



Tassal upsizes for next growth phase
Tassal Group Limited 2007 Annual Report





2007

The Year's
Milestones

- Achieved further cost reduction and throughput efficiencies Company-wide through:
 - Automatic feeders introduced to cover all fish stock;
 - Improved fish husbandry practices;
 - Increased fish size;
 - Increased smolt numbers to sea;
 - Increased scale;
 - Improved feed conversion ratios;
 - Improved survival rates;
 - Significantly improved value adding processing throughput and efficiencies;
 - Improved automation of processing techniques; and
 - Domestic and export market sales growth.
- The Executive Team and Operational Management continued to be strengthened to be global best practice from an operational, risk management and quality perspective.
- The “roll out” of an enhanced Company-wide Risk Management Platform underpinned significant work place safety improvements.
- These achievements have allowed Tassal to:
 - Deliver an outstanding turnover and profit performance uplift on the prior year;
 - Utilise operational cash flow to underpin fish inventory growth through continued investment in marine and processing infrastructure;
 - Improve gearing;
 - Declare an improved dividend return to shareholders; and
 - Fundamentally position the Company to continue along its growth strategy from a capital, financial and operational perspective.



2008

Priority Initiatives

1. Overarching Long Term Goal Statement

To continue to strive for global cost competitiveness in both aquaculture production and processing, together with achieving premium returns from our sales and marketing initiatives.

2. 2008 Primary Focus

With our Strategic Plan out to the 2015 financial year now in place, the 2008 financial year will not only be about achieving further substantial increases in both financial and operational performance in the short term, it will also be about ensuring that the appropriate infrastructure from a capital, financial and operational perspective is in place to deliver on our long term goal.

3. Marine Initiatives

Increased fish size underscores profit growth

To further improve fish size and survivability through continued and innovative investment in marine infrastructure and selective breeding technology, together with delivering ongoing fish husbandry and feed management improvement.

4. Risk Management Initiatives

Embedding a Company-wide Risk Management culture across the business

To cascade risk mitigation and management accountability to all levels of the business and continue to build on the significant work place safety milestones achieved in the 2007 financial year.

5. Processing Initiatives

Processing innovation and efficiencies continue to flow

To deliver incremental processing efficiency gains by introducing further automation and innovative processing techniques, leveraging off the benefits from improved fish harvest size and a new Management team.

6. Branding Initiatives

"Tassal Pure Tasmania" - the consumer choice

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

7. Revenue Initiatives

Opening the gateway to new market and product development horizons

To harness increasing global demand to continue our strong sales growth and expand our Australian and Asia – Pacific markets.

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Directors

Allan McCallum, Dip.Ag Science, MAICD (Chairman)
 Charles Bright, BA, MA (Oxon)
 David Groves, B.Com. M.Com, CA, FAICD
 Jill Monk, B.Arts, B.Law, FAICD, FALI
 Roderick Roberts, B.Ec, MBA, FAICD
 John Watson, AM, MAICD
 Mark Andrew Ryan, B.Com, CA, MAICD (Managing Director)

Chief Executive Officer

Mark Andrew Ryan
 B.Com, CA, MAICD

Company Secretary

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

Registered Office

2 Salamanca Square
 Hobart
 Tasmania 7000

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 Facsimile (03) 6244 9002
 E-mail tassal@tassal.com.au
 Website www.tassal.com.au
 ABN: 15 106 067 270

Principal Administrative Office*

2 Salamanca Square
 Hobart
 Tasmania 7000

Telephone (03) 6244 9099
 Facsimile (03) 6244 9002

(*Also principal place of business)

Auditors

Deloitte Touche Tohmatsu
 Level 9
 22 Elizabeth Street
 Hobart
 Tasmania 7000

Bankers

Westpac Banking Corporation
 Level 9
 360 Collins Street
 Melbourne
 Victoria 3000

Solicitors

Gadens Lawyers
 Level 25
 Bourke Place
 600 Bourke Street
 Melbourne
 Victoria 3000
 Page Seager
 162 Macquarie Street
 Hobart
 Tasmania 7000
 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) | 1300 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 |
| Mark Asman | Chief Financial Officer |
| Dale Williams | Chief Operating Officer |
| Nick Petracca | Chief of Sales and Marketing |
| Kaylene Little | Chief Risk Officer |
| Andrew Creswell | General Manager Human Resources and Quality |
| Bob Cukalac | General Manager Finance |
| Alistair Sloman | General Manager Retail |
| Hank Poeschl | General Manager Wholesale / Foodservice and Industrial Sales |
| Craig Selkirk | General Manager Farming |
| Paul Taranto | General Manager Special Projects |
| | General Manager Planning |

