

Expanded Tassal
Group positions for
continued growth

2006: The Year's Highlights

The first 6 months focused on:

- maximising sales in the domestic market;
- successfully unlocking the synergies underpinning the Aquatas Pty Ltd acquisition; and
- restructuring the underlying core marine and processing operations including labour, site and plant rationalisation.

The second six months focused on:

- capitalising on improved fish growth performance;
- consolidating Tassal's domestic market sales opportunities; and
- rationalising the Tasmanian hatchery industry via the joint acquisition of Springfield hatchery.

The Executive team has been restructured and strengthened to be global best practice from an operational, risk management and quality perspective.

Continued cost reduction and throughput efficiencies were delivered Company-wide through:

- increased fish size;
- lower feed conversion ratios;
- improved survival rates;
- increased leading edge infrastructure investment (automatic feeders and underwater lighting regimes); and
- processing site and flow consolidation.

The "roll out" of an enhanced work place risk and safety improvement platform underscored a significant OH&S performance turn around.

These initiatives have allowed Tassal to:

- deliver a strong turnover and profit performance uplift on the prior year;
- utilise operational cash flow to retire debt, improve gearing, and to underpin fish inventory growth through continued investment in marine and processing infrastructure automation and technology;
- declare an improved dividend return to shareholders; and
- fundamentally position the Company to continue along its growth strategy, both from a financial and operational perspective.

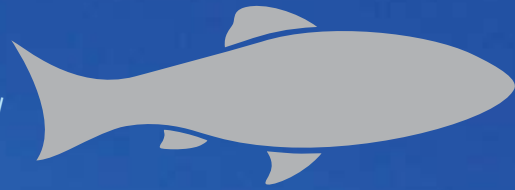
2007: Priority Initiatives

Processing efficiencies

Renewed risk

Increased fish size underscores profit growth

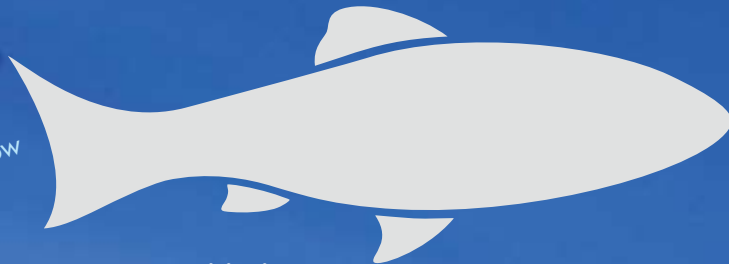
The "Tassal Pure Tasmania" brand unveiled



Branding Initiatives

Focus on driving the "Tassal Pure Tasmania" brand to strengthen product positioning, deliver innovative products to our customer base and build on existing customer loyalty.

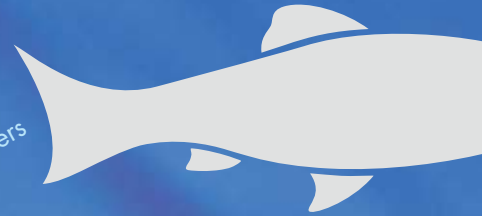
continue to flow



Process Initiatives

Continued rationalisation initiatives and processing efficiency gains delivery through improved fish harvest size, building on the benefits of increased automation and improved processing flows.

New market and product development pushes new barriers



Market Initiatives

A renewed search for new markets and products both domestically and in export markets.

management and employee safety platforms



Health and Safety Initiatives

Continued improvements in safety performance will be driven across all business units, focusing on behavioural change to build on the significant gains made in 2006.

Marine Initiatives

Drive increased fish size and survival by continued and strategic marine infrastructure investment (automatic feeders and lighting) together with delivering ongoing fish husbandry and feed management improvement.



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Company Directory

Directors

Allan McCallum, Dip.Ag Science, MAICD (Chairman)
Charles Bright, BA, MA (Oxon)
Jill Monk, B.Arts, B.Law, FAI
Roderick Roberts, B.Ec, MBA, FAICD
Maurice Van Ryn, B.Bus
John Watson, AM, MAICD
Mark Andrew Ryan, B.Com, CA, Reg.Liq. (Managing Director)

Chief Executive Officer

Mark Andrew Ryan
B.Com, CA, Reg.Liq.

Company Secretary

Nicholas Jon Burrows
B.Com, FCIS, CA, F Fin, CFTP, MAICD

Registered Office

20 Glen Road
Huonville
Tasmania 7109

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Facsimile (03) 6264 7010
E-mail tassal@tassal.com.au
Website 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) 6245 9315

(*Also principal place of business)

Auditors

Deloitte Touche Tohmatsu
22 Elizabeth Street
Hobart
Tasmania 7000

Bankers

Westpac Banking Corporation
Level 9
360 Collins Street
Melbourne
Victoria 3000

Solicitors

Page Seager
162 Macquarie Street
Hobart
Tasmania 7000

Gadens Lawyers
Level 25
Bourke Place
600 Bourke Street
Melbourne
Victoria 3000

Murdoch Clarke
10 Victoria 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

Enquiries (within Australia) 1 300 850 505
Enquiries (outside Australia) 61 3 9415 4000
Investor Enquiries Facsimile 61 3 9473 2555
Website www.computershare.com

Executive Directory

Mark Ryan	Managing Director and Chief Executive Officer
Nicholas Burrows	Company Secretary
	General Manager – Finance and Administration
Mark Asman	General Manager – Operations
Andrew Creswell	Group Financial Controller
Pam Heiermann	Production Planning Manager
Kaylene Little	General Manager – Human Resources and Quality
Nick Petracca	General Manager – Risk
Dale Williams	General Manager – Sales and Marketing

Chairman's and Chief Executive Officer's Report

Tassal Group Limited and Controlled Entities

Results and Performance Overview

On behalf of the Directors, we are pleased to submit Tassal Group Limited's ("Tassal") third Annual Financial Report covering the financial year ended 30 June 2006, in which Tassal reported a net profit after tax of \$10.549 million. This represents a significant uplift of 81.85% when compared to the comparative net profit after tax of \$5.801 million for the financial year to 30 June 2005.

The Directors of Tassal have declared an unfranked final dividend of 2.50 cents per share. With an interim dividend of 2.25 cents per share, this brings the total dividend to 4.75 cents per share or a dividend payout ratio of 50.83%.

Tassal's consolidated revenue from all sources was reported at \$203.407 million [2005: \$157.340 million] and this underpinned the earnings before interest and tax ("EBIT") of \$18.648 million [2005: \$10.818 million].

Key Financial Performance Indicators

For clarity, the table below reports the key consolidated financial performance indicators for the financial year to 30 June 2006 and 30 June 2005:

	2006 \$'000	2005 \$'000
Revenue (from all sources) ¹	203,407	157,340
EBITDA	20,416	11,752
EBIT	18,648	10,818
Profit before income tax expense	14,521	7,856
Income tax expense	(3,972)	(2,055)
Net profit after income tax expense	10,549	5,801
Basic earnings per share (cents)	9.40 cps	6.39 cps

¹Australian Accounting Standard AASB 141 "Biological Assets" requires any increment in the market value of Biological Assets during the year to be included in revenue. The impact of this is an uplift of \$76.339 million in revenue for the financial year to 30 June 2006 [2005: \$60.722 million].

Overview

The 2006 financial year has been characterised as a year where the first 6 months were focused on maximising sales in the domestic market; unlocking the synergies underpinning the Aquatas Pty Ltd ("Aquatas") acquisition; and restructuring the underlying marine and processing operations, with the focus for the final six months on capitalising on maximising fish growth and consolidating Tassal's domestic market sales opportunities.

This focus allowed Tassal to not only record a pleasing performance for the financial year, but it has also allowed the Company to be fundamentally well positioned to continue upon its growth strategy, both from a financial and operational perspective.

The Board expects Tassal to achieve a further substantial increase in both financial and operational performance in the year to 30 June 2007 based on the significant improvements that have been made to date in the core marine and processing operations. Fish size is the most important cost driver within the business and at 30 June 2006, the average fish size was around 36% above the comparative average size of the fish at 30 June 2005.

Tassal's short term focus remains becoming more cost competitive in both fresh Salmon and value added products to enable the Company to continue its profitable growth both domestically, and ultimately in regional Asian export markets. Based on the current fish size, there appears to be significant scope to profitably export Salmon now.

During the current year Tassal has been able to achieve the following:

- increased fish size;
- lower feed conversion ratios;
- improved survival rates;
- significantly improved position on Occupational Health and Safety whereby premiums were reduced from \$0.750 million to \$0.300 million during the period;
- increased processing throughput and efficiencies;
- rationalisation of sites and plant;
- integration of the Aquatas acquisition;
- 50% acquisition of the Springfield hatchery with Huon Aquaculture Holdings Pty Ltd to rationalise the Tasmanian hatchery industry; and
- cost reduction and other acquisition synergies.

Financial Review

On 30 June 2006, Tassal refinanced its banking facilities with Westpac Banking Corporation Limited ("Westpac") appointing them as the primary financiers. Australia and New Zealand Banking Group Limited ("ANZ") was the primary financier since incorporation and the Directors acknowledge the support from ANZ and look forward to a fruitful association with Westpac.

Cashflow from operating activities was substantially utilised to retire debt, underpin the growth of fish inventory and to invest in marine infrastructure (eg. - automatic feeders, lights etc) which, in turn, will underpin future profitability. As previously highlighted, automation and innovation are key priorities in Tassal's drive to cost competitiveness.

Despite the increased investment in fish inventory and marine infrastructure, Tassal has been able to improve its gearing position, with net interest bearing debt at 30 June 2006 at \$44.794 million [2005: \$50.709 million] and a net debt to equity ratio of 55.32% [2005: 68.74%]. Management is focused on adhering to the Board resolved target gearing level over the medium term of 35% to 40%.

The Board believes that Tassal now has in place the platform to allow it to become globally cost competitive. The continued successful implementation of operating improvements achieved during the 2006 financial year have enabled a strong foundation for future sustainable profitable growth and improved shareholder returns.

Outlook for the Full Year to 30 June 2007

- The Board is of the view that the improved operational and financial performance achieved in the year to 30 June 2006 is not only sustainable, but that there also exists an opportunity for further significant operational and financial performance improvement for each period over the next 5 years.
- With the current fish size, Tassal should be able to fast-track its push to become globally cost competitive and therefore, achieve increasing returns from both the domestic and export markets.
- From a global perspective:
 - there has been a significant movement in global Salmon prices, particularly in the Japanese, Asian, Norwegian and US markets;
 - global supply growth should be limited going forward;
 - there appears to be a significant increase in demand potential, with demand driven by population growth and a trend towards healthier diets; and
 - there has been significant underlying value growth from both a price and volume perspective.
- With the increased biomass, coupled with Tassal's strategy to increase its biomass to lower its cost of production, export sales have been elevated to a core strategy for Tassal. Export pricing is now favourable and with a reduction in the cost of growing, Tassal's export strategy is set to focus on Japan and Singapore markets in the first instance and then to dominate the Asia Pacific region.
- Tassal is looking forward to a higher operating result and net profit after tax for the 2007 financial year.
- It is prudent to note that Tassal must continue to ensure that it has appropriate risk mitigation strategies in place. The Board considers this to be the case and that the following risks, albeit not exhaustive, are worth noting for the period:
 - Tassal is an aquaculture stock and therefore subject to agricultural risk. The principal risk mitigant in place is the marine diversification strategy that Tassal has effected.
 - Given the export strategies in place, there exists some exchange risk. The principal risk mitigant is that currently there exists significant opportunities (both price and volume) in the export market.
 - With the general state of the Australian economy, there is an interest rate risk. The principal risk mitigant is that the Company has substantially hedged our interest rate exposure in a range of 5.66% to 6.13%.
 - With increased biomass, there is some pricing risk in the domestic market. The principal risk mitigant is that the Tasmanian Industry is putting in place a marketing campaign to ensure that it grows the domestic market to a level to absorb the increased biomass, together with the fact that Tassal has received appropriate commitments on tenure of supply from Australian supermarkets.
 - Feed prices are forecast to increase on a global basis for the balance of FY2007. The principal risk mitigant is that Tassal has entered into a fixed price contract with its feed manufacturer until 31 December 2006.

Priorities for the Year Ahead

Tassal proactively continues to pursue a number of priorities and initiatives to further improve business performance:

- Fish size – fish size is the number one priority for the business. Significant improvement was achieved during the 2006 financial year and with an increased level of automatic feeders and lighting now in place the Company is anticipating further growth improvements over the course of the 2007 financial year.
- Processing improvements – significant processing improvements were achieved during the 2006 financial year and the focus is on further improvements in the year ahead. With the improved fish size, coupled with the recent improvement in processing flow techniques, the Company is anticipating further improvements in processing.
- Branding opportunities – it is essential that Tassal has a strong Tassal "Pure Tasmania" brand. Creating a strong brand:
 - strengthens the position of Tassal's product range;
 - provides Tassal with a vehicle to deliver innovation to consumers, potentially opening up new Salmon categories;
 - builds on existing customer loyalty; and
 - provides protection against imported products.
- Imported products – it is important that Tassal does not become complacent. Tassal faces strong competition from imported value added products (and in particular, frozen value added products). Tassal must continue to push the "fresh" Salmon approach and continue to drive costs out of its production chain.
- Revenue initiatives – Tassal must continue to seek out new markets and products both domestically and in export markets.

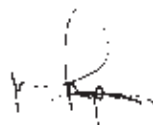
Board Changes

The Board welcomes Mr. Mark Ryan to the Board who, in addition to his ongoing role as Chief Executive Officer, was appointed a Director on 21 December 2005.

The Board also wishes to again thank our employees, customers, suppliers and shareholders who have continually supported us with our vision and strategy.



A. D. McCallum
Chairman



M. A. Ryan
Chief Executive Officer

Corporate Governance Statement

Tassal Group Limited and Controlled Entities

The Board of Directors of the Company (the Board) is responsible for the corporate governance of the Company and its controlled entities. 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. Tassal has again reviewed its policies and practices against the "Principles of Good Corporate Governance and Best Practice Recommendations" published by the ASX Corporate Governance Council ("ASX CGC"). In general, these policies have not changed from those outlined in last year's Annual Financial Report, though further refinements continue to be made. Unless explicitly stated otherwise, the Directors believe the Company complies with the core principles and underlying recommendations.

This year, the Corporate Governance Statement is provided in tabular format to relate the response of the Tassal Board clearly to each specific recommendation. The table also lists the relevant codes, policies or charters that underpin Corporate Governance practices at Tassal. All these documents (unless indicated) are available for inspection on the Company's website, www.tassal.com.au.

