which such transactions are treated under current Australian GAAP.

(x) *Biological Assets*

The consolidated entity recognises biological assets in the balance sheet as 'self-generating and regenerating assets' (SGARAs), measured on a net market value basis. Under A-IFRS, biological assets may be measured at cost less depreciation and impairment where the fair value less estimated point-of-sale costs cannot be reliably determined – however, this option is not available on first-time adoption of A-IFRS for those SGARAs already measured at net market value.

(xi) *Depreciation*

Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

# Directors' Declaration

Tassal Group Limited and Controlled Entity

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The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



D. J. Williams  
Chairman

Hobart, this 28th day of September 2004

# Independent Audit Report

To the members of Tassal Group Limited

## Scope

### The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements and the Directors' declaration for both Tassal Group Limited (the Company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 22 to 54. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit Opinion

In our opinion, the financial report of Tassal Group Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*L.T. Cox*

L.T. Cox  
Partner  
Chartered Accountants

Hobart, this 28th day of September 2004

The liability of Deloitte Touche Tohmatsu is limited by and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

# Additional Stock Exchange Information

## 1. Number of Holders of Equity Securities

### (a) Ordinary share capital

82,000,000 fully paid ordinary shares are held by 846 shareholders.

### (b) Options

500,000 unlisted options over ordinary shares are held by 1 shareholder.

## 2. Distribution of Shareholders

The distribution of shareholdings as at 10 September 2004 is as follows:

	Ordinary Shares	Options Over Ordinary Shares
1-1,000	71	-
1,001-5,000	264	-
5,001-10,000	224	-
10,001-100,000	248	-
100,001 and over	39	1
<b>Total</b>	<b>846</b>	<b>1</b>

The number of shareholders holding less than a marketable parcel is 544.

## 3. Voting Rights

### (a) Ordinary shares

There are no restrictions on voting rights for holders of ordinary shares. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote.

### (b) Options over ordinary shares

There are no voting rights attached to options over unissued ordinary shares. Voting rights will be attached to options over ordinary shares when the options have been exercised.

## 4. Substantial Shareholders

As at 10 September 2004, the following companies are registered by the Company as substantial shareholders having declared a relevant interest in the number or ordinary shares shown below:

Name	No. of Shares	Class of Share
Mr David John Williams	16,000,000	Ordinary
Mariner Corporate Finance Limited	13,000,000	Ordinary
Guinness Peat Group plc and its subsidiaries	11,583,098	Ordinary
Challenger Financial Services Group Limited	7,800,000	Ordinary

## 5. Twenty Largest Shareholders

The names of the 20 largest holders of fully paid ordinary shares as at 10 September 2004 are listed below:

Name	Number of Shares Held	% of Issued Capital
Mariner Corporate Finance Limited	13,000,000	15.85
Westpac Custodian Nominees Limited	8,251,880	10.06
Merrill Lynch (Australia) Nominees Ltd	7,625,146	9.30
National Nominees Limited	6,678,937	8.15
INVIA Custodian Pty Limited <Thirty Five A/C>	4,090,000	4.99
Equity Trustees Limited <SGH PI Smaller Co's Fund>	4,081,636	4.98
Berne No 132 Nominees Pty Ltd <353342 Account>	3,977,982	4.85
MF Custodians Ltd	3,935,235	4.80
Moggs Creek Pty Ltd <Superannuation Fund A/C>	3,000,000	3.66
Guardian Trust Australia Ltd <Glebe PSCSF>	1,872,500	2.28
Australian Businesspoint Pty Ltd	1,500,000	1.83
Maxdy Nominees Pty Limited	1,500,000	1.83
INVIA Custodian Pty Limited <WAM Capital Limited A/C>	1,199,550	1.46
Benefund Ltd	1,158,522	1.41
ANZ Nominees Limited	1,102,000	1.34
Mirrabooka Investments Limited	1,000,000	1.22
INVIA Custodian Pty Limited <WAM Equity Fund A/C>	819,950	1.00
Mutual Trust Pty Ltd	795,550	0.97
Queensland Investment Corporation	748,541	0.91
RBC Global Services Australia Nominees Pty Ltd <PP A/C>	670,988	0.82
<b>Total</b>	<b>67,008,417</b>	<b>81.71</b>

## 6. On-Market Buy-Back

There is no current on-market buy-back of the Company's ordinary shares.