Chairman's and Chief Executive Officer's Report

Results and Performance Overview

The Board of Tassal Group Limited ("Tassal") is extremely pleased to report a net profit after tax of \$20.145 million for the financial year to 30 June 2007. This represents a significant uplift of 90.96% when compared to the comparative net profit after tax of \$10.549 million for the financial year to 30 June 2006.

The Directors of Tassal have declared an unfranked final dividend of 2.75 cents per share. With an interim dividend of 2.50 cents per share, this brings the total dividend to 5.25 cents per share for the 2007 financial year. The Company's Dividend Re-investment Plan will again be in place at a 5% discount rate to support continued investment in fish growth, marine and processing infrastructure, together with further improved gearing levels.

Tassal's consolidated revenue was reported at \$245.919 million [2006: \$203.407 million] and this underpinned the earnings before interest and tax ("EBIT") of \$32.747 million [2006: \$18.648 million].

Key Financial Performance Indicators

For clarity, the table below reports the key consolidated financial performance indicators for the financial year to 30 June 2007 and 30 June 2006:

| | 30-Jun-07 (\$'000) | 30-Jun-06 (\$'000) |
|---|-----------------------|-----------------------|
| Revenue (from all sources) ⁽ⁱ⁾ | 245,919 | 203,407 |
| EBITDA | 34,370 | 20,416 |
| EBIT | 32,747 | 18,648 |
| Profit before income tax expense | 28,157 | 14,521 |
| Income tax expense | (8,012) | (3,972) |
| Net profit after income tax expense | 20,145 | 10,549 |
| Basic earnings per share (cents) | 0.1764 | 0.0940 |

(i) Australian 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 \$101.918 million in revenue for the financial year to 30 June 2007 [2006: \$76.339 million].

Overview

The 2007 financial year was an outstanding year where there were significant achievements made from not only a strategic and operational perspective, but also from a financial perspective. Tassal has delivered a 90.96% increase in net profit after tax and is now extremely well positioned to continue its strong growth and to expand the Australian and Asia – Pacific sales markets.

There has been significant growth achieved since our listing in November 2003, however we are not resting on our achievements to date, as our focus is on delivering further substantial increase in shareholder value. With our Strategic Plan now in place out to financial year 2015, the 2008 financial year will not only be about achieving further substantial increases in both financial and operational performance in the short term, it will also be about ensuring that the appropriate infrastructure from a capital, financial and operational perspective is in place to deliver our long term goal of global best practice in both aquaculture production and processing.

Together with global cost competitiveness, our strategy is also about achieving premium returns from our sales and marketing initiatives. Our quality Salmon products attract a premium in the markets in which we participate and this, combined with an improving cost of production, allows us to ensure that we are able to export profitably to regional Asian export markets.

During the 2007 financial year Tassal has been able to achieve the following:

- Implemented automatic feeders to cover all fish stock;
- Improved fish husbandry practices;
- Increased fish size;
- Increased smolt numbers to sea;
- Increased scale benefits;
- Improved feed conversion rates;
- Significantly improved value adding processing throughput and efficiencies;
- Improved automation of processing techniques; and
- Improved risk mitigation practices.

The Board has confirmed its view that Tassal has in place the Strategic Plan and underlying platform to continue to strive for global best practice in both aquaculture production and processing, together with achieving premium returns from its sales and marketing initiatives.

Financial Review

The Board regards the financial performance for the 2007 financial year as an accurate reflection of effort and innovation across the business and is satisfied that the continued successful implementation of operating improvements since listing has delivered a strong foundation for both future sustainable profitable growth and improved shareholder returns. For the 2007 financial year:

- Revenue increased by 20.90% to \$245.919 million [2006: \$203.407 million];
- EBITDA increased by 68.35% to \$34.370 million [2006: \$20.416 million];
- EBIT increased by 75.60% to \$32.747 million [2006: \$18.648 million]; and
- Net profit after income tax expense increased by 90.96% to \$20.145 million [2006: \$10.549 million].