		Reference material	Compliance
Principle 1	Lay solid foundations for management and oversight <i>Recognise and publish the respective roles and responsibilities of Board and management.</i>		Yes
Recommendation 1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.		Yes
Tassal Board Response	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.	<ul style="list-style-type: none"> • Board Charter • Policy – Delegated and Reserved Powers of the Board • Role of the Chairman • Role of the CEO 	

		Reference material	Compliance
Principle 2	Structure the Board to add value <i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i>		Yes
Recommendation 2.1	A majority of the Board should be independent directors.		Yes
Tassal Board Response	<p>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.</p> <p>The Company has adopted a Policy on Independence. The fundamental premise of the policy is that an independent Director must be independent of management and free to exercise his or her unfettered and independent judgement.</p> <p>The Directors considered by the Board to constitute independent Directors are identified, along with their period in office, in the Directors' Report</p> <p>The Company presently has six Non-Executive Directors, four of whom, including the Chairman, are considered by the Board to be independent in terms of the ASX CGC's definition of an independent Director. The Chief Executive Officer is an Executive Director of the Company.</p> <p>The Board is accordingly comprised of a majority of independent Directors.</p>	<ul style="list-style-type: none"> • Board Charter • Policy – Independence of Directors 	
Recommendation 2.2	The Chairman should be an independent Director.		Yes
Tassal Board Response	The Chairman is an independent Director.	<ul style="list-style-type: none"> • Board Charter • Role of the Chairman 	
Recommendation 2.3	The roles of the Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual.		Yes
Tassal Board Response	In line with the Board Charter, the roles of Chairman and Chief Executive Officer/Managing Director are separated. Board policy is that the Chief Executive Officer/Managing Director can not become Chairman.	<ul style="list-style-type: none"> • Board Charter • Role of the Chairman • Role of the CEO 	
Recommendation 2.4	The Board should establish a nomination committee.		Yes
Tassal Board Response	The Board has established a Remuneration and Nominations Committee. The Committee's charter sets out its roles, responsibilities and membership requirements.	<ul style="list-style-type: none"> • Remuneration and Nominations Committee Charter 	

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 2 (cont.)	Structure the Board to add value <i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i>		Yes
Recommendation 2.5	Provide the information set out in Guide to reporting on Principle 2:		Yes
	<ul style="list-style-type: none"> The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report. 		
Tassal Board Response	All Directors have an understanding of Tassal's business. The Board considers the Directors' diverse range of skills and experience is appropriate to discharge its responsibilities and duties.	<ul style="list-style-type: none"> Refer sections 16 and 17 of the Directors' Report 	
	<ul style="list-style-type: none"> The names of the Directors considered by the Board to constitute independent Directors and the Company's materiality thresholds. 		
Tassal Board Response	<p>The Company presently has six Non-Executive Directors, four of whom, including the Chairman, are considered by the Board to be independent in terms of the ASX CGC's definition of an independent Director. The Chief Executive Officer is an Executive Director of the Company. The Board is accordingly comprised of a majority of independent Directors.</p> <p>The Company's materiality thresholds are detailed in the Board's Policy on Independence of Directors.</p> <ul style="list-style-type: none"> A statement as to whether there is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the company. 	<ul style="list-style-type: none"> Refer sections 16 and 17 of the Directors' Report Policy – Independence of Directors 	
Tassal Board Response	<p>Tassal Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Chairman, or in his absence, the Board.</p> <ul style="list-style-type: none"> The term of office held by each Director in office at the date of the Annual Financial Report. 	<ul style="list-style-type: none"> Board Charter Deed of Indemnity, Access and Insurance of Directors – this document is not publicly available 	
Tassal Board Response	<p>This information is provided in the Directors' Report.</p> <ul style="list-style-type: none"> The names of members of the Remuneration and Nominations Committee and their attendance at meetings of the Committee. 	<ul style="list-style-type: none"> Refer section 1 of the Directors' Report 	
Tassal Board Response	<p>This information is provided in the Directors' Report.</p> <ul style="list-style-type: none"> Description of the procedure for the selection and appointment of Directors. 	<ul style="list-style-type: none"> Refer sections 16 and 18 of the Director's Report 	
Tassal Board Response	<p>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.</p>	<ul style="list-style-type: none"> Policy – Criteria for Selection of a Director Remuneration and Nominations Committee Charter 	

		Reference material	Compliance
Principle 3	Promote ethical and responsible decision making <i>Actively promote timely ethical and responsible decision making.</i>		Yes
Recommendation 3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: 3.1.1 The practices necessary to maintain confidence in the Company's integrity. 3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		Yes
Tassal Board Response	The Company expects all its employees and Directors to maintain the highest ethical standards. Tassal's "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. Tassal also has a Directors' Code of Conduct which addresses similar topics and establishes the behaviour framework expected of Directors.	<ul style="list-style-type: none"> • Code of Conduct and Business Ethics • Directors' Code of Conduct 	
Recommendation 3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.		Yes
Tassal Board Response	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: <ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Share Trading Policy • Directors' Code of Conduct • Code of Conduct and Business Ethics 	
Recommendation 3.3	Provide the information set out in Guide to reporting on Principle 3.		Yes
Tassal Board Response	See Tassal Board response to recommendation 10.1		

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 4	Safeguard integrity in financial reporting <i>Have a structure to independently verify and safeguard the integrity of the company's financial reporting.</i>		Yes
Recommendation 4.1	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.		Yes
Tassal Board Response	The Chief Executive Officer and Company Secretary provide such letters of assurance to the Board for each half-year and full-year result.	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	
Recommendation 4.2	The Board should establish an Audit Committee.		Yes
Tassal Board Response	The Board has established an Audit and Risk Committee.	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	
Recommendation 4.3	Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> • only Non-Executive Directors; • a majority of independent Directors; • an independent Chairman who is not Chairman of the Board; and • at least three members. 		Yes
Tassal Board Response	Tassal's Audit and Risk Committee is structured in compliance with this best practice recommendation.	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	
Recommendation 4.4	The Audit Committee should have a formal charter.		Yes
Tassal Board Response	The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities and composition requirements.	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	
Recommendation 4.5	Provide the information set out in Guide to reporting on Principle 4: <ul style="list-style-type: none"> • Details of the names and qualifications of those appointed to the Audit Committee. • The number of meetings of the Audit Committee and names of the attendees. 		Yes
Tassal Board Response	This information is provided in the Directors' Report. <ul style="list-style-type: none"> • Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. 	<ul style="list-style-type: none"> • Refer sections 16, 17 and 18 of the Directors' Report 	
Tassal Board Response	The external auditor, Deloitte Touche Tohmatsu, under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. The Committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter. No Director has any association, past or present, with Tassal's external auditor.	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	

		Reference material	Compliance
Principle 5	Make timely and balanced disclosure <i>Promote timely and balanced disclosure of all material matters concerning the Company.</i>		Yes
Recommendation 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.		Yes
Tassal Board Response	<p>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 positing of them on the Company's website are detailed in policy documentation.</p> <p>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.</p> <p>The Company Secretary is responsible for all communications with the ASX.</p>	<ul style="list-style-type: none"> • Continuous Disclosure and Compliance Policy 	
Recommendation 5.2	Provide the information set out in Guide to reporting on Principle 5.		
Tassal Board Response	There is no further information to be provided.		

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 6	Respect the rights of shareholders <i>Respect the rights of shareholders and facilitate the effective exercise of those rights.</i>		Yes
Recommendation 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.		Yes
Tassal Board Response	<p>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.</p> <p>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.</p> <p>The Company's website (www.tassal.com.au) is the primary means for shareholders to access communications and it has been designed to enable information to be accessed in a clear and readily accessible manner.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Communications Policy • Guidelines for Format and Content of Notices of Meetings 	
Recommendation 6.2	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.		Yes
Tassal Board Response	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.	<ul style="list-style-type: none"> • Notice of Meeting for 2006 Annual General Meeting 	

		Reference material	Compliance
Principle 7	Recognise and manage risk <i>Establish a sound system of risk oversight and management and internal control.</i>		Yes
Recommendation 7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.		Yes
Tassal Board Response	<p>The Board has established an Audit and Risk Committee with a formally adopted Charter. The Charter outlines the roles, responsibilities, composition and membership requirements.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Audit and Risk Committee Charter outlines the principle functions of the Committee which, from a risk management perspective, are to:</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Audit and Risk Committee Charter 	
Recommendation 7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:		Yes
	7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.		Yes
	7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.		Yes
Tassal Board Response	The Chief Executive Officer and Company Secretary provide such assurance.		
Recommendation 7.3	Provide the information indicated in Guide to reporting on Principle 7.		Yes
Tassal Board Response	See Tassal Board response to recommendation 7.1.		

Corporate Governance Statement (cont.)



Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 8	Encourage enhanced performance <i>Fairly review and actively encourage enhanced Board and management effectiveness.</i>		Yes
Recommendation 8.1	Disclose the process for performance evaluation of the Board, its Committees and individual Directors, and key executives		Yes
Tassal Board Response	<p>The Board Charter requires that each year the Board will conduct an evaluation of its performance that:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Remuneration Report – section 20 of the Directors' Report • Board Charter • Remuneration Policy • Remuneration and Nominations Committee Charter 	

		Reference material	Compliance
Principle 9	Remunerate fairly and responsibly <i>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.</i>		Yes
Recommendation 9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand <ul style="list-style-type: none"> • the cost and benefits of those policies; and • the link between remuneration paid to Directors and key executives and corporate performance. 		Yes
Tassal Board Response	During 2006, a comprehensive review of the performance review process and remuneration arrangements for senior executives was conducted. Tassal's remuneration policies are discussed in the Remuneration Report at section 20 of the Directors' Report.	<ul style="list-style-type: none"> • Remuneration Report – section 20 of the Directors' Report • Remuneration and Nominations Committee Charter • Remuneration Policy 	
Recommendation 9.2	The Board should establish a Remuneration Committee.		Yes
Tassal Board Response	The Board has established a Remuneration and Nominations Committee.	<ul style="list-style-type: none"> • Remuneration Report – section 20 of the Directors' Report • Remuneration and Nominations Committee Charter 	
Recommendation 9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.		Yes
Tassal Board Response	This information is provided in the Remuneration Report.	<ul style="list-style-type: none"> • Remuneration Report – section 20 of the Directors' Report 	
Recommendation 9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.		Yes
Tassal Board Response	Whenever applicable, shareholder approval is sought, with the relevant Notice of Meeting containing an explanatory memorandum to assist shareholders in voting on the relevant resolution(s).	<ul style="list-style-type: none"> • Remuneration Report – section 20 of the Directors' Report • Notice of Meeting for the 2006 Annual General Meeting 	

Corporate Governance Statement (cont.)

Tassal Group Limited and Controlled Entities

		Reference material	Compliance
Principle 9 (cont.)	<p>Remunerate fairly and responsibly</p> <p><i>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.</i></p>		Yes
Recommendation 9.5	<p>Provide the information set out in Guide to Reporting on Principle 9.</p> <ul style="list-style-type: none"> Disclosure of the Company's remuneration policies referred to in the best practice recommendation 9.1 and in Box 9.1. 		Yes
Tassal Board Response	<p>Details of Tassal's remuneration policies for fixed, short-term and long-term incentives are set out in the Remuneration Report.</p> <ul style="list-style-type: none"> The names of the members of the Remuneration Committee and their attendance at meetings of the Committee. 	<ul style="list-style-type: none"> Remuneration report – section 20 of the Directors' Report 	
Tassal Board Response	<p>This information is provided in the Directors' Report.</p> <ul style="list-style-type: none"> The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors. 	<ul style="list-style-type: none"> Refer sections 16 and 18 of the Directors' Report 	
Tassal Board Response	<p>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.</p>	<ul style="list-style-type: none"> Remuneration Report – section 20 of the Directors' Report 	

		Reference material	Compliance
Principle 10	Recognise the legitimate interest of stakeholders <i>Recognise legal and other obligations to all legitimate stakeholders.</i>		Yes
Recommendation 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.		Yes
Tassal Board Response	<p>The Directors have adopted a “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. The Code addresses, among other things:</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Code of Conduct and Business Ethics • Directors’ Code of Conduct 	

Directors' Report

Tassal Group Limited and Controlled Entities

The Directors present their report together with the Annual Financial Report of Tassal Group Limited ("the Company") and the consolidated Annual Financial Report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the independent auditor's report thereon.

The Annual Financial Report of the Company and the consolidated entity have been reviewed and approved by the Directors on the recommendations of the Audit and Risk Committee.

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:

Mr Allan McCallum
(Director since 7 October 2003)
(Chairman since 27 June 2005)

Mr Mark Ryan – Chief Executive Officer
(Appointed Managing Director 21 December 2005)

Mr Charles Bright
(Director since 4 August 2005)

Ms Jill Monk
(Director since 7 October 2003)

Mr Roderick Roberts
(Director since 18 March 2005)

Mr Maurice Van Ryn
(Director since 7 October 2003)

Mr John Watson
(Director since 7 October 2003)

In addition the following Director retired during the financial year:

Mr Gregory Hunt (Managing Director of Elders Limited. Appointed as a Non-executive Director 18 March 2005 and retired 30 July 2005. Mr Charles Bright acted as Mr Hunt's alternate throughout this period).

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.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

3. Dividends

During and since the end of the financial year the following dividends have been paid or declared:

- a final ordinary dividend of 2.50 cents per ordinary share in respect of the year ended 30 June 2005 was declared on 31 August 2005 and paid on 31 October 2005 amounting to \$2.772 million. The dividend payment was unfranked.
- an interim dividend of 2.25 cents per ordinary share in respect of the year ended 30 June 2006 was declared on 8 March 2006 and paid on 8 May 2006 amounting to \$2.540 million. The dividend payment was unfranked.
- on 30 August 2006, the Directors declared a final unfranked dividend of 2.50 cents per ordinary share amounting to \$2.822 million in respect of the financial year ended 30 June 2006. The record date for determining entitlements to this dividend is 6 October 2006. The final dividend will be paid on 30 October 2006. The Company's Dividend Reinvestment Plan has been reinstated and 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.

The final dividend in respect of ordinary shares for the year ended 30 June 2006 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2006.

4. Review of Operations

The consolidated net profit after tax for the financial year attributable to the members of Tassal Group Limited was \$10.549 million. (For the financial year ended 30 June 2005: \$5.801 million).

The Directors of Tassal Group Limited have declared an unfranked final dividend of 2.50 cents per ordinary share. The consolidated entity's revenue was reported at \$199.820 million compared with \$155.648 million for the financial year to 30 June 2005.

Earnings before interest and tax ("EBIT") was \$18.648 million as compared to the financial year to 30 June 2005 EBIT of \$10.818 million.

Cashflow from operating activities was significantly utilised to retire debt, underpin the growth of fish inventory and infrastructure investment which, in turn, will underpin future profitability.

Earnings per share ("EPS") on a weighted average basis was recorded at 9.40 cents per share as compared to the financial year to 30 June 2005 of 6.39 cents per share.

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.

5. Significant Changes in State of Affairs

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

6. Future Developments

Likely developments in the consolidated entity's operations have been commented on in a general nature in the Annual Financial Report. In particular, reference should be made to the joint Chairman's and CEO's Report. In the opinion of the Directors further information about likely developments in the operations of the consolidated entity and the expected results from those operations in future financial years has not been included because disclosures of the information would be likely to result in unreasonable prejudice to the consolidated entity.

7. Directors, Directors' Meetings and Directors' Shareholdings

The names of the Directors who held office during the financial year and details of current Directors' qualifications, Directors' interests in the Company, experience and special responsibilities and directorships of other listed entities are set out in Sections 16 and 17 of this Directors' Report.

Details of Directors' meetings and meetings of Committees of Directors including attendances are set out in Section 18 of this Directors' Report.

8. Events Subsequent to Balance Date

Except for the dividend declared after year end (refer to note 2 to the financial statements), there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Tassal, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9. Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, Mr 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.

10. 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 and are not aware of any significant material environmental incidents arising from the operations of the consolidated entity during the financial year.

11. Corporate Governance

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

The consolidated entity's statement on the main corporate governance practices in place during the year is set out on pages 4 to 15 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.

12. Auditor's Independence Declaration

There is no former partner or director of Deloitte Touche Tohmatsu, the Company's auditor, who is or was at any time during the financial year an officer of the Group.

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 27 and forms part of this Directors' Report.

13. Non-audit Services

During the year Deloitte Touche Tohmatsu, the Company's auditor, has performed certain "non-audit services" in addition to their statutory duties.

The Board of Directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, for audit and non-audit services provided during the year are set out in note 6 to the financial statements.

14. Proceedings on Behalf of the Company

There were no proceedings brought on behalf of the Company nor any persons applying for leave under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company.

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.

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

16. Information on Current Directors

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' relevant interests in ordinary shares and options over ordinary shares in the Company
ALLAN McCALLUM (Chairman) Dip. Ag Science, MAICD	<p>Allan is a Non-executive Director of Incitec Pivot Limited, Director of Medical Developments International Limited and Chairman of Nugrain Pty Ltd.</p> <p>Allan is a former Chairman of Vicgrain Limited and Deputy Chairman of Graincorp Limited.</p> <p>Allan has over 30 years experience in the primary industry sector with representation on industry bodies at state, national and international levels.</p>	<p>Chairman of the Board of Directors.</p> <p>Independent Non-executive Director.</p> <p>Chairman of the Remuneration and Nominations Committee.</p>	<p>175,619 Ordinary Shares</p>
CHARLES BRIGHT BA, MA (Oxon)	<p>Charles has spent 33 years in investment banking in Australia, London and New York. From 1989 to 1995 Charles was Chairman of Potter Warburg Securities. Between 1995 and 1997 he assisted in the establishment of the investment banking operations of ABN AMRO in Australia and from 1997 to 2000 was Head of Corporate Finance for HSBC in Australia. Charles is a Director of Futuris Corporation Limited, Australian Agricultural Company Limited, Integrated Tree Cropping Limited, Webster Limited and Chairman of the Supervisory Board of Bremer Woll-Kammerei AG.</p>	<p>Non-executive Director.</p> <p>Member of the Remuneration and Nominations Committee.</p>	<p>31,609,723 Ordinary Shares</p> <p>Relevant interest held as Mr Bright is a Director of Webster Limited which holds 31,609,723 ordinary shares.</p>
JILL MONK B.Arts, B.Law, FAICD, FAII	<p>Jill holds a Bachelor of Arts, a Bachelor of Law and a Fellowship of Insurance. She has 28 years experience in company secretarial, commercial legal, business risk, compliance and human resources. Jill spent several years in private legal practice and various companies including CGU Insurance Limited. Jill held general management roles including responsibility for legal, superannuation, compliance and the role of Director of Human Resources. Jill held numerous directorships across the CGU Group.</p>	<p>Independent Non-executive Director.</p> <p>Member of the Remuneration and Nominations Committee.</p>	<p>107,544 Ordinary Shares</p>
RODERICK ROBERTS B.Ec, MBA, FAICD	<p>Rod is presently Executive Chairman of Webster Limited, Chairman of Clements Marshall Consolidated Limited and Australian Walnut Properties Limited and a member of the University of Tasmania Council. He has previously held senior roles in manufacturing and investment banking industries, including as Head of Corporate Finance Bain & Co, Director County NatWest Australia Limited and Chairman Harris & Co Ltd.</p>	<p>Non-executive Director.</p> <p>Member of the Audit and Risk Committee.</p>	<p>31,609,723 Ordinary Shares</p> <p>Relevant interest held as Mr Roberts is a Director of Webster Limited which holds 31,609,723 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.

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' relevant interests in ordinary shares and options over ordinary shares in the Company
MAURICE VAN RYN B.Bus	<p>Maurice is the International Business Manager of Bega Cheese. Until early 2005 he was Chief Executive Officer of Bega Cheese, a post which he held for 15 years. He is also a 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.</p> <p>Chairman of the Audit and Risk Committee.</p>	248,250 Ordinary Shares
JOHN WATSON 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 Director of Rural Press Limited, 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 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.</p> <p>Member of the Audit and Risk Committee.</p>	230,468 Ordinary Shares
MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, Reg.Liq.	<p>Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited. Mark holds a Bachelor of Commerce, and is both a Chartered Accountant and Registered Liquidator. Mark also holds Board positions with AFL Tasmania, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), and the Food Industry Council of Tasmania as well as a number of other industry related associations.</p> <p>Mark has over 18 years experience in the finance and turnaround management sector, with experience gained through PriceWaterhouseCoopers, Arthur Andersen and KordaMentha. Mark was previously a partner with KordaMetha.</p>	Executive Director.	

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 (cont.)

Tassal Group Limited and Controlled Entities

17. Directorships of Other Listed Companies

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

Director	Company	Period of Directorship (last 3 years)
A. McCallum	Medical Developments International Limited	Throughout
	Graincorp Limited	2002 to August 2005
	Incitec Pivot Limited	Throughout
C. Bright	Webster Limited	Since 2005
	Futuris Corporation Limited	Throughout
	Integrated Tree Cropping Limited	Throughout
	Australian Agricultural Company Limited	Throughout
	Australian Plantation Timber Limited	Throughout
J. Monk	Bremer Woll-Kammerei AG	Throughout
		None held
R. Roberts	Webster Limited	Throughout
M. Ryan		None held
M. Van Ryn	Medical Developments International Limited	Throughout
	So Natural Foods Limited	Throughout
J. Watson	Rural Press Limited	Since 2005
	Incitec Pivot Limited	Throughout

18. Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member).

During the financial year, 14 Board meetings, 2 Remuneration and Nominations Committee meetings and 8 Audit and Risk Committee meetings were held.

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
C. Bright ¹	13	12	*	*	2	2
G. Hunt ¹	1	1	*	*	*	*
A. McCallum	14	14	*	*	2	2
J. Monk	14	13	*	*	2	2
R. Roberts	14	12	8	7	*	*
M. Ryan	9	9	*	*	*	*
M. Van Ryn	14	12	8	8	*	*
J. Watson	14	14	8	8	*	*

*not a committee member

¹Mr Bright acted as Mr Hunt's alternate and attended all indicated meetings on Mr Hunt's behalf in that capacity up until the date of Mr Hunt's retirement on 30 July 2005. Mr Bright was appointed a Non-executive Director on 4 August 2005.

19. Company Secretary

Nicholas Jon Burrows (B.Com, FCIS, CA, F Fin, CFTP, MAICD).

Mr Burrows is past National President of Chartered Secretaries of Australia (2002), a Fellow of Chartered Secretaries Australia and the Institute of Chartered Secretaries and Administrators and has been a Company Secretary of Listed ASX Companies for in excess of 18 years. Mr Burrows also acts as General Manager Finance and Administration ("CFO") and is a member of the Company's senior Executive team.

20. Remuneration Report

(a) Introduction

This Remuneration Report outlines Tassal's overall reward strategy for the year ending 30 June 2006 and provides detailed information on the remuneration arrangements in this period for the Directors of Tassal including the Managing Director and Chief Executive Officer, other Key Management Personnel and other employees. Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of Tassal, and are also the five executives of Tassal receiving the highest remuneration for the year ending 30 June 2006.

The Remuneration Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by Accounting Standard AASB 124 'Related Party Disclosures' which are permitted to be transferred to the Remuneration Report by regulation 2M.6.04 and are therefore subject to audit.

Tassal's remuneration policy may be amended from time to time and is reviewed at least once a year. This may result in changes being made to the policy for the year ending 30 June 2007.

(b) Governance - Remuneration and Nominations Committee

The Remuneration and Nominations Committee has immediate responsibility for developing the remuneration policies and strategies of the Company and continually evaluating their operation under delegated authority from the Board.

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.

A full copy of the Committee's Charter is available on www.tassal.com.au.

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

- Mr A. McCallum (Chairman of the Committee and independent Non-executive Director);
- Mr C. Bright (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 Sections 16 and 18 of this Directors' Report.

(c) Key Management Personnel Compensation Policy

The Board have approved a formal Remuneration Policy which governs the remuneration of Non-executive Directors, the Chief Executive Officer and senior executives. A full copy of the Remuneration Policy is available on www.tassal.com.au.

The broad Remuneration Policy is to ensure the remuneration packages properly reflect the person's duties and responsibilities and that remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced Directors and senior executives.

The remuneration structures explained in this report are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior Executives ability to control the relevant division(s) performance;
- the consolidated entity's performance including:
 - the consolidated entity's earnings;
 - the growth in share price and returns on shareholder funds; and
- the amount of incentives within each senior executives' remuneration.

Executive remuneration packages include a mix of fixed and variable remuneration and short and long-term performance based incentives.

(d) Company performance

Tassal's key operational performance indicators are summarised in the table in the Chairman's and Chief Executive Officer's Report on page 2 of this Annual Financial Report.

Tassal's performance over the respective reporting periods as highlighted in that table have underpinned an increasing dividend payment profile and an improving share price.

Reporting period ended 30 June	2006	2005
Dividend declared per share	4.75 cps	2.50 cps
Closing share price	\$1.14	\$0.89

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

20. Remuneration Report (cont.)

(e) Components of compensation – Non-executive Directors

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 as Directors. The fixed sum has been set at \$400,000 per annum (pursuant to the Company's initial Prospectus dated 9 October 2003). 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 Directors.

Fees payable to the Non-executive Directors of the Company for the 2006 financial year were as follows:

- the Chairman of the Board - \$90,000; and
- each other Non-executive Director - \$45,000.

In addition to the Directors' fees, the Company will also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

The Chairman of the Audit and Risk Committee receives \$10,000 for chairing that Committee.

In accordance with the Constitution, Directors are permitted to be paid additional fees for special services or exertions. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business-related expenses, including travel on Company business, as may be incurred in the discharge of their duties. Such reimbursements are not included in the aggregate remuneration cap approved by shareholders.

The Board reviews its fees to ensure the Company's Non-executive Directors are fairly remunerated for services, recognising the level of skill and experience required to conduct the role, and to have in place a fee scale which enables the Company to attract and retain talented Non-executive Directors. In conducting a review the Board takes advice from an external independent remuneration consultant. The review process involves benchmarking against a group of peer companies.

The remuneration of Non-executive Directors is differentiated from that of Company employees. Remuneration is fixed; there is no variable, short term incentive or performance related remuneration for Non-executive Directors, nor is there any entitlement to retirement allowances or payments other than the statutory superannuation required by law. The Board has determined that Non-executive Directors shall receive only fixed remuneration by way of payment of fees.

(f) Components of compensation – Chief Executive Officer and Other Key Management Personnel

(i) Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, divisional and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the Chief Executive Officer and senior executives' remuneration is competitive in the market place.

(ii) Performance-Linked Remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward the Chief Executive Officer and senior executives for meeting or exceeding their financial and operational objectives. The Company's short-term incentive ("STI") remuneration is in the form of an "at risk" bonus provided in the form of cash. The Company is currently finalising the terms of a share-based long-term incentive plan ("LTI").

(iii) Short-Term Incentives

• Financial Year Ended 30 June 2006:

In relation to the financial year ended 30 June 2006, an STI payment of \$598,000 (2005: \$nil) has been provided for, pursuant to the STI program advised in the last financial year's Annual Financial Report, based upon the delivery of the Aquatlas Pty Ltd acquisition synergies and the achievement of a range of pre-defined operational performance hurdles. The percentage of the STI pool paid to the Chief Executive Officer and other senior executives is summarised in section (g) (ii) of this Remuneration Report.

Following a recommendation from the Remuneration and Nominations Committee, the Board also approved a payment of \$25,000 to the General Manager – Risk in recognition of his efforts in successfully achieving a significant turnaround in the Company's occupational health and risk performance.

Other than the above, there were no other STI or bonus payments made to or payable to the Chief Executive or other senior executives during the financial year ended 30 June 2006.

• Future Financial Years:

The Board is currently considering a STI Plan for future years under which it is expected to set the short-term bonus criteria for the Chief Executive Officer and, on the Chief Executive Officer's recommendations, will approve the short-term bonus criteria for the senior executives. The Board is also considering broadening the scope of the STI and to apportion the quantum payable as follows:

- 70% - attributable to net profit after tax performance; and
- 30% - attributable to objectives to be established by the Chief Executive Officer. These objectives may contain both team and personal objectives.

It is important to note that prior to participation in any part of the STI, the "net profit after tax hurdle" which will be set annually, must be obtained.

(iv) Long-term Incentives

The company is currently developing a share-based LTI plan whereby the Chief Executive Officer and other senior executives will have the ability to receive fully paid ordinary shares after 3 years from the initial grant date which will vest only after satisfaction of performance conditions relating to:

- the Company's relative Total Shareholder Return ("TSR") compared with the TSR performance of a representative group of comparator companies; and
- achieving a pre-determined average compound growth rate in the Company's basic earnings per share.

(v) Contract for Services – Chief Executive Officer

The structure of the Chief Executive Officer's compensation is in accordance with his employment agreement. The Chief Executive Officer's employment contract is for an indefinite term. The Company may terminate the contract by providing six months notice and the Chief Executive Officer may terminate the contract by providing three months notice to the Company. There are no termination benefits beyond statutory leave and superannuation obligations associated with the Chief Executive Officer's termination in accordance with these notice requirements or in circumstances where notice is not required pursuant to his employment agreement.

Pursuant to the employment contract, the Chief Executive Officer's remuneration package consists of the following elements:

Fixed Remuneration

At the date of this report the Chief Executive Officer's fixed remuneration is \$420,000 per annum. This amount is reviewed annually by the Board and Remuneration and Nominations Committee. The fixed remuneration includes the 9% Superannuation Guarantee Contribution. Non-monetary benefits are also provided on a "salary sacrifice basis". The types of benefits that can be packaged by the Chief Executive Officer include superannuation and motor vehicles.

Variable Remuneration – Short Term Incentives (STI – cash)

Details of the Chief Executive Officer's eligibility for, and any payments made in relation to, the Company's STI plan are outlined in section (f) (iii) of this Remuneration Report.

Equity Settled Remuneration

Pursuant to his employment contract, the Chief Executive Officer is entitled to a "one-off" issue of 600,000 fully paid shares. The vesting period for the ordinary shares pursuant to this arrangement is three years, with one third vesting each year subject to pre-defined continuing EPS hurdles being met.

The 200,000 ordinary shares applicable to the financial year ended 30 June 2004 did not vest, are non-cumulative and have lapsed.

For the 2005 and 2006 financial years, the vesting of the remaining 400,000 ordinary shares is cumulative. No shares vested for the 2005 financial year.

The performance hurdles to be met were Net Profit After Tax of \$8.507 million and Earning Per Share of 7.67 cents per share. As the performance hurdles have been met, the Chief Executive Officer is entitled to the grant of 400,000 ordinary shares in the Company. There is no cost to the Chief Executive Officer on the grant of ordinary shares under the terms of his Employment Contract.

As the Chief Executive Officer is an Executive Director of the Company, the issue of the ordinary shares pursuant to the Chief Executive Officer's employment contract requires shareholder approval by ordinary resolution, and this matter forms part of the 2006 Notice of Annual General Meeting.

The fair value of the ordinary shares subject to this arrangement was calculated at grant date (18 December 2003) by an independent valuer at 66.369 cents per share for purposes of disclosure in the Remuneration Report.

The following table sets out assumptions applied to determine the fair value of the ordinary shares at grant date:

Share price at grant date	\$0.70000
Risk free rate	5.36%
Dividend yield (present value)	5.18%
Fair value of ordinary shares at grant date	\$0.66369

Based on the above, the estimated fair value of the ordinary shares at the grant date is \$265,476. The estimated fair value of the Chief Executive Officer's contractual right to fully paid ordinary shares applicable to the financial year ended 30 June 2006 is \$88,492 (2005: \$66,369) which has been disclosed in the Key Management Personnel/Compensation table in section (g) (ii) of this Remuneration Report.

(vi) Contract for Services – Senior Executives

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

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

20. Remuneration Report (cont.)

(g) Key Management Personnel Compensation

(i) Identity of Key Management Personnel

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

Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director, appointed Managing Director on 21 December 2005.
C. Bright	Non-executive Director, appointed 4 August 2005 (having previously acted in the capacity as alternate for G. Hunt until his resignation on 30 July 2005).
G. Hunt	Non-executive Director, retired 30 July 2005.
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
M. Van Ryn	Non-executive Director
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
N. Burrows	Company Secretary General Manager – Finance and Administration
M. Asman	General Manager – Marine Operations General Manager – Operations, appointed 28 August 2006
K. Little	Group Manager – Human Resources General Manager – Human Resources and Quality, appointed 1 August 2006
N. Petracca	General Manager – Risk
D. Williams	General Manager – Sales and Marketing

(ii) Compensation of Key Management Personnel.