Cash flow from operating activities was substantially utilised to underpin:

- the growth of fish inventory – with cash movement in inventories (i.e. harvested fish) increasing in value by \$17.884 million and biological assets (i.e. fish in the water) increasing in value by \$5.104 million; and
- ongoing investment in marine and processing infrastructure – payments for property, plant and equipment of \$15.726 million were incurred for the 2007 financial year.

Despite the increased investment in fish inventory and marine and processing infrastructure, Tassal has been able to improve its gearing position with a net debt to equity ratio of 49.71% [2006: 55.32%]. Net interest bearing debt at 30 June 2007 was \$52.176 million [2006: \$44.794 million]. Management is focussed on adhering to the Board target gearing ratio over the medium term of 35% to 40%.

Our focus is to increase our Salmon harvest to 30,000 hog tonnes by the 2015 financial year and accordingly we will continue to invest in both fish inventory and marine and processing infrastructure to deliver on this strategy.

Overall, improving fish size and survivability, together with further automation and innovation are the key priorities in Tassal's drive to global cost competitiveness. Significant improvement was made in both the marine and processing environments during financial year 2007 and improved profitability was evident.

Outlook for the Full Year to 30 June 2008

- The Board is of the view that continued progression of operational and financial initiatives achieved in the 2007 financial year will ensure future sustained profitable growth.
- Tassal is looking forward to a higher operating result and net profit after tax for the 2008 financial year.
- With the current improved fish size and survival rates, Tassal will be able to fast-track its push to become globally cost competitive from an aquaculture production and processing perspective and therefore, continue to achieve increasing returns from both the domestic and export markets.
- With the growth in Salmon consumption in the domestic market averaging a compound growth of around 20% pa over the last 3 years, the Board is of the view that this level of growth should be achievable in the 2008 financial year.

- From a global perspective, it appears:
 - seafood, and Atlantic Salmon in particular, is becoming increasingly popular, with its health and well being aspects underpinning this popularity – this growth is supported by high nutrition content, safe production and processing practices and small environmental footprint;
 - the development of new feed formulations will give us new stable sources of nutrition and reduce the reliance on any single raw material input; and
 - it is our understanding that global farmed Atlantic Salmon harvest volume is likely to grow somewhere between 8% to 11% in the 2007 calendar year:
 - Norway has had high growth which has contributed to higher output than planned;
 - Scotland is likely to have limited growth opportunity in the medium term due to the limited number of high quality sites;
 - Canada does not appear to have either short or long term significant growth potential; and
 - Chile is likely to have similar harvest volumes to the 2006 calendar year and this volume restriction is likely to limit global supply in the short term.
- It remains prudent to note that Tassal must continue to ensure that it has appropriate risk mitigation strategies in place. The Board considers that Tassal has appropriate risk mitigation in place 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 mitigants in place are:
 - the marine lease diversification strategy that Tassal has effected; and
 - the bio-security protection that Biosecurity Australia has implemented for Atlantic Salmon.
 - Given the export sales strategies in place there exists some exchange risk. This risk is mitigated by:
 - around 75% of the Company's projected export sales for the 2008 financial year are subject to forward foreign exchange contract protection;
 - components of our feed raw materials are purchased in US dollars; and
 - the (non Japanese) export sales market is utilised as a release valve for excess stock holdings, rather than a core part of Tassal's business.
 - With the general state of the Australian economy, there is an interest rate risk. The principal risk mitigant is that we have substantially hedged our interest rate exposure in the range of 5.66% to 7.00%.
 - With the increased biomass, there is some pricing risk in the domestic market. The principal risk mitigants are:
 - that the Tasmanian Industry is putting in place a further industry marketing campaign to ensure that it grows the domestic market to a level that absorbs the increased biomass;
 - together with the fact that Tassal has received appropriate commitments on the tenure of supply from the Australian supermarkets; and
 - the fact that the market has been able to historically demonstrate the required level of growth. Further, the export market will be utilised as a release valve.

Chairman's and Chief Executive Officer's Report (cont.)

Priorities for the Year Ahead

Cost competitiveness is achieved by scale and synergistic benefits:

- Fish size – fish size is the number one priority for the business. Significant improvement has been made in our fish size since listing and particularly so in the 2007 financial year. With all fish now fed by automatic feeders, together with earlier smolt inputs, an appropriate mix of smolt types and increased use of effective lighting regimes, we are anticipating further improvements during the course of the 2008 financial year.
- Fish survivability – improving our fish survivability via improved fish husbandry is another focus for this year. The performance of the smolt put to sea in calendar 2007 (i.e. to be harvested in the 2009 financial year) is very encouraging in this regard.
- Selective breeding program – the first commercial stock from the CSIRO sponsored selective breeding program is likely to be produced from the 2009 Year Class of smolt. The program is likely to deliver significant improvement in both average fish size and survivability and it is important that we focus on the science and genetics underpinning the selective breeding program in the 2008 financial year.
- Processing improvements – improved automation and fish processing techniques underpinned the improvements made in the 2007 financial year and our focus is on further improving our processing environment during the 2008 financial year and beyond. We have recruited three new processing managers to ensure that we are well positioned from a global cost competitiveness position and we should finalise our all encompassing processing review by October 2007. This processing review will allow us to efficiently and effectively deal with our harvest tonnage underpinning the 2015 Strategic Plan.
- Branding opportunities – it remains 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;
 - builds on existing customer loyalty; and
 - provides protection against imported products.
- Imported products – it remains important that we do not become complacent in the market place as we have strong competition from both our local competitor from a fresh Salmon perspective and imports from a smoked and frozen Salmon perspective.
- Revenue initiatives – Tassal must continue to seek out new profitable markets and products both from a domestic and export sales perspective. With limited global supply and an ever increasing demand, we are confident of strong growth in the 2008 financial year and beyond.

Safety, Health and Environment

Tassal's philosophy is that all work-related injuries, illnesses and environmental incidents are preventable and we remain committed to ensuring environmental sustainability.

Consistent with this philosophy, the 2007 financial year saw a continued "roll out" of an enhanced and Company-wide Risk Management Platform and a focused effort to engage all employees in behavioral change to drive work place safety improvement.

Key work place safety performance indicators improved across the board in 2007 demonstrated as follows:

| Indicator | 2006 | 2007 | Improvement |
|-----------------------------|------|------|-------------|
| Lost time injuries | 16 | 6 | 63% |
| Days lost | 82 | 15 | 82% |
| Workers Compensation claims | 26 | 17 | 35% |

The Company's focus in 2008 will be to continue to cascade risk mitigation and Management accountability to all levels of the business and to build on the significant workplace safety milestones achieved in the 2007 financial year.

Board Changes

The Board welcomes Mr. David Groves to the Board, who was appointed a Director on 27 February 2007. David brings a wealth of financial, governance and risk experience to Tassal.

The Board wishes to thank Mr. Maurice Van Ryn who retired as a Director on 23 May 2007. Mr Van Ryn was the Chairman of our Audit and Risk Committee.

Once again, we thank our employees, customers, suppliers and shareholders who have continually believed in and 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. 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 | |

Corporate Governance Statement (cont.)

| | | 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 | |

| | | 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 | 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. The Company's materiality thresholds are detailed in the Board's Policy on Independence of Directors. | <ul style="list-style-type: none"> Refer sections 16 and 17 of the Directors' Report Policy – Independence of Directors | |
| | <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. | | |
| Tassal Board Response | 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. | <ul style="list-style-type: none"> Board Charter Director's Deed of Indemnity and Right of Access to Documents – this document is not publicly available | |
| | <ul style="list-style-type: none"> The term of office held by each Director in office at the date of the Annual Financial Report. | | |
| Tassal Board Response | This information is provided in the Directors' Report. | <ul style="list-style-type: none"> Refer section 1 of the Directors' Report | |
| | <ul style="list-style-type: none"> The names of members of the Remuneration and Nominations Committee and their attendance at meetings of the Committee. | | |
| Tassal Board Response | This information is provided in the Directors' Report. | <ul style="list-style-type: none"> Refer sections 16 and 18 of the Director's Report | |
| | <ul style="list-style-type: none"> Description of the procedure for the selection and appointment of Directors. | | |
| Tassal Board Response | 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. | <ul style="list-style-type: none"> Policy – Criteria for Selection of a Director Remuneration and Nominations Committee Charter | |

Corporate Governance Statement (cont.)