The compensation of each member of the Key Management Personnel of the consolidated entity is set out below:

		Short-term employment benefits			Post employment		Share-based payment		Other	
Directors:		Salary & Fees ¹	Bonus ²	Non-monetary ³	Super-annuation	Prescribed Benefits	Equity settled shares ⁴	Options	Termination Benefits ⁵	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
C. Bright (Appointed 4 August 2005)	2006 2005	41,250 -	- -	- -	3,713 -	- -	- -	- -	- -	44,963 -
G. Hunt (Retired 30 July 2005)	2006 2005	3,750 12,976	- -	- -	- -	- -	- -	- -	- -	3,750 12,976
A. McCallum (Chairman)	2006 2005	83,750 45,000	- -	- -	7,538 4,050	- -	- -	- -	- -	91,288 49,050
J. Monk	2006 2005	45,000 45,000	- -	- -	4,050 4,050	- -	- -	- -	- -	49,050 49,050
R. Roberts	2006 2005	45,000 12,976	- -	- -	- 1,168	- -	- -	- -	- -	45,000 14,144
M. Ryan* (Appointed 21 December 2005)	2006 2005	397,732 392,789	158,171 -	4,125 2,792	31,408 31,516	- -	88,492 66,369	- -	- -	679,928 493,466
M. Van Ryn	2006 2005	52,500 45,000	- -	- -	4,725 4,050	- -	- -	- -	- -	57,225 49,050
J. Watson	2006 2005	45,000 45,000	- -	- -	4,050 4,050	- -	- -	- -	- -	49,050 49,050
D. Williams (Retired 17 June 2005)	2006 2005	- 65,000	- -	- -	- 5,850	- -	- -	- -	- -	- 70,850
M. Fremder (Retired 18 March 2005)	2006 2005	- 33,750	- -	- -	- 3,038	- -	- -	- -	- -	- 36,788
Other Key Management Personnel:										
D.L. Williams	2006 2005	183,642 16,927	66,850 -	9,183 -	14,714 1,226	- -	- -	- -	- -	274,389 18,153
M. Asman	2006 2005	187,601 50,220	66,850 -	- -	14,202 3,587	- -	- -	- -	- -	268,653 53,807
N. Burrows	2006 2005	179,317 170,381	66,850 25,000	2,868 4,343	15,011 14,660	- -	- -	- -	- -	264,046 214,384
N. Petracca	2006 2005	174,736 123,703	67,320 -	4,458 1,407	13,320 9,947	- -	- -	- -	- -	259,834 135,057
K. Little	2006 2005	131,320 5,517	36,842 -	2,683 -	10,309 372	- -	- -	- -	- -	181,154 5,889
A. McCoy (Ceased employment 5 May 2005)	2006 2005	- 138,764	- -	- 7,948	- 10,692	- -	- -	- -	56,116 -	- 213,520
M. Green (Ceased employment 16 September 2005)	2006 2005	31,777 170,923	- -	823 2,500	3,402 13,516	- -	- -	- -	13,761 -	49,763 186,939
Total	2006	1,602,375	462,883	24,140	126,442	-	88,492	-	13,761	2,318,093
Total	2005	1,373,926	25,000	18,990	111,772	-	66,369	-	56,116	1,652,173

Directors' Report (cont.)

Tassal Group Limited and Controlled Entities

20. Remuneration Report (cont.)

(ii) Compensation of Key Management Personnel (cont.)

Notes

(* Mr Ryan was appointed Managing Director on 21 December 2005 in addition to his role of Chief Executive Officer).

(The elements of the remuneration packages in the preceding table have been determined on a cost to the Company and the consolidated entity basis and reflect the relevant respective periods of service).

1. Salary and fees includes salary and leave on an accruals basis.
2. Cash bonuses relate to performance bonuses and amounts payable pursuant to the Company's short-term incentive plan (STI). The percentage of the STI payable to the senior executives is as follows:

• M. Ryan	25.0%
• M. Asman	10.6%
• N. Burrows	10.6%
• K. Little	5.8%
• N. Petracca	6.7%*
• D.L. Williams	10.6%
- * (refer also to section (f) (iii) of the Remuneration Report).
3. Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.
4. The notional value ascribed to the ordinary share component of the Chief Executive Officer's remuneration package pursuant to his employment contract, together with the variation inputs and methodology used by an independent actuary in their determination, are separately described in section (f) (v) of the Remuneration Report.
5. Termination benefits include notice or redundancy payments where applicable.

21. 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



A.D. McCallum

Chairman

Hobart this 29 day of September 2006

Auditor's Independence Declaration

Tassal Group Limited and Controlled Entities

Deloitte.

The Board of Directors
Tassal Group Limited
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29 September 2006

Dear Board Members

Re: Tassal Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Tassal Group Limited. As lead audit partner for the audit of the financial statements of Tassal Group Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Deloitte Touche Tohmatsu



L T Cox
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

Tassal Group Limited and Controlled Entities

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Income Statement

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
		\$'000	\$'000	\$'000	\$'000
Revenue	3(a)	199,820	155,648	5,566	1,640
Other income	3(b)	2,889	1,692	-	-
Share of profits of associates and jointly controlled entities accounted for using the equity method	12	698	-	-	-
Changes in inventories of finished goods and work in progress		7,709	(5,659)	-	-
Raw materials and consumables used		(160,435)	(109,726)	-	-
Employee benefits expense		(25,012)	(25,524)	-	-
Depreciation and amortisation expense	3(c)	(1,768)	(934)	-	-
Finance costs	3(c)	(4,127)	(2,962)	-	-
Other expenses		(5,253)	(4,679)	-	-
Profit before income tax (expense)/benefit		14,521	7,856	5,566	1,640
Income tax (expense)/benefit	4	(3,972)	(2,055)	-	173
Net profit for the period attributable to members of the Company		10,549	5,801	5,566	1,813

	Note	Cents per share 2006	Cents per share 2005
Earnings per ordinary share:			
Basic (cents per share)	27	9.40 cps	6.39 cps
Diluted (cents per share)	27	9.40 cps	6.39 cps

Notes to the financial statements are included on pages 34 to 78.

Balance Sheet

as at 30 June 2006

Tassal Group Limited and Controlled Entities

Note	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash and cash equivalents	1,459	61	-	-
Trade and other receivables	7 8,609	19,221	21,873	20,375
Inventories	8 11,270	18,979	-	-
Biological assets	9 58,362	45,847	-	-
Other	10 418	343	-	-
Total Current Assets	80,118	84,451	21,873	20,375
Non-Current Assets				
Trade and other receivables	11 100	-	-	-
Investments accounted for using the equity method	12 6,042	5,174	-	-
Other financial assets	13 43	43	28,119	28,016
Property, plant and equipment	14 48,398	41,241	-	-
Deferred tax assets	4 -	2,020	11,794	11,416
Goodwill	15 14,851	14,748	-	-
Other	16 473	494	-	-
Total Non-Current Assets	69,907	63,720	39,913	39,432
Total Assets	150,025	148,171	61,786	59,807
Current Liabilities				
Trade and other payables	18 17,450	19,348	-	251
Borrowings	19 34,940	32,354	-	-
Provisions	20 2,587	2,886	-	-
Other	21 270	1,002	-	-
Total Current Liabilities	55,247	55,590	-	251
Non-Current Liabilities				
Borrowings	22 11,313	18,416	-	-
Deferred tax liabilities	4 1,952	-	-	-
Provisions	23 536	401	-	-
Total Non-Current Liabilities	13,801	18,817	-	-
Total Liabilities	69,048	74,407	-	251
Net Assets	80,977	73,764	61,786	59,556
Equity				
Issued capital	24 60,907	59,019	60,907	59,019
Reserves	25 265	177	265	177
Retained earnings	26 19,805	14,568	614	360
Total Equity	80,977	73,764	61,786	59,556

Notes to the financial statements are included on pages 34 to 78.

Statement of Changes in Equity for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

Consolidated

	Issued capital	Hedging reserve	Employee equity-settled benefits reserve	Retained earnings	Total attributable to equity holders of the entity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2004	30,816	-	111	10,407	41,334
Share issue costs	(159)	-	-	-	(159)
Net income recognised directly in equity	(159)	-	-	-	(159)
Profit for the period	-	-	-	5,801	5,801
Total recognised income and expense for the period	(159)	-	-	5,801	5,642
Issue of shares pursuant to Dividend Reinvestment Plan	1,026	-	-	-	1,026
Issue of shares to Webster Limited in respect of acquisition of Aquatas Pty Ltd	27,336	-	-	-	27,336
Recognition of share-based payments	-	-	66	-	66
Dividends paid	-	-	-	(1,640)	(1,640)
At 30 June 2005	59,019	-	177	14,568	73,764
Cash flow hedges:					
Adjustment on adoption of A-IFRS	-	728	-	-	728
Transferred to profit or loss for the period	-	(728)	-	-	(728)
Net income recognised directly in equity	-	-	-	-	-
Profit for the period	-	-	-	10,549	10,549
Total recognised income and expense for the period	-	-	-	10,549	10,549
Issue of shares pursuant to Dividend Reinvestment Plan	1,888	-	-	-	1,888
Recognition of share-based payments	-	-	88	-	88
Dividends paid	-	-	-	(5,312)	(5,312)
At 30 June 2006	60,907	-	265	19,805	80,977

Notes to the financial statements are included on pages 34 to 78.

Statement of Changes in Equity (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

Company

	Issued capital	Hedging reserve	Employee equity-settled benefits reserve	Retained earnings	Total attributable to equity holders of the entity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2004	30,816	-	111	187	31,114
Share issue costs	(159)	-	-	-	(159)
Net income recognised directly in equity	(159)	-	-	-	(159)
Profit for the period	-	-	-	1,813	1,813
Total recognised income and expense for the period	(159)	-	-	1,813	1,654
Issue of shares pursuant to Dividend Reinvestment Plan	1,026	-	-	-	1,026
Issue of shares to Webster Limited in respect of acquisition of Aquatas Pty Ltd	27,336	-	-	-	27,336
Recognition of share-based payments	-	-	66	-	66
Dividends paid	-	-	-	(1,640)	(1,640)
At 30 June 2005	59,019	-	177	360	59,556
Profit for the period	-	-	-	5,566	5,566
Total recognised income and expense for the period	-	-	-	5,566	5,566
Issue of shares pursuant to Dividend Reinvestment Plan	1,888	-	-	-	1,888
Recognition of share-based payments	-	-	88	-	88
Dividends paid	-	-	-	(5,312)	(5,312)
At 30 June 2006	60,907	-	265	614	61,786

Notes to the financial statements are included on pages 34 to 78.

Cash Flow Statement

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
		\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities					
Receipts from customers		144,944	101,052	-	-
Payments to suppliers and employees		(117,768)	(101,354)	-	-
Interest received		23	15	-	-
Interest and other costs of finance paid		(4,263)	(2,863)	-	-
Net cash (used in)/provided by operating activities	36(c)	22,936	(3,150)	-	-
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(13,176)	(12,002)	-	-
Proceeds from sale of property, plant and equipment		576	66	-	-
Advance from / (to) controlled entities		-	-	3,526	11,467
Payment for businesses	36(b)	-	(10,686)	-	(10,686)
Payment for investments		(183)	-	(102)	-
Amounts advanced to other third parties		(600)	-	-	-
Net cash (used in)/provided by investing activities		(13,383)	(22,622)	3,424	781
Cash Flows from Financing Activities					
Payment for share issue costs		-	(167)	-	(167)
Dividend paid – members of parent entity		(3,424)	(614)	(3,424)	(614)
Proceeds from borrowings		4,418	28,667	-	-
Repayment of borrowings		(10,150)	(944)	-	-
Net cash (used in)/ provided by financing activities		(9,156)	26,942	(3,424)	(781)
Net increase in cash and cash equivalents held		397	1,170	-	-
Cash and cash equivalents at the beginning of the financial year		(1,607)	(2,777)	-	-
Cash and cash equivalents at the end of the financial year	36(a)	(1,210)	(1,607)	-	-

Notes to the financial statements are included on pages 34 to 78.

Notes to the Financial Statements for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

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1. Summary of Accounting Policies

Statement of compliance

The Annual Financial Report is a general purpose financial report and has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The Annual Financial Report was authorised for issue by the Directors on 29 September 2006.

Basis of preparation

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

In the application of A-IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the Annual Financial Report and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 38.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 38), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 Annual Financial Report. The impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is not significant, and is disclosed in note 1 (e).

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to profit or loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entities.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) Borrowing costs

Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of those assets.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Derivative financial instruments

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The consolidated entity has applied previous Australian Generally Accepted Accounting Principles ("AGAAP") in the comparative information of financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the Annual Financial Report of the year ended 30 June 2005.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(e) Derivative financial instruments (continued)

Adjustment on transition Date: 1 July 2005

The nature of the main adjustments to take account of the change in accounting policy to comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are taken to the income statement or a hedging reserve within equity. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at that date. The transition impact on the balance sheet at 1 July 2005 was an increase in the hedging reserve of \$0.728 million, a reduction in deferred gain on foreign currency contracts of \$1.002 million, and a reduction in foreign currency hedge receivable of \$0.274 million.

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below:

- the recognition and measurement of all derivatives (including any embedded derivatives) at fair value;
- the transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedging reserve;
- the derecognition of other deferred hedging gains and losses recognised as assets and liabilities; and
- the deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge.

From 1 July 2005

The Company and consolidated entity use derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rate and interest rate movements.

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

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

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

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

These exposures are then monitored and may be modified from time to time. The foreign exchange hedge transactions do not exceed 24 months duration and hedge operational transactions the consolidated entity expects to occur in this time frame. Interest rate derivative instruments can be for periods up to 3 – 5 years as the critical terms of the instruments are matched to the life of the borrowings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a

hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

(f) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(h) Financial instruments issued by the consolidated entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(i) Foreign currency

Foreign currency transactions

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to note 1(e)).

(j) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(k) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also to note 1(m).

(l) Government grants

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(m) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(n) Income tax

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tassal Group Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.



(o) Intangible assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives.

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(p) Inventories

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

Other inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(q) Joint ventures

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method is used by the Company financial statements.

(r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(c).

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Payables

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

(t) Property, plant and equipment

Property, plant and equipment, and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	25 – 50 years
Plant and equipment	2 – 20 years
Equipment under finance lease	2 – 20 years

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

1. Summary of Accounting Policies (cont.)

(u) 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.

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.

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

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

Provision for restructuring and termination is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Dividends

A provision is recognised for dividends when they have been approved at the reporting date.

(v) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(w) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model, taking into account the terms and conditions attached to the shares.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(x) Biological assets – live finfish

Live finfish assets are valued at fair value less estimated point of sale costs. This fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal. The net increment / (decrement) in the fair value of finfish is recognised as income / (expense) in the reporting period.

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

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

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

(y) Financial risk management strategies relating to agricultural activities

The consolidated entity has a comprehensive risk management strategy in place to monitor and oversee its agricultural activities. The policy framework is broad, with risk management addressed via marine and hatchery site geographical diversification, conservative finfish husbandry practices, experienced management with international expertise and extensive investment in infrastructure improvements and automation.

(z) Other Changes in Accounting Policies

AASB Accounting standards not yet effective

Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' (September 2005) has been issued by the AASB but has not been adopted by the consolidated entity as it is not effective until annual reporting periods beginning on or after 1 January 2006. The consolidated entity will adopt the revised Accounting Standard from 1 January 2006. Application of the revised Accounting Standard requires financial guarantees to be measured at fair value on initial recognition and subsequently the greater of:

- the amount determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less amortisation recognised in accordance with AASB 118 'Revenue'.

The impact of the application of the revised Accounting Standard on the consolidated entity's financial position and results in the period of initial application has not yet been determined.

2. Subsequent Events

Final dividend declared

On 30 August 2006, the Directors declared a final unfranked dividend of \$2.822 million (2.50 cents per ordinary share) in respect of the financial year ended 30 June 2006. The record date for determining entitlements to this interim dividend is 6 October 2006. The final dividend will be paid on 30 October 2006. The Company's Dividend Reinvestment Plan has been reinstated and will apply to the final dividend. The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2006.



3. Profit from Operations

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

	Note	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
		\$'000	\$'000	\$'000	\$'000
(a) Revenue					
Revenue from the sale of goods		123,450	94,897	-	-
Net market value of non-living produce extracted	(i)	68,483	56,130	-	-
Increment in net market value of biological assets	(ii)	7,856	4,592	-	-
Dividends received from controlled entities		-	-	5,566	1,640
Rental revenue		8	14	-	-
Interest revenue		23	15	-	-
Total revenue		199,820	155,648	5,566	1,640
(b) Other income					
Gain on disposal of property, plant and equipment		357	17	-	-
Net foreign exchange gain		1,102	680	-	-
Government grants received		982	577	-	-
Other		448	418	-	-
Total other income		2,889	1,692	-	-

Notes: AASB 141 "Agriculture":

- (i) Pursuant to the requirements of AASB 141, this amount represents the difference between the fair value of all finfish harvested during the year and the cost of harvesting those fish at the date of harvest.
- (ii) Pursuant to the requirements of AASB 141, this amount represents the difference between the fair value of finfish reflected in the balance sheet as at the respective reporting dates (net of estimated point of sale costs) less costs incurred in acquiring smolt (juvenile fish) and net of the cost of finfish included as part of the acquisition of businesses during the reporting period.
- (iii) The impact on net profit before tax of applying AASB 141 for the year is an increase of \$0.856 million [2005: an increase of \$1.019 million].

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

3. Profit from Operations (cont.)

	Note	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
		\$'000	\$'000	\$'000	\$'000
(c) Expenses					
Depreciation of non-current assets		1,746	918	-	-
Amortisation of non-current assets		22	16	-	-
Total depreciation and amortisation		1,768	934	-	-
Interest - other entities		3,413	2,709	-	-
Finance lease charges		714	253	-	-
Total finance costs	(i)	4,127	2,962	-	-
Cost of sales		123,207	95,538	-	-
Employee benefit expense:					
Share-based payments:					
Equity settled share-based payments		88	66	-	-
Termination payments		476	251	-	-
Net bad and doubtful debts - other entities		330	246	-	-
Write-downs of inventories to net realisable value		124	28	-	-
Operating lease rental expenses		3,930	3,797	-	-
Research and development costs immediately expensed		14	1	-	-

(i) Finance costs of \$0.169 million were capitalised during the current year (2005: \$nil).



4. Income Taxes

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
(a) Income tax recognised in profit or loss:				
Tax (expense)/income comprises:				
Current tax (expense)/income	490	8,393	116	217
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(4,462)	(10,448)	(116)	(44)
Total tax (expense)/income	(3,972)	(2,055)	-	173
The prima facie income tax (expense)/income on pre-tax accounting profit from operations reconciles to the income tax (expense)/income in the financial statements as follows:				
Profit from operations	14,521	7,856	5,566	1,640
Income tax (expense)/benefit calculated at 30%	(4,356)	(2,356)	(1,670)	(492)
Non-tax deductible items	(37)	(16)	-	-
Dividends from wholly-owned subsidiaries	-	-	1,670	492
Research and development concession	421	269	-	-
Other	-	48	-	173
Income tax (expense)/benefit	(3,972)	(2,055)	-	173
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.				
(b) Deferred tax balances:				
Deferred tax assets comprise:				
Tax losses – revenue	11,547	11,053	11,547	11,053
Temporary differences	2,023	2,222	247	363
	13,570	13,275	11,794	11,416
Deferred tax liabilities comprise:				
Temporary differences	15,522	11,255	-	-
	15,522	11,255	-	-
Net deferred tax asset / (liability)	(1,952)	2,020	11,794	11,416

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

4. Income Taxes (cont.)

Consolidated			
	Opening balance	Charged to income	Closing balance
	\$'000	\$'000	\$'000
(b) Deferred tax balances (cont.):			
Taxable and deductible temporary differences arise from the following:			
2006			
Gross deferred tax liabilities:			
Biological assets	(9,841)	(3,869)	(13,710)
Inventories	(257)	(109)	(366)
Property, plant and equipment	(1,119)	(79)	(1,198)
Investment in associates and jointly controlled entities	(37)	(210)	(247)
Other financial assets	(1)	-	(1)
	(11,255)	(4,267)	(15,522)
Gross deferred tax assets:			
Provisions	1,187	(132)	1,055
Accruals	66	(39)	27
Deferred income	-	81	81
Property, plant and equipment	599	7	606
Share issue expenses deductible over 5 years	363	(116)	247
Other	7	-	7
	2,222	(199)	2,023
	(9,033)	(4,466)	(13,499)
Reduction arising from:			
Tax losses - revenue	11,053	494	11,547
Net deferred tax asset/(liability)	2,020	(3,972)	(1,952)



Consolidated				
	Opening balance	Charged to income	Acquisitions/disposals	Closing balance
	\$'000	\$'000	\$'000	\$'000
(b) Deferred tax balances (cont.):				
Taxable and deductible temporary differences arise from the following:				
2005				
Gross deferred tax liabilities:				
Biological assets	(1,087)	(9,774)	1,020	(9,841)
Inventories	(74)	(106)	(77)	(257)
Property, plant and equipment	(884)	(235)	-	(1,119)
Investment in associates and jointly controlled entities	-	-	(37)	(37)
Other financial assets	-	-	(1)	(1)
	(2,045)	(10,115)	905	(11,255)
Gross deferred tax assets:				
Provisions	829	(176)	534	1,187
Accruals	56	(136)	146	66
Property, plant and equipment	-	16	583	599
Share issue expenses deductible over 5 years	407	(44)	-	363
Other	-	7	-	7
	1,292	(333)	1,263	2,222
	(753)	(10,448)	2,168	(9,033)
Reduction arising from:				
Tax losses - revenue	504	8,393	2,156	11,053
Net deferred tax asset/(liability)	(249)	(2,055)	4,324	2,020

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

4. Income Taxes (cont.)

Company	Opening balance	Charged to income	Unused tax losses attributable to members of the tax-consolidated group	Closing balance
	\$'000	\$'000	\$'000	\$'000
(b) Deferred tax balances (cont.)				
2006				
Gross deferred tax assets:				
Share issue expenses deductible over 5 years	363	(116)	-	247
	363	(116)	-	247
Addition arising from:				
Tax losses – revenue (members of the tax-consolidated group)	11,053	116	378	11,547
Net deferred tax asset	11,416	-	378	11,794
2005				
Gross deferred tax assets:				
Share issue expenses deductible over 5 years	407	(44)	-	363
	407	(44)	-	363
Addition arising from:				
Tax losses – revenue (members of the tax-consolidated group)	504	217	10,332	11,053
Net deferred tax asset	911	173	10,332	11,416

(c) Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 19 September 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tassal Group Limited. The members of the tax-consolidated group are identified at note 32.

Nature of tax funding arrangements and tax sharing agreements

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

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

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



5. Key Management Personnel Compensation

Corporations Act Regulations 2001 2M.3.03 and 2M.6.04 have been amended to reduce duplication in the Annual Reports of listed entities and as such, certain disclosures required by AASB 124 'Related Party Disclosures' have been transferred to the Remuneration Report and are subject to audit.

(a) Identity of Key Management Personnel:

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

Name	Title
Directors:	
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director, appointed Managing Director on 21 December 2005.
C. Bright	Non-executive Director, appointed 4 August 2005 (having previously acted in the capacity as alternate for G. Hunt until his resignation on 30 July 2005).
G. Hunt	Non-executive Director, retired 30 July 2005
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
M. Van Ryn	Non-executive Director
J. Watson	Non-executive Director
Other Key Management Personnel:	
N. Burrows	Company Secretary General Manager – Finance and Administration
M. Asman	General Manager – Marine Operations General Manager – Operations, appointed 28 August 2006
K. Little	Group Manager – Human Resources General Manager – Human Resources and Quality, appointed 1 August 2006
N. Petracca	General Manager – Risk
D. Williams	General Manager – Sales and Marketing

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

5. Key Management Personnel Compensation (cont.)

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$	\$	\$	\$
(b) Key Management Personnel Compensation				
The aggregate compensation of Key Management Personnel of the consolidated entity and the Company is set out below:				
Short-term employee benefits	2,089,398	1,417,916	-	-
Post-employment benefits	126,442	111,772	-	-
Termination benefits	13,761	56,116	-	-
Share-based payment	88,492	66,369	-	-
	2,318,093	1,652,173	-	-

Details of the consolidated entity's Key Management Personnel compensation policy and details of Key Management Personnel compensation are discussed in section 20 of the Directors Report. Compensation for all Key Management Personnel is expensed through Tassal Operations Pty Ltd, therefore Company disclosures are nil balances.

Equity settled remuneration

Pursuant to his employment contract, the Chief Executive Officer is entitled to a "one-off" issue of 600,000 fully paid shares. The vesting period for the ordinary shares pursuant to this arrangement is three years, with one third vesting each year subject to pre-defined continuing EPS hurdles being met.

The 200,000 ordinary shares applicable to the financial year ended 30 June 2004 did not vest, are non-cumulative and have lapsed.

For the 2005 and 2006 financial years, the vesting of the remaining 400,000 ordinary shares is cumulative. No shares vested for the 2005 financial year.

The performance hurdles to be met were Net Profit After Tax of \$8.507 million and Earning Per Share of 7.67 cents per share. As the performance hurdles have been met, the Chief Executive Officer is entitled to the grant of 400,000 ordinary shares in the Company. There is no cost to the Chief Executive Officer on the grant of ordinary shares under the terms of his Employment Contract.

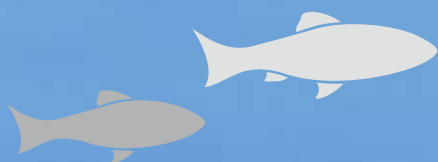
As the Chief Executive Officer is an Executive Director of the Company, the issue of the ordinary shares pursuant to the Chief Executive Officer's employment contract requires shareholder approval by ordinary resolution, and this matter forms part of the 2006 Notice of Annual General Meeting.

The fair value of the ordinary shares subject to this arrangement was calculated at grant date (18 December 2003) by an independent valuer at 66.369 cents per share for purposes of disclosure in the Remuneration Report.

The following table sets out assumptions applied to determine the fair value of the ordinary shares at grant date:

Share price at grant date	\$0.70000
Risk free rate	5.36%
Dividend yield (present value)	5.18%
Fair value of ordinary shares at grant date	\$0.66369

Based on the above, the estimated fair value of the ordinary shares at the grant date is \$265,476. The estimated fair value of the Chief Executive Officer's contractual right to fully paid ordinary shares applicable to the financial year ended 30 June 2006 is \$88,492 (2005: \$66,369) which has been disclosed in the Key Management Personnel/Compensation table in section (g) (ii) of the Remuneration Report.



6. Remuneration of Auditors

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$	\$	\$	\$
Audit or review of the financial reports	125,300	95,000	-	-
Non-audit services (i)	144,465	238,296	-	-
	269,765	333,296	-	-

- (i) The "non-audit services" principally refers to the provision of taxation services and professional services rendered as part of the acquisition of Aquatas Pty Ltd by Tassal Group Limited including associated tax and business acquisition structuring advice. Non-audit services are any services provided, excluding audits required by the Corporations Act 2001.
- (ii) All amounts shown above are exclusive of GST.
- (iii) The parent entity's audit fees were paid for by Tassal Operations Pty Ltd, a wholly-owned subsidiary.
- (iv) Refer to the Directors' Report for details on compliance with the auditor's independence requirements of the Corporations Act 2001.
- (v) The auditor of Tassal Group Limited is Deloitte Touche Tohmatsu.

7. Current Trade and Other Receivables

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Trade receivables (i)	6,478	16,627	-	-
Allowance for doubtful debts	(248)	(388)	-	-
	6,230	16,239	-	-
Goods and services tax (GST) receivable	877	1,014	-	-
Foreign currency hedge receivable	-	1,212	-	-
Amount receivable from wholly-owned controlled entities (ii)	-	-	21,873	20,298
Other receivables	1,502	756	-	77
	8,609	19,221	21,873	20,375

- (i) The average credit period on sales of goods is 30 days from the previous month's statement date. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 2% per month on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of \$0.140 million was recognised in the profit or loss for the current financial year.
- (ii) Amounts receivable from the entities in the wholly-owned group include amounts arising out of the entity's tax-sharing agreement. (refer to note 4 for details).

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

8. Current Inventories

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Raw materials				
At cost	2,551	1,896	-	-
Finished goods				
At cost	8,719	17,083	-	-
	11,270	18,979	-	-

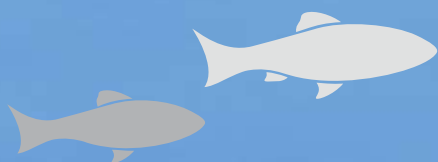
9. Biological Assets

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Livestock (i)				
Opening balance	45,847	32,476	-	-
Gain or loss arising from changes in fair value less estimated point of sale costs	76,339	59,795	-	-
Increases due to purchases	4,659	4,100	-	-
Decreases attributable to sales and biological assets classified as held for sale	-	-	-	-
Decreases due to harvest	(68,483)	(56,130)	-	-
Increases resulting from business combinations	-	5,606	-	-
Closing balance	58,362	45,847	-	-

(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 9,152,464 kilograms (2005: 7,382,277 kilograms).

10. Other Current Assets

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Prepayments	418	343	-	-



11. Non-current Trade and Other Receivables

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Amount due from unrelated third party	100	-	-	-

12. Investments Accounted for Using the Equity Method

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Investments in associates	5,731	5,174	-	-
Investments in jointly controlled entities	311	-	-	-
	6,042	5,174	-	-

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2006 %	2005 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	68.55	67.83
Jointly controlled entities:				
Springfield Hatcheries Pty Ltd (ii)	Atlantic salmon & trout hatchery	Australia	50.00	-

(i) The Consolidated entity owns 68.55% (2005: 67.83%) of the issued capital and 61.22% (2005: 61.22%) of the voting shares of Salmon Enterprises of Tasmania Pty Ltd ("Saltas"). Saltas supplies smolt to the Tasmanian aquaculture industry.

Saltas is an Associate of the Company, however the Board does not consider it appropriate to consolidate Saltas as the nature of the voting powers of the Board members as detailed in the Constitution of Saltas is such that the consolidated entity does not have the capacity to control Saltas.

(ii) On 31 March 2006, the Company's wholly-owned subsidiary, Tassal Operations Pty Ltd, together with Huon Aquaculture Holdings Pty Ltd, formed a new and jointly owned company, Springfield Hatcheries Pty Ltd, to acquire the business, assets and undertakings of Springfield Fisheries Pty Ltd for a purchase price of \$5.500 million. Tassal Operations Pty Ltd owns 50% of the issued capital of Springfield Hatcheries Pty Ltd.

The cost of acquisition to the consolidated entity was \$0.082 million. The business, assets and undertakings of Springfield Fisheries Pty Ltd were acquired by Springfield Hatcheries Pty Ltd at a cost of \$5.500 million funded by \$4.500 million borrowings advanced by National Australia Bank to Springfield Hatcheries Pty Ltd and respective loans of \$0.500 million each by Tassal Operations Pty Ltd and Huon Aquaculture Holdings Pty Ltd.