| | | 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. At all other times, any trading activity must be either approved by the Board or Chairman of the Board. 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. | | |

| | | 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 | |

Corporate Governance Statement (cont.)

| | | 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. | | Yes |
| Tassal Board Response | There is no further information to be provided. | | |

| | | 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 2007 Annual General Meeting | |

Corporate Governance Statement (cont.)

| | | 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 material 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 Company has an established formalised "Risk Map and Mitigation Plan". The Plan identifies and quantifies material risks across the Company and highlights management action plans and timelines for risk mitigation. Management regularly reports to the Audit and Risk Committee as to whether material business risks have been managed effectively.</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. | | |

| | | 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 | |

Corporate Governance Statement (cont.)

| | | 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 | 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 2007 Annual General Meeting | |
| Recommendation 9.5 | Provide the information set out in Guide to Reporting on Principle 9. <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 | Details of Tassal's remuneration policies for fixed, short-term and long-term incentives are set out in the Remuneration Report. <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 | This information is provided in the Directors' Report. <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 | 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. | <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

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 ("the Group"), for the year ended 30 June 2007 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
(Director since 21 December 2005)

Mr Charles Bright
(Director since 4 August 2005)

Mr David Groves
(Appointed 27 February 2007)

Ms Jill Monk
(Director since 7 October 2003)

Mr Roderick Roberts
(Director since 18 March 2005)

Mr John Watson
(Director since 7 October 2003)

In addition the following Director retired during the financial year:

Mr Maurice Van Ryn (Retired 23 May 2007)

2. Principal Activities

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

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 2006 was declared on 30 August 2006 and paid on 30 October 2006 amounting to \$2.822 million. The dividend payment was unfranked.
- an interim dividend of 2.50 cents per ordinary share in respect of the year ended 30 June 2007 was declared on 27 February 2007 and paid on 30 April 2007 amounting to \$2.869 million. The dividend payment was unfranked.
- on 27 August 2007, the Directors declared a final unfranked dividend of 2.75 cents per ordinary share amounting to \$3.179 million in respect of the financial year ended 30 June 2007. The record date for determining entitlements to this dividend is 5 October 2007. The final dividend will be paid on 30 October 2007. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 5% has been determined by the Directors.

The Company will not have any franking credits available for distribution at the date of the dividend payment. Franking credits will arise when the Company makes income tax payments.

The final dividend in respect of ordinary shares for the year ended 30 June 2007 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2007.

4. Review of Operations

The consolidated net profit after tax for the financial year attributable to the members of Tassal Group Limited was \$20.145 million. (For the financial year ended 30 June 2006: \$10.549 million).

The Directors of Tassal Group Limited have declared an unfranked final dividend of 2.75 cents per ordinary share. The consolidated entity's revenue was reported at \$243.634 million compared with \$199.820 million for the financial year to 30 June 2006.

Earnings before interest and tax ("EBIT") was \$32.747 million as compared to the financial year to 30 June 2006 EBIT of \$18.648 million.

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

Basic earnings per share ("EPS") on a weighted average basis was recorded at 17.64 cents per share as compared to the financial year to 30 June 2006 of 9.40 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 4 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 materially 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 5 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 Report is 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 26 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 to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including 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 economic 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 and Performance Rights

There were no 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.

During the year 449,521 performance rights were issued to the Chief Executive Officer and other senior Executives pursuant to the Company's Long-term Incentive Plan. Refer to section 20 (g) (ii) of the Directors' Report for further details.

No performance rights vested during or since the end of the financial year.

Directors' Report (cont.)

16. Information on Current Directors

| Director | Qualifications and experience | Special responsibilities | Particulars of Directors' interests in ordinary shares, options and performance rights 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> | 185,366 Ordinary Shares |
| 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, Australian Plantation Timber 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>32,611,753 Ordinary Shares</p> <p>Mr Bright is a Director of Webster Limited which holds 32,611,753 Ordinary Shares</p> |
| David Groves B.Com, M.Com, CA, FAICD | <p>David has considerable public company experience, particularly in financial and capital structuring and is currently also a Director of Equity Trustees Limited, Graincorp Limited and an Executive officer of a number of private companies involved in agriculture, viticulture and investment. David also serves on the Corporate Committee of the Intensive Care Foundation of Australia and New Zealand. Formerly a director of Mason Stewart Publishing, Non-executive Director of Camelot Resources NL and an Executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.</p> | <p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee</p> | Nil holding |
| Jill Monk B.Arts, B.Law, FAICD, FAI | <p>Jill holds a Bachelor of Arts, a Bachelor of Law and a Fellowship of Insurance. She has 29 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> | 110,449 Ordinary Shares |