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

12. Investments Accounted for Using the Equity Method (cont.)

Summarised financial information of associates:	Consolidated 2006	Consolidated 2005
	\$'000	\$'000
Current assets	3,986	3,898
Non-current assets	7,649	7,188
	11,635	11,086
Current liabilities	(542)	(1,086)
Non-current liabilities	(1,443)	(681)
	(1,985)	(1,767)
Net assets	9,650	9,319
Revenue	4,963	4,432
Net profit	341	126
Share of associates' profit:		
Share of profit before income tax	306	-
Income tax expense	(73)	-
Share of associate's profit – current period	233	-
Share of associate's profit on initial adoption of equity accounting	235	-
	468	-

Summarised financial information of jointly controlled entities:	Consolidated 2006	Consolidated 2005
	\$'000	\$'000
Current assets	2,268	-
Non-current assets	4,636	-
	6,904	-
Current liabilities	(1,726)	-
Non-current liabilities	(4,520)	-
	(6,246)	-
Net assets	658	-
Revenue	496	-
Net profit	461	-
Share of jointly controlled entities' profit:		
Share of profit before income tax	329	-
Income tax expense	(99)	-
Share of jointly controlled entities' profit – current period	230	-
Total share of associates' and jointly controlled entities' profit	698	-

13. Other Non-current Financial Assets

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Shares in other entities	43	43	-	-
Shares in controlled entities at cost	-	-	28,119	28,016
	43	43	28,119	28,016

14. Property, Plant and Equipment

Consolidated: 2006

	Freehold land at cost	Buildings at cost	Plant and equipment at cost	Equipment under finance lease at cost	Capital works in progress at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount						
Balance at 30 June 2005	2,166	9,800	22,858	9,663	2,377	46,864
Additions	11	167	5,108	2,895	4,866	13,047
Disposals	-	-	(315)	-	-	(315)
Transfers to asset categories	-	-	2,265	-	(2,265)	-
Balance at 30 June 2006	2,177	9,967	29,916	12,558	4,978	59,596
Accumulated depreciation						
Balance at 30 June 2005	-	(360)	(4,867)	(396)	-	(5,623)
Depreciation expense	-	(263)	(4,308)	(1,099)	-	(5,670)
Disposals	-	-	95	-	-	95
Balance at 30 June 2006	-	(623)	(9,080)	(1,495)	-	(11,198)
Net book value						
Balance at 30 June 2005	2,166	9,440	17,991	9,267	2,377	41,241
Balance at 30 June 2006	2,177	9,344	20,836	11,063	4,978	48,398

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

14. Property, Plant and Equipment (cont.)

Consolidated: 2005

	Freehold land at cost	Buildings at cost	Plant and equipment at cost	Equipment under finance lease at cost	Capital works in progress at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount						
Balance at 30 June 2004	1,571	8,555	11,987	1,304	1,076	24,493
Acquisition of business (i)	595	1,193	7,033	-	1,340	10,161
Additions	-	52	3,915	3,719	4,601	12,287
Disposals	-	-	(77)	-	-	(77)
Transfers to asset categories	-	-	-	4,640	(4,640)	-
Balance at 30 June 2005	2,166	9,800	22,858	9,663	2,377	46,864
Accumulated depreciation						
Balance at 30 June 2004	-	(135)	(1,662)	(130)	-	(1,927)
Depreciation expense	-	(225)	(3,232)	(266)	-	(3,723)
Disposals	-	-	27	-	-	27
Balance at 30 June 2005	-	(360)	(4,867)	(396)	-	(5,623)
Net book value						
Balance at 30 June 2004	1,571	8,420	10,325	1,174	1,076	22,566
Balance at 30 June 2005	2,166	9,440	17,991	9,267	2,377	41,241

(i) Property, plant and equipment acquired pursuant to the acquisition of the business of Aquatas Pty Ltd.

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 and as at 18 March 2005 for freehold land and buildings acquired as part of the Aquatas Pty Ltd acquisition. 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 and intended use of the property.

The independent valuation of these properties determined a value of \$15.400 million.

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	263	225	-	-
Plant and equipment	4,308	3,232	-	-
Equipment under finance lease	1,099	266	-	-
	5,670	3,723	-	-

15. Goodwill

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at the beginning of financial year	14,748	-	-	-
Additional amounts recognised from business combinations occurring during the period	103	14,748	-	-
Balance at the end of financial year	14,851	14,748	-	-
Accumulated impairment losses				
Balance at the beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at the end of the financial year	-	-	-	-
Net book value				
Balance at the beginning of the financial year	14,748	-	-	-
Balance at the end of the financial year	14,851	14,748	-	-
Impairment test for goodwill				
Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entity, Aquatas Pty Ltd. The recoverable amount of goodwill is determined based on the value-in-use calculation. This calculation uses a discounted cash flow projection using a discount rate of 10.9%. The calculation is based on management approved financial projections, over a ten year period, of the continued and incremental cash flow synergies to be derived from the acquisition of Aquatas Pty Ltd. A ten year period has been selected as this approximates five live finfish growth cycles, with finfish related synergies underpinning the projected cash flows to be generated. The incremental cash flows have been derived from a comparison of the consolidated entity's profit performance achieved during the current reporting period and the respective stand alone profitability of Aquatas Pty Ltd and the consolidated entity immediately prior to the acquisition, with the later as detailed in the Independent Expert's Report which accompanied the Notice of General Meeting held on 17 March 2005 approving the issue of shares to Webster Limited. The recoverable amount calculated exceeds the carrying value of goodwill.				

16. Other Non-current Assets

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Marine farming lease – at cost	510	510	-	-
Accumulated amortisation (i)	(37)	(16)	-	-
	473	494	-	-

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

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

17. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in notes 19 and 22 to the financial statements, all current and non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security.

The consolidated entity does not hold title to the equipment under finance lease pledged as security.

18. Current Trade and Other Payables

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Trade payables (i)	15,252	16,281	-	-
Other creditors and accruals	2,146	2,794	-	251
Goods and services tax (GST) payable	52	273	-	-
	17,450	19,348	-	251

- (i) The average credit period on purchases of goods is 60 days. No interest is generally charged on trade payables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at varying rates per annum on the outstanding balance. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19. Current Borrowings

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Secured:				
At amortised cost (2005: cost):				
Bank overdrafts (i)	2,669	1,668	-	-
Commercial bills (i), (iv)	26,831	24,000	-	-
Fully drawn advance (i)	-	2,000	-	-
Finance lease liabilities (ii)	2,517	1,679	-	-
Bank loans (iii)	2,857	2,941	-	-
	34,874	32,288	-	-
Unsecured:				
At amortised cost (2005: cost):				
Other loans	66	66	-	-
	34,940	32,354	-	-

- (i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.
- (ii) Secured by assets leased.
- (iii) Secured by assets, the value of which exceeds the loan liability.
- (iv) Secured by a financial guarantee from a third party holding a registered mortgage over the consolidated entity's assets.

20. Current Provisions

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
(a) Current provisions comprise:				
Employee benefits (refer to note 23)	2,575	2,550	-	-
Restructuring and termination costs (i)	-	336	-	-
Other	12	-	-	-
	2,587	2,886	-	-
(b) Movement in provision for restructuring and termination costs:				
Balance at the beginning of the financial year	336	-	-	-
Additional provisions arising on the acquisition of Aquatas Pty Ltd	-	532	-	-
Reductions arising from payments	(336)	(196)	-	-
Balance at the end of the financial year	-	336	-	-

(i) Restructuring and termination costs relating to infrastructure rationalisation and redundancy and notice costs arising on the acquisition of Aquatas Pty Ltd on 18 March 2005.

21. Other Current Liabilities

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Deferred gain on foreign currency contracts (i)	-	1,002	-	-
Deferred government grants	270	-	-	-
	270	1,002	-	-

(i) Deferred gains on foreign currency hedging contracts are recognised as liabilities in the comparative period in accordance with the accounting policies applicable to the comparative period. Such gains are not recognised as liabilities in the current period under AASB139, but are deferred in equity or recognised in profit or loss, as appropriate.

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

22. Non-current Borrowings

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Secured:				
At amortised cost (2005: cost):				
Cash advance (i)	3,240	-	-	-
Fully drawn advance (i)	-	12,000	-	-
Finance lease liabilities (ii)	8,071	6,348	-	-
	11,311	18,348	-	-
Unsecured:				
At amortised cost (2005: cost):				
Other loans	2	68	-	-
	11,313	18,416	-	-

(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.

23. Non-current Provisions

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Employee benefits	536	401	-	-
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits				
Current (refer to note 20)	2,575	2,550	-	-
Non-current	536	401	-	-
	3,111	2,951	-	-

24. Issued Capital

Consolidated and Company				
Note	2006		2005	
	Number	\$'000	Number	\$'000
(a) Ordinary share capital (fully paid):				
Ordinary shares	112,893,432	60,907	110,875,575	59,019
Changes to the Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.				
(b) Movements in ordinary share capital				
Balance at the beginning of the financial year	110,875,575	59,019	82,000,000	30,816
Issued pursuant to Dividend Reinvestment Plan (i)	2,017,857	1,888	1,156,681	1,026
Issued to Webster Limited pursuant to Merger Agreement re acquisition of Aquatas Pty Ltd (ii)	-	-	27,718,894	27,336
	112,893,432	60,907	110,875,575	59,178
Share issue costs pursuant to issue of shares to Webster Limited in respect of acquisition of Aquatas Pty Ltd	-	-	-	(159)
	112,893,432	60,907	110,875,575	59,019
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.				

Notes:

- (i) Share issues pursuant to Company's Dividend Reinvestment Plan.

Current financial year:

On 31 October 2005, 2,017,857 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$0.9354 per share. A discount of 5% was applicable.

Previous financial year:

On 1 November 2004, 1,156,681 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$0.8866 per share. A discount factor of 5% was applicable.

- (ii) On 18 March 2005, pursuant to a Merger Agreement dated 1 February 2005, 27,718,894 ordinary shares were issued to Webster Limited at an issue price of \$0.9862 per share in exchange for all of the issued capital of Aquatas Pty Ltd.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

25. Reserves

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Employee equity-settled benefits	265	177	265	177
Hedging	-	-	-	-
	265	177	265	177
(a) Employee equity-settled benefits reserve				
Balance at the beginning of the financial year	177	111	177	111
Share-based payment	88	66	88	66
Balance at the end of the financial year	265	177	265	177
The employee equity-settled benefits reserve arises on the grant of ordinary shares to the Chief Executive Officer pursuant to entitlements under his employment contract. Amounts are transferred out of the reserve and into issued capital when the shares are issued.				
(b) Hedging reserve				
Balance at the beginning of the financial year	-	-	-	-
Adjustment on adoption of accounting policies specified by AASB 132 and AASB 139 [refer to note 1 (e)]	728	-	-	-
Restated balance at the beginning of the financial year	728	-	-	-
Transferred to profit or loss:				
Forward exchange contracts	(728)	-	-	-
Balance at the end of the financial year	-	-	-	-
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.				

26. Retained Earnings

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	14,568	10,407	360	187
Net profit attributable to members of the parent entity	10,549	5,801	5,566	1,813
Dividends provided for or paid (refer to note 28)	(5,312)	(1,640)	(5,312)	(1,640)
Balance at the end of the financial year	19,805	14,568	614	360



27. Earnings Per Share (EPS)

Earnings per ordinary share

	Consolidated 2006 (Cents per share)	Consolidated 2005 (Cents per share)
Basic (cents per share) (i)	9.40	6.39
Diluted (cents per share) (ii)	9.40	6.39

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

Weighted average number of ordinary shares used as the denominator in the calculation of EPS

	2006 No. '000	2005 No. '000
Number for basic EPS	112,219	90,741
Number for diluted EPS	112,219	90,741

Earnings used as the numerator in the calculation of EPS (i)

	2006 \$ '000	2005 \$ '000
Earnings for basic EPS	10,549	5,801
Earnings for diluted EPS	10,549	5,801

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

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

28. Dividends

	Year Ended 30 June 2006		Year Ended 30 June 2005	
	Cents per share	\$'000	Cents per share	\$'000
(a) Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year (Unfranked)	2.25	2,540	-	-
Final dividend paid in respect of prior financial year (Unfranked)	2.50	2,772	2.00	1,640
	4.75	5,312	2.00	1,640
The Company has not paid tax and therefore has no franking credits available at the reporting date.				
(b) Unrecognised amounts				
Fully paid ordinary shares				
Final dividend in respect of current financial year	2.50	2,822	2.50	2,772
<p>On 30 August 2006, the Directors declared a final unfranked dividend of \$2.822 million (2.5 cents per ordinary share) in respect of the financial year ended 30 June 2006. The record date for determining entitlements to this dividend is 6 October 2006. The final dividend will be paid on 30 October 2006. The Company's Dividend Reinvestment Plan has been reinstated and will apply to the final dividend, with a discount rate of 5% applicable.</p> <p>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.</p> <p>The final dividend in respect of ordinary shares for the year ended 30 June 2006 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2006.</p>				

29. Commitments for Expenditure (i)

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Capital expenditure commitments plant and equipment				
Not longer than 1 year	190	155	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	190	155	-	-

(i) Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 30 to the financial statements.

30. Leases

(a) Finance lease liabilities	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	3,217	2,237	-	-	2,517	1,679	-	-
Later than 1 year and not later than 5 years	9,016	7,274	-	-	8,071	6,348	-	-
Later than 5 years	-	-	-	-	-	-	-	-
Minimum lease payments*	12,233	9,511	-	-	10,588	8,027	-	-
Less future finance charges	(1,645)	(1,484)	-	-	-	-	-	-
Present value of minimum lease payments	10,588	8,027	-	-	10,588	8,027	-	-
Included in the financial statements as:								
Current borrowings (refer to note 19)					2,517	1,679	-	-
Non-current borrowings (refer to note 22)					8,071	6,348	-	-
					10,588	8,027	-	-

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

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

(b) Non-cancellable operating leases	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	1,447	1,621	-	-
Longer than 1 year and not longer than 5 years	1,137	2,454	-	-
Longer than 5 years	51	38	-	-
	2,635	4,113	-	-

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

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

31. Contingent Liabilities

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Court proceedings (i)	-	76	-	-
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group (ii)	-	-	69,048	-
Guarantees and other contingent liabilities arising from interests in joint ventures (iii)	4,500	-	-	-

(i) An entity in the consolidated entity was a defendant in legal actions involving disputes over employee severance payments which was satisfactorily resolved during the current reporting period.

(ii) As detailed in note 32, the Company has entered into a deed of cross guarantee with all the wholly-owned entities within the consolidated entity. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that class order less the liabilities of the Company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely.

(iii) A number of contingent liabilities arise as a result of the Company's interest in joint ventures, including guarantees made directly to financing organisations in respect of the joint ventures. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected.

32. Investments in Controlled Entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2006	2005
Parent entity:			
Tassal Group Limited (i)	Australia		
Controlled entities: (ii)			
Tassal Operations Pty Ltd (iii), (v)	Australia	100%	100%
Aquatas Pty Ltd (iv), (v)	Australia	100%	100%

(i) Tassal Group Limited is the head entity within the tax-consolidated group and also the ultimate parent entity.

(ii) These companies are members of the tax-consolidated group.

(iii) Tassal Operations Pty Ltd was established as a wholly-owned subsidiary on 19 September 2003.

(iv) Aquatas Pty Ltd was acquired on 18 March 2005 pursuant to a Merger Agreement with Webster Limited (refer to note 33).

(v) On 28th June 2006 these wholly-owned subsidiaries entered into a deed of cross guarantee with Tassal Group Limited for the purpose of obtaining for these wholly-owned subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act (including the requirements to prepare and lodge an audited financial report) granted by ASIC by an order made under sub-section 340(1) of the Corporations Act on 27th June 2006. The order made by ASIC relieves these wholly-owned subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they satisfied the conditions set out in ASIC Class Order 98/1418.



33. Acquisition of Businesses

Financial year ended 30 June 2005:

On 18 March 2005 ("Completion"), pursuant to a Merger Agreement dated 1 February 2005, Tassal acquired all of the issued shares of Aquatas Pty Ltd from Webster Limited ("Webster") in exchange for the issue of new Tassal shares equal in number to one-third of Tassal's issued share capital (as at immediately prior to Completion). In addition, Tassal was required to pay to Webster an amount equal to the Webster Loan Amount, being an amount equal to one-third of the aggregate of the Tassal Net Interest Bearing Debt at Completion and \$1 million.

(Tassal non-associated shareholders approved the issue of new shares to Webster at a General Meeting held on 17th March 2005).

In accordance with the Merger Agreement, Tassal issued 27,718,894 fully paid ordinary shares to Webster and assumed additional debt of \$10.759 million in exchange for all the issued shares in the capital of Aquatas Pty Ltd.

Immediately following Completion, Webster held 25% of all Tassal shares on issue.

Only the operating results from the date of acquisition of Aquatas Pty Ltd have been included in the consolidated net profit.

Changes in the composition of the consolidated entity

Name of Business Acquired:	Aquatas Pty Ltd
Principal Activity:	Farming, processing and marketing of Atlantic Salmon and Trout
Date of Acquisition:	18 March 2005
Proportion of Shares Acquired (%):	100%
Cost of Acquisition (\$'000): (i)	\$37,944 (ii)

- (i) Cost of Acquisition
The components of the cost of acquisition of Aquatas Pty Ltd are summarised as follows:

	\$'000
27,718,894 ordinary shares at issue price of \$0.9862* issued to Webster Limited	27,336
Payment to Webster Limited for "Vendor Loan Amount" being an amount equal to one-third of the aggregate of the Tassal borrowings and \$1 million as at 18 March 2005	10,759
Borrowings retained by Aquatas Pty Ltd and assigned to the Company	(580)
Amount of Aquatas Pty Ltd net operating assets below \$30 million threshold pursuant to Merger Agreement	(411)
Costs incidental to the acquisition	840
	37,944
Represented by:	
Fair value of assets acquired [refer to note 36(b)]	13,268
Payment for estimate of Vendor Loan Amount	9,928
Goodwill on acquisition	14,748
	37,944

*Calculated on the basis of the ASX volume weighted average price of fully paid ordinary shares traded on the ASX over the 5 trading days immediately before 18 March 2005.

- (ii) In relation to the acquisition of Aquatas Pty Ltd, the separate financial statements of the Company includes an amount of \$28.016 million recognised as shares in controlled entities at cost, and an amount of \$9.928 million receivable from wholly-owned controlled entities.

Further details on the acquisition of businesses are disclosed in note 36(b) to the financial statements.

Factors that have contributed to the recognition of goodwill on acquisition relate to the generation of forecast underlying marine, processing, marketing and administration synergies directly attributable to the acquisition.

There were no changes in the composition of the consolidated entity for the financial year ended 30 June 2006.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

34. Segment Information

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

35. Related Party Disclosures

Identity of related parties

The following persons and entities are regarded as related parties:

(a) Controlled entities:

Tassal Operations Pty Ltd

Aquatas Pty Ltd

(Refer to note 32 for details of equity interests in the above controlled companies).

(b) Associates and jointly controlled entities:

Salmon Enterprises of Tasmania Pty Ltd

Springfield Hatcheries Pty Ltd

(Refer to note 12 for details of equity interest in the above associates and jointly controlled entities).

(c) Key Management Personnel:

Directors and other Key Management Personnel also include close members of the families of Directors' and other Key Management Personnel.

Transaction between related parties

(a) Key Management Personnel:

In determining the disclosures noted below, the Key Management Personnel have made appropriate enquiries to their best ability and the information presented reflects their knowledge.

Other than as disclosed herein, the Key Management Personnel are not aware of any relevant transactions, other than transactions entered into during the year with Directors and executives of the Company and its controlled entities and with close members of their families which occur within a normal 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 Key Management Personnel.

(ii) Compensation

Details of Key Management Personnel compensation are disclosed in the Remuneration Report and in note 5 to the financial statements.

(iii) Equity Holdings (Fully paid ordinary shares of Tassal Group Limited)

The following tables show the details and movements in equity holdings during the respective current and prior reporting periods of each member of the Key Management Personnel of the consolidated entity:



2006	Balance as at 1/7/05	Balance at appointment date	Granted as remuneration	On exercise of options	Net other change	Balance as at 30/06/06	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
Directors							
C. Bright (Appointed 4 August 2005)*	-	27,718,894	-	-	3,890,829	31,609,723	-
A. McCallum	163,383	-	-	-	12,236	175,619	-
J. Monk	65,788	-	-	-	41,756	107,544	-
R. Roberts*	27,718,894	-	-	-	3,890,829	31,609,723	-
M. Ryan ¹	-	-	-	-	-	-	-
M. Van Ryn	248,250	-	-	-	-	248,250	-
J. Watson	195,250	-	-	-	35,218	230,468	-
Other Key Management Personnel:							
M. Asman	-	-	-	-	-	-	-
N. Burrows	10,000	-	-	-	-	10,000	-
K. Little	-	-	-	-	-	-	-
N. Petracca	-	-	-	-	-	-	-
D. Williams	-	-	-	-	-	-	-
Total	28,401,565	27,718,894	-	-	7,870,868	63,991,327	-

*31,609,723 are held by Webster Limited. Both Mr Bright and Mr Roberts were Directors of Websters Limited at the end of the financial year.

¹Details of Mr Ryan's equity based remuneration arrangements are separately discussed in the Remuneration Report. No shares or options were issued pursuant to these arrangements during the financial year and none were on issue at the end of the financial year.

2005	Balance as at 1/7/04	Granted as remuneration	On exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30/06/05
	No.	No.	No.	No.	No.	No.
Directors:						
D. Williams (Retired 17 June 2005)	16,000,000	-	-	360,929	16,360,929	N/A
M. Fremder (Retired 18 March 2005)	1,500,000	-	-	(1,500,000)	-	N/A
G. Hunt (Appointed 18 March 2005) ¹	-	-	-	27,718,894	-	27,718,894
A. McCallum	150,000	-	-	13,383	-	163,383
J. Monk	30,000	-	-	35,788	-	65,788
R. Roberts (Appointed 18 March 2005) ¹	-	-	-	27,718,894	-	27,718,894
M. Van Ryn	248,250	-	-	-	-	248,250
J. Watson	150,000	-	-	45,250	-	195,250
Other Key Management Personnel:						
M. Ryan	-	-	-	-	-	-
M. Asman	-	-	-	-	-	-
N. Burrows	10,000	-	-	-	-	10,000
M. Green	-	-	-	-	-	-
D. Williams	-	-	-	-	-	-
Total	18,088,250	-	-	54,393,138	16,360,929	56,120,459

¹27,718,894 ordinary shares were issued to Webster Limited under the terms of a Merger Agreement between Webster Limited and Tassal Group Limited. Both Mr Hunt and Mr Roberts were Directors of Webster Limited at the end of the financial year ended 30 June 2005.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

35. Related Party Disclosures (cont.)

(a) Key Management Personnel (cont.):

(iv) *Other transactions*

Excluding contracts of employment, no Key Management Personnel have entered into a contract or other transactions with the Company or the consolidated entity during the financial year and there were no contracts or other transactions involving Key Management Personnel's interests subsisting at year end.

(b) Controlled entities

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

Details of dividend revenue derived by the entity from entities in the wholly-owned group are disclosed in note 3 to the financial statements.

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

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

- **Interentity loans:**
Loans between the Company and its controlled entities are unsecured and advanced on an interest free basis. (Refer to note 7 to the financial statements).

(c) Associates and jointly controlled entities

The Company and the consolidated entity entered into transactions with the following associate and jointly controlled entity for the supply of smolt (juvenile salmon), ancillary related items and the sale of various goods and services. These transactions were conducted on normal commercial terms and conditions.

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
Salmon Enterprises of Tasmania Pty Ltd	4,181	3,732	-	-
Springfield Hatcheries Pty Ltd	384	-	-	-
	4,565	3,732	-	-

36. Notes to the Cash Flow Statement

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
(a) For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	1,459	61	-	-
Bank overdraft	(2,669)	(1,668)	-	-
	(1,210)	(1,607)	-	-



	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
(b) Business acquired – year ended 30 June 2005				
On 18 March 2005, pursuant to a Merger Agreement dated 1 February 2005, the Company acquired all of the issued capital of Aquatas Pty Ltd. (Further details are disclosed in note 33 to the financial statements).				
Consideration:				
Cash applied from proceeds of borrowings	-	9,928	-	9,928
Add:				
Costs incidental to the acquisition	-	840	-	840
Total purchase cost	-	10,768	-	10,768
Less cash balances acquired	-	(82)	-	(82)
Net cash outflow on acquisition	-	10,686	-	10,686
Fair value of assets acquired:				
Current assets:				
Cash and cash equivalents	-	84	-	-
Trade and other receivables	-	4,485	-	-
Inventories	-	4,984	-	-
Biological assets	-	5,606	-	-
Other	-	92	-	-
Non-current assets:				
Other financial assets	-	1,332	-	-
Property, plant and equipment	-	10,160	-	-
Deferred tax assets	-	4,550	-	-
Other	-	253	-	-
Current liabilities:				
Trade and other payables	-	(6,959)	-	-
Borrowings	-	(10,015)	-	-
Provisions	-	(734)	-	-
Non-current liabilities:				
Borrowings	-	(493)	-	-
Deferred tax liabilities	-	(77)	-	-
Net assets acquired	-	13,268	-	-
Goodwill on acquisition	-	14,748	-	-
	-	28,016	-	-

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

36. Notes to the Cash Flow Statement (cont.)

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	\$'000	\$'000	\$'000	\$'000
(c) Reconciliation of profit for the period to net cash flows from operating activities:				
Profit for the period	10,549	5,801	5,566	1,813
Depreciation and amortisation of non-current assets	1,768	934	-	-
Depreciation – impact of allocation to cost of live and processed fish inventories	3,924	2,805	-	-
Net increment in biological assets	(856)	(1,019)	-	-
(Gain) / loss on sale of fixed assets	(357)	(17)	-	-
(Increase) / decrease in deferred tax balances	3,972	2,586	(378)	(173)
Share of associates' and jointly controlled entities' profits	(698)	-	-	-
Equity settled share-based payment	88	66	88	66
Changes in net assets and liabilities net of effects from acquisition of businesses				
(Increase) / decrease in assets:				
Inventories (i)	6,027	(5,735)	-	-
Biological assets (i)	(9,978)	(7,373)	-	-
Current trade and other receivables	11,111	(1,226)	(5,025)	(66)
Prepayments	(75)	229	-	-
Other	126	(304)	-	-
Increase / (decrease) in liabilities:				
Current trade and other payables	(1,769)	612	(251)	(1,640)
Other current liabilities	(732)	-	-	-
Current provisions	(299)	(244)	-	-
Non-current provisions	135	(265)	-	-
Net cash provided by/(used in) operating activities	22,936	(3,150)	-	-
(i) Changes in inventories and biological assets are shown net of the profit impact of AASB141 'Biological Assets'				
(d) Financing facilities				
Secured revolving bank overdraft facility subject to annual review and payable at call				
• Amount used	2,669	1,668	-	-
• Amount unused	10,331	1,332	-	-
	13,000	3,000	-	-
Secured bank loan and commercial bill facilities with various maturity dates through to 2009 and payable at call				
• Amount used	30,071	38,000	-	-
• Amount unused	2,929	7,000	-	-
	33,000	45,000	-	-
Revolving lease finance facilities subject to annual review and payable at call with individual lease terms no greater than 5 years				
• Amount used	13,445	10,969	-	-
• Amount unused	11,555	1,031	-	-
	25,000	12,000	-	-

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



(e) Non-cash financing and investing activities

Changes in net assets and liabilities net of effects from acquisition of businesses:

Current financial year:

On 31 October 2005, 2,017,857 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$0.9354 per share. A discount factor of 5% was applicable.

Previous financial year:

On 1 November 2004, 1,156,681 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$0.8866 per share. A discount factor of 5% was applicable.

On 18 March 2005, 27,718,894 ordinary shares were issued to Webster Limited pursuant to a Merger Agreement dated 1 February 2005 at an issue price of \$0.9862 per share in exchange for all the issued capital of Aquatas Pty Ltd.

37. Financial Instruments

(a) Significant accounting policies

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

(b) Financial risk management objectives of derivative financial instruments

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

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of salmon principally to Japan; and
- interest rate swaps to mitigate the risk of rising interest rates.

The consolidated entity does not enter into or trade financial instruments, including derivative instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

(c) 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. As at the reporting date the aggregate amount of unrealised gains or losses under forward exchange contracts relating to anticipated future transactions is \$nil (2005: unrealised gain of \$1.002 million).

From 1 July 2005, forward foreign exchange contracts are designated and effective as cash flow hedges. Forward foreign exchange contracts outstanding at 30 June 2005 were recognised as financial assets on adoption of the accounting policies specified in note 1 (e). The amount of anticipated future sales is forecast in light of current trading conditions in foreign markets, commitments from customers and experience.

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

Outstanding Contracts	Average Exchange Rate		Principal Amount	
	2006	2005	2006	2005
			\$'000	\$'000
Sell Japanese Yen				
Less than 3 months	-	74.12	-	1,565
3 to 6 months	-	74.12	-	2,746
Longer than 6 months	-	74.12	-	5,780

(d) 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 and debt held.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed in the table on page 72. The average interest rate is based on the outstanding balances at the start of the financial year.

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

37. Financial Instruments (cont.)

(d) Interest rate risk (cont.)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2006	2005	2006	2005	2006	2005
	%	%	\$'000	\$'000	\$'000	\$'000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	6.13	-	7,500	-	(14)	-
2 to 5 years	6.13	-	7,500	-	12	-
5 years +	-	-	-	-	-	-
			15,000	-	(2)	-

(e) Maturity profile of financial statements

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

	Average Interest Rate	Variable Interest Rate	Fixed interest rate maturity			Non-interest bearing	Total
			Less than 1 year	1 to 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	2.50%	1,459	-	-	-	-	1,459
Trade receivables	-	-	-	-	-	6,230	6,230
Other receivables	-	-	-	-	-	2,479	2,479
Other	-	-	-	-	-	43	43
		1,459	-	-	-	8,752	10,211
Financial liabilities							
Trade payables	-	-	-	-	-	15,252	15,252
Other payables	-	-	-	-	-	2,198	2,198
Bank overdrafts	7.50%	2,669	-	-	-	-	2,669
Commercial bills	5.98%	-	26,831	-	-	-	26,831
Cash advance	6.38%	-	-	3,240	-	-	3,240
Finance lease liabilities	7.50%	-	2,517	8,071	-	-	10,588
Bank loans	8.03%	-	2,857	-	-	-	2,857
Other loans	8.20%	-	66	2	-	-	68
Provisions	-	-	-	-	-	12	12
Employee benefits	-	-	-	-	-	3,111	3,111
		2,669	32,271	11,313	-	20,573	66,826



The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

2005	Average Interest Rate	Variable Interest Rate	Fixed interest rate maturity			Non-interest bearing	Total
			Less than 1 year	1 to 5 years	More than 5 years		
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	2.50%	61	-	-	-	-	61
Trade receivables	-	-	-	-	-	16,239	16,239
Other receivables	-	-	-	-	-	2,982	2,982
Other	-	-	-	-	-	43	43
		61	-	-	-	19,264	19,325
Financial liabilities							
Trade payables	-	-	-	-	-	16,281	16,281
Other payables	-	-	-	-	-	3,067	3,067
Bank overdrafts	9.35%	1,668	-	-	-	-	1,668
Commercial bills	5.78%	-	24,000	-	-	-	24,000
Fully drawn advance	5.78%	-	2,000	12,000	-	-	14,000
Finance lease liabilities	7.75%	-	1,679	6,348	-	-	8,027
Bank loans	7.25%	-	2,941	-	-	-	2,941
Other loans	8.20%	-	66	68	-	-	134
Provisions	-	-	-	-	-	336	336
Employee benefits	-	-	-	-	-	2,951	2,951
		1,668	30,686	18,416	-	22,635	73,405

(f) 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.

(g) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values (2005: net fair values), determined in accordance with the summary of accounting policies disclosed in note 1 to these financial statements and having regard to likely future cash flows.

(h) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

38. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'Firsttime Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005 (refer to note 1(e)).

The accounting policies in note 1 have been applied in preparing the consolidated financial statements for the financial year ended 30 June 2006, the comparative information for the financial year ended 30 June 2005 and the preparation of an opening A-IFRS balance sheet as at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening A-IFRS balance sheet, comparative information for the financial year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous AGAAP).

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position and financial performance is set out in the following tables and the notes that accompany the tables. There are no material differences between the Cash Flow Statement presented under A-IFRS and the Statement of Cash Flows presented under the superseded policies.