The particulars of Directors' interests in ordinary shares, options and performance rights 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' interests in ordinary shares, options and performance rights over ordinary shares in the Company |
|---|--|--|--|
| Roderick Roberts B.Ec, MBA, FAICD | Rod is presently Executive Chairman of Webster Limited and Australian Walnut Properties Limited and Deputy Chancellor of the University of Tasmania Council. Rod 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. | Non-executive Director Member of the Audit and Risk Committee | 32,611,753 Ordinary Shares Mr Roberts is a Director of Webster Limited which holds 32,611,753 Ordinary Shares |
| John Watson AM, MAICD | John is Non-executive Chairman of Incitec Pivot Limited, Chairman of Primesafe and of the Co-operative Research Centre for Innovative Dairy Products, a Councillor of the Royal Agricultural Society of Victoria and a Member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. 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. | Independent Non-executive Director Chairman of the Audit and Risk Committee | 85,437 Ordinary Shares |
| Mark Ryan (Managing Director and Chief Executive Officer) B.Com, CA, MAICD. | Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited. Mark holds a Bachelor of Commerce and is a Chartered Accountant. 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. Mark has over 19 years experience in the finance and turnaround management sector, with experience gained through PriceWaterhouseCoopers, Arthur Andersen and KordaMentha. Mark was previously a partner with KordaMentha. | Managing Director Chief Executive Officer | 403,673 Ordinary Shares 189,264 Performance Rights |

The particulars of Directors' interests in ordinary shares, options and performance rights 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.)

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 | 1987 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 |
| D. Groves | Bremer Woll-Kammerei AG | Throughout |
| | Graincorp Limited | Throughout |
| J. Monk | Equity Trustees Limited | Throughout |
| | | None held |
| R. Roberts | Webster Limited | Throughout |
| M. Ryan | | None held |
| J. Watson | Rural Press Limited | August 2005 to May 2007 |
| | 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, 12 Board meetings, 4 Remuneration and Nominations Committee meetings and 7 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 | 12 | 10 | * | * | 4 | 2 |
| D. Groves (Appointed 27 February 2007) | 5 | 5 | 1 | 1 | * | * |
| A. McCallum | 12 | 12 | * | * | 4 | 4 |
| J. Monk | 12 | 11 | * | * | 4 | 4 |
| R. Roberts | 12 | 12 | 7 | 7 | * | * |
| M. Ryan | 12 | 11 | * | * | * | * |
| M. Van Ryn (Retired 23 May 2007) | 10 | 8 | 6 | 6 | * | * |
| J. Watson | 12 | 12 | 7 | 7 | * | * |

(* not a committee member)

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 Chief Financial Officer and is a member of the Company's senior Executive team.

20. Remuneration Report

(a) Introduction

This Remuneration Report outlines Tassal Group Limited's ("Tassal's") overall reward strategy for the year ending 30 June 2007 and provides detailed information on the remuneration arrangements in this period for the Directors of Tassal Group Limited 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 ended 30 June 2007.

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 2008.

(b) Remuneration Philosophy

The Remuneration and Nominations Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior Executives of the Company. The objective of the remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the appropriate quality.

The Board has 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.

Remuneration levels are competitively set to attract appropriately qualified and experienced Directors and Executives. The Remuneration and Nominations Committee obtains independent advice on the level of remuneration packages. The remuneration packages of the Chief Executive Officer and senior Executives include a Short-term Incentive component that is linked to the overall financial and operational performance of the Company and based on the achievement of specific Company and individual / team goals. Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan. The long-term benefits of the Long-term Incentive Plan are conditional upon the Company achieving certain performance criteria, details of which are outlined in section (f)(iv) of this Remuneration Report.

(c) Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive Director remuneration is separate and distinct from senior Executive remuneration.

(d) Company Performance Indices

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 | 2007 | 2006 |
|--------------------------------|----------|----------|
| Dividend declared per share | 5.25 cps | 4.75 cps |
| Closing share price | \$3.32 | \$1.14 |

(e) Components of Compensation – Non-executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. Currently, the aggregate remuneration threshold is set at \$400,000 per year pursuant to the Company's initial Prospectus dated 9 October 2003.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

A recommendation to increase the annual aggregate remuneration payable to Non-executive Directors of the Company by \$200,000 (from \$400,000 to \$600,000) is being put to shareholders at the Company's 2007 Annual General Meeting.

Each Non-executive Director receives a fee for being a Director of the Company. An additional fee is also paid for being a member of the Board's Remuneration and Nominations Committee and Audit and Risk Committee. The payment of an additional fee recognises the additional time commitment required by Directors who serve on those committees.

Fees payable to the Non-executive Directors of the Company for the 2007 financial year were as follows:

| | Base | Committee |
|-----------------------------------|----------|-----------|
| The Chairman | \$94,500 | - |
| Each other Non-executive Director | \$47,250 | \$5,000 |

The Chairman of the Audit and Risk Committee receives an additional \$5,000 for chairing that Committee.

Directors' Report (cont.)

20. Remuneration Report (cont.)

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

(i) Structure

The Company aims to reward the Chief Executive Officer and senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company, and so as to:

- reward senior Executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align the interests of senior Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of the Chief Executive Officer's and senior Executive's remuneration, the Remuneration and Nominations Committee obtains independent advice on the appropriateness of remuneration packages for Executives, given remuneration trends in other companies, from which the recommendations are made to the Board.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component consists of a Short-term Incentive Plan ("STI") and a Long-term Incentive Plan ("LTI").

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) is established for the Chief Executive Officer and each senior Executive by the Remuneration and Nominations Committee.

The Chief Executive Officer's and senior Executives' remuneration packages are all respectively subject to Board approval.

(ii) Fixed annual remuneration

Remuneration levels are reviewed annually to ensure that they are appropriate for the responsibility, qualifications and experience of the Chief Executive Officer and each senior Executive and are competitive with the market.

The Chief Executive Officer and senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as a motor vehicle and car parking. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

(iii) Variable remuneration – Short-term Incentives ("STI")

The objective of the STI Plan is to link the achievement of the annual operational targets with the remuneration received by the Executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets such that the cost to the Company is reasonable in the circumstances.

Actual STI payments granted to the Chief Executive Officer and each senior Executive depend on the extent to which specific operating targets, set at the beginning of the year, are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically KPI's and assessment criteria includes:

- meeting of pre-determined growth in consolidated entity net profit after tax over the prior year;
- meeting strategic and operational objectives; and
- assessed personal effort and contribution.

The Company has predetermined benchmarks which must be met in order to trigger payments under the STI. The measures were chosen as they directly align the individual's STI reward to the KPI's of the Company and to its strategies and performance.

On an annual basis the Remuneration and Nominations Committee consider the performance against KPI's, and determine the amount, if any, of the STI pool to be allocated to the Chief Executive Officer and each senior Executive.

The aggregate of annual STI payments available for the Chief Executive Officer and each senior Executive across the Company is subject to the approval of both the Chief Executive Officer and the Remuneration and Nominations Committee. STI payments are delivered as a cash bonus.

For the Chief Executive Officer and named senior Executives the general target STI opportunity range is up to 60% of the Executive's fixed annual remuneration. The target STI range for the Chief Executive Officer and named senior Executive is detailed below.

| Executive | Maximum STI calculated on fixed annual remuneration* | Allocated between | |
|-------------|--|-----------------------------------|--|
| | | Consolidated net profit after tax | Other quantitative and qualitative KPI's |
| M. Ryan | 60% | 42% | 18% |
| N. Burrows | 40% | 28% | 12% |
| M. Asman | 40% | 28% | 12% |
| D. Williams | 40% | 28% | 12% |
| N. Petracca | 40% | 28% | 12% |
| K. Little | 40% | 28% | 12% |

* Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.

(iv) Variable remuneration – Long-term Incentives (“LTI”)

The Company's LTI Plan has been designed to link employee reward with key performance indicators that drive sustainable growth in shareholder value over the long term. The objectives of the LTI Plan are to:

- align the Chief Executive Officer's and senior Executives' incentives with shareholders interests;
- balance the short term with the long term Company focus; and
- retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

Under the LTI Plan, the Chief Executive Officer and senior Executives are granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer is made