The following table sets out a reconciliation of equity under AGAAP to A-IFRS:

Note 38 Ref.	Consolidated		Company	
	1 July 2004*	30 June 2005**	1 July 2004*	30 June 2005**
	\$'000	\$'000	\$'000	\$'000
Total equity under Australian GAAP	41,749	74,648	30,443	58,811
Effect of transition to A-IFRS				
Adjustment to retained earnings:				
Recognition of share-based remuneration expense (b)	(111)	(177)	-	-
Deferred tax accounting adjustment (d)	(924)	(1,028)	51	51
Derecognition of restructuring and termination cost provision which were not existing liabilities of Aquatlas Pty Ltd at the date of acquisition (a)	-	(373)	-	-
Total adjustment to retained earnings	(1,035)	(1,578)	51	51
	40,714	73,070	30,494	58,862
Employee equity-settled benefits reserve (Recognition of share-based remuneration) (b)	111	177	111	177
Impact of income tax benefit in respect of share issue costs (d)	509	517	509	517
Total equity under A-IFRS	41,334	73,764	31,114	59,556

*These columns represent adjustments as at the date of transition to A-IFRS.

**These columns represent the cumulative adjustments as at the date of transition to A-IFRS, and those for the financial year ended 30 June 2005.

Effect of A-IFRS on the income statement
for the financial year ended 30 June 2005.

	Note 38 Ref.	Consolidated			Company		
		Superseded policies*	Effect of transition to A-IFRS	A-IFRS	Superseded policies*	Effect of transition to A-IFRS	A-IFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	(c)	156,225	(577)	155,648	1,640	-	1,640
Other income	(c)	1,164	528	1,692	-	-	-
Changes in inventories of finished goods and work in progress		(5,659)	-	(5,659)	-	-	-
Raw materials and consumables used		(109,726)	-	(109,726)	-	-	-
Employee benefits expense	(a), (b)	(25,165)	(359)	(25,524)	-	-	-
Depreciation and amortisation expense		(934)	-	(934)	-	-	-
Finance costs		(2,962)	-	(2,962)	-	-	-
Other expenses	(a), (c)	(4,489)	(190)	(4,679)	-	-	-
Profit before income tax expense		8,454	(598)	7,856	1,640	-	1,640
Income tax expense	(a), (d)	(2,110)	55	(2,055)	173	-	173
Profit for the period		6,344	(543)	5,801	1,813	-	1,813

*Reported financial performance under previous Australian GAAP.

Notes to the Financial Statements (cont.)

for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

38. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (cont.)

Effect of A-IFRS on the balance sheet as at 1 July 2004.

Note 38 Ref.	Consolidated			Company		
	Superseded policies*	Effect of transition to A-IFRS	A-IFRS	Superseded policies*	Effect of transition to A-IFRS	A-IFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Cash and cash equivalents	5	-	5	-	-	-
Trade and other receivables (e)	14,423	-	14,423	30,275	1,193	31,468
Inventories	7,579	-	7,579	-	-	-
Biological assets	32,476	-	32,476	-	-	-
Other	424	-	424	-	-	-
Total current assets	54,907	-	54,907	30,275	1,193	31,468
Non-current assets						
Other financial assets	3,581	-	3,581	-	-	-
Property, plant and equipment	22,566	-	22,566	-	-	-
Deferred tax assets (d)	1,391	407	1,798	1,391	(522)	869
Other	258	-	258	-	-	-
Total Non-Current Assets	27,796	407	28,203	1,391	(522)	869
Total Assets	82,703	407	83,110	31,666	671	32,337
Current Liabilities						
Trade and other payables	12,577	-	12,577	-	-	-
Borrowings	6,350	-	6,350	-	-	-
Provisions	1,961	-	1,961	-	-	-
Total Current Liabilities	20,888	-	20,888	-	-	-
Non-Current Liabilities						
Borrowings	18,387	-	18,387	-	-	-
Deferred tax liabilities (d)	1,223	822	2,045	1,223	-	1,223
Provisions	456	-	456	-	-	-
Total Non-Current Liabilities	20,066	822	20,888	1,223	-	1,223
Total Liabilities	40,954	822	41,776	1,223	-	1,223
Net Assets	41,749	(415)	41,334	30,443	671	31,114
Equity						
Issued capital (d)	30,307	509	30,816	30,307	509	30,816
Reserves (b)	-	111	111	-	111	111
Retained earnings (b), (d)	11,442	(1,035)	10,407	136	51	187
Total Equity	41,749	(415)	41,334	30,443	671	31,114

*Reported financial position under previous Australian GAAP.

Effect of A-IFRS on the balance sheet as at 30 June 2005.

Note 38 Ref.	Consolidated			Company		
	Superseded policies* to A-IFRS	Effect of transition	A-IFRS	Superseded policies* to A-IFRS	Effect of transition	A-IFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Cash and cash equivalents	61	-	61	-	-	-
Trade and other receivables (e)	19,221	-	19,221	28,515	(8,140)	20,375
Inventories	18,979	-	18,979	-	-	-
Biological assets	45,847	-	45,347	-	-	-
Other	343	-	343	-	-	-
Total current assets	84,451	-	84,451	28,515	(8,140)	20,375
Non-current assets						
Investments accounted for using the equity method	5,174	-	5,174	-	-	-
Other financial assets	43	-	43	28,016	-	28,016
Property, plant and equipment	41,241	-	41,241	-	-	-
Deferred tax assets (d)	2,531	(511)	2,020	2,531	8,885	11,416
Goodwill (a)	15,121	(373)	14,748	-	-	-
Other	494	-	494	-	-	-
Total Non-Current Assets	64,604	(884)	63,720	30,547	8,885	39,432
Total Assets	149,055	(884)	148,171	59,062	745	59,807
Current Liabilities						
Trade and other payables	19,348	-	19,348	251	-	251
Borrowings	32,354	-	32,354	-	-	-
Provisions	2,886	-	2,886	-	-	-
Other	1,002	-	1,002	-	-	-
Total Current Liabilities	55,590	-	55,590	251	-	251
Non-Current Liabilities						
Borrowings	18,416	-	18,416	-	-	-
Provisions	401	-	401	-	-	-
Total Non-Current Liabilities	18,817	-	18,817	-	-	-
Total Liabilities	74,407	-	74,407	251	-	251
Net Assets	74,648	(884)	73,764	58,811	745	59,556
Equity						
Issued capital (d)	58,502	517	59,019	58,502	517	59,019
Reserves (b)	-	177	177	-	177	177
Retained earnings (a), (b), (d)	16,146	(1,578)	14,568	309	51	360
Total Equity	74,648	(884)	73,764	58,811	745	59,556

*Reported financial position under previous Australian GAAP.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2006

Tassal Group Limited and Controlled Entities

38. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (cont.)

(a) Business combinations

The Company has elected to make use of the transitional exemption available under AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards and has not restated any business combinations that occurred prior to 1 July 2004. As a result, all business combinations previously recognised will continue to be recognised as business combinations for A-IFRS purposes.

Accordingly, the impacts of the adoption of A-IFRS on the Annual Financial Report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation.

Tassal Group Limited acquired a subsidiary (Aquatlas Pty Ltd) during the financial year ended 30 June 2005 and recognised a provision for restructuring and termination costs at the date of acquisition (18 March 2005).

AASB 3 Business Combinations prohibits the recognition of restructuring provisions as a liability acquired in a business combination that are not existing liabilities of the acquiree at the date of acquisition. The effect of this is to reduce goodwill and consolidated retained earnings at 30 June 2005 by \$0.373 million respectively. The adjustment to consolidated retained earnings at 30 June 2005 reflects additional consolidated employee expenses of \$0.293 million, additional consolidated other expenses of \$0.239 million and an associated reduction in consolidated income tax expense of \$0.159 million.

(b) Share-based payments

Under AASB 2 Share-based Payments, equity settled share-based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. Under AGAAP, no expense was recognised for equity-based compensation.

The consolidated entity's Chief Executive Officer's current employment contract includes a share-based remuneration component. For the financial year ended 30 June 2005 share-based payments of \$0.066 million (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve. On transition to A-IFRS, consolidated and Company opening retained earnings at 1 July 2004 decreased by \$0.111 million, with a corresponding increase in the employee equity-settled benefits reserve, and a decrease in retained earnings of \$0.177 million at 30 June 2005.

These adjustments had no material tax or deferred tax consequences.

(c) Revenue and other income

Under superseded policies, the consolidated entity recognised the gain or loss on disposal of property, plant and equipment on a 'gross' basis by recognising the proceeds from sale as revenue, and the carrying amount of the property, plant and equipment disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a 'net' basis, and is classified as other income, rather than revenue. Accordingly, the 'gross' amounts have been reclassified within the income statement for A-IFRS reporting purposes.

The effect of this is to reduce consolidated other income and reduce consolidated other expenses by \$0.049 million for the financial year ended 30 June 2005.

Under A-IFRS government grants are classified as other income. This is in contrast to AGAAP, under which such items are classified as revenue. The effect of this has been to reduce consolidated revenue by \$0.577 million for the financial year ended 30 June 2005 with a corresponding equivalent increase in consolidated other income for that period.

(d) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

Share issue costs

The impact of the tax benefit in respect of the share issue costs, which are deductible to Tassal Group Limited over a five year period, is required to be recognised directly in equity in accordance with the requirements of A-IFRS. The expenditure gives rise to a deferred tax asset, which will reverse as the deduction is taken through the current tax expense.

The effect of this on consolidated retained earnings is to reduce it by \$0.102 million at 1 July 2004 (Company: increase of \$0.051 million) and \$0.206 million (Company: increase of \$0.051 million) for the financial year ended 30 June 2005. Consolidated income tax expense is increased by \$0.104 million for the financial year ended 30 June 2005.

Consolidated and Company contributed equity increased by \$0.509 million at 1 July 2004 and by \$0.517 million at 30 June 2005, with an associated increase in consolidated deferred tax assets of \$0.407 million (Company: \$0.363 million) at 1 July 2004 and \$0.311 million at 30 June 2005 (Company: \$0.363 million).

Property, plant and equipment

In respect of the differences between the carrying amount of property, plant and equipment and its tax base, application of the balance sheet liability method under A-IFRS has given rise to a deferred tax liability. The effect of this on the consolidated entity is to reduce retained earnings and increase the deferred tax liability at 1 July 2004 and at 30 June 2005, reduce retained earnings and net deferred tax asset by \$0.822 million respectively.

Entity recognition of deferred tax balances

Under previous AGAAP, deferred tax balance were recognised in the head entity of the tax-consolidated group. Under revised Accounting Standards, deferred tax balances (with the exception of tax losses) are recognised in the controlled entity to which the balances relate. On transition to A-IFRS, deferred tax assets of the Company have decreased \$0.885 million with a corresponding increase in amounts receivable from wholly-owned controlled entities. For the financial year ended 30 June 2005, deferred tax assets of the Company increased \$8.885 million, with a corresponding decrease in amounts receivable from wholly-owned controlled entities.

(e) Amounts receivable from wholly-owned controlled entities

On transition to A-IFRS amounts receivable from wholly-owned controlled entities of the Company arising from share-based payments, share issue costs and entity recognition of deferred tax balances, increased by \$1.193 million and for the financial year ended 30 June 2005, decreased by \$8.140 million.

Directors' Declaration



Directors' Declaration

1. In the opinion of the Director of Tassal Group Limited (the Company):
 - (a) the financial statements and notes set out on pages 29 to 78, and the remuneration disclosures contained in the Directors Report set out on pages 21 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. At the date of this declaration, the Company and its subsidiaries are the parties to a deed of cross guarantee entered into for the purpose of obtaining for the Company's subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act granted by ASIC by an order made under subsection 340 (1) of the Corporations Act on 27 June 2006. The order made by ASIC relieves the Company's subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they satisfied the conditions set out in ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor of each other company which is party to the deed payment in full of any debt owed by each other company.

In the Directors opinion, there are reasonable grounds to believe that the Company and each of its wholly-owned subsidiaries, being the parties to the deed of cross guarantee as detailed in note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2006.

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

A handwritten signature in black ink, appearing to read 'A. D. McCallum'. The signature is fluid and cursive.

A. D. McCallum

Chairman

Hobart, this 29 day of September 2006

Independent Audit Report

Tassal Group Limited and Controlled Entities

Deloitte.

Independent audit report to the members of Tassal Group Limited

Deloitte Touche Tohmatsu
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Scope

The financial report, compensation disclosures and Directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the Directors' declaration for both Tassal Group Limited (the Company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 29 to 79. 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.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "Remuneration Report" on pages 21 to 26 of the Directors' Report, and not in the financial report.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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. The Directors are also responsible for the preparation and presentation of the compensation disclosures contained in the Directors' Report in accordance with the Corporations Regulations 2001.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them 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 and the compensation disclosures comply with AASB 124. 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 Accounting Standards in Australia and the Corporations Act 2001 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, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the compensation disclosures in the Directors' 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.

Audit Opinion

In our opinion:

- (1) the financial report of Tassal Group Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 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
- (2) the compensation disclosures that are contained on pages 21 to 26 under the heading "Remuneration Report" of the Directors' Report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



L.T. Cox
Partner
Chartered Accountants
Hobart, 29 September 2006

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation

Additional Stock Exchange Information

Tassal Group Limited and Controlled Entities

The following additional information is provided in accordance with the ASX Listing Rules as at 6 September 2006.

Ordinary Shares

Voting power

Tassal has ordinary shares on issue. There are no options over ordinary shares on issue. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held.

Distribution and number of holders of ordinary shares

Number of shares held	Number of holders	Number of shares	% of issued capital
Parent entity:			
1 – 1,000	156	111,982	0.09
1,001 – 5,000	437	1,304,762	1.16
5,001 – 10,000	281	2,281,788	2.02
10,001 – 100,000	299	7,757,178	6.88
100,001 and over	40	101,437,722	89.85
Total	1,213	112,893,432	100.00

The number of shareholders holding less than a marketable parcel of 399 ordinary shares on 6 September 2006 is 24 and they hold 2,763 ordinary shares.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to ASX.

Name	Number of shares	% of voting power advised
Webster Limited	31,609,723	28.00
JF Capital Partners Limited	10,559,513	9.35
Equity Trustees Limited <SGH PI Smaller Co's Fund>	9,612,214	8.51
Challenger Financial Services Group Limited	7,975,952	7.07
Portfolio Partners Limited	6,552,295	5.80

Additional Stock Exchange Information

Tassal Group Limited and Controlled Entities

The following additional information is provided in accordance with the ASX Listing Rules as at 6 September 2006.

Twenty largest holders of quoted ordinary shares

Name	Number of shares	% of issued capital
Webster Limited	31,609,723	28.00
J P Morgan Nominees Australia Limited	16,037,875	14.21
National Nominees Limited	10,717,387	9.49
Equity Trustees Limited <SGH PI Smaller Co's Fund>	9,612,214	8.51
Mariner Financial Limited	5,286,344	4.68
Victorian Workcover Authority	2,930,645	2.60
Queensland Investment Corporation	2,728,800	2.42
INVIA Custodian Pty Limited <WAM Capital Limited A/C>	2,335,667	2.07
INVIA Custodian Pty Limited <Thirty Five A/C>	2,190,250	1.94
Mirrabooka Investments Limited	2,053,453	1.82
ANZ Nominees Limited <Cash Income A/C>	1,975,726	1.75
Benefund Ltd	1,655,108	1.47
Transport Accident Commission	1,533,709	1.36
INVIA Custodian Pty Limited <WAM Equity Fund A/C>	1,222,433	1.08
The University of Melbourne	1,047,887	0.93
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	1,037,109	0.92
Westpac Custodian Nominees Limited	877,700	0.78
UBS Nominees Pty Ltd	850,177	0.75
RBC Dexia Investor Services Australia Nominees Pty Limited	782,544	0.69
Hanhill Capital Pty Ltd	700,000	0.62
Total	97,184,751	86.09

On-market buy-back

There is no current on-market buy-back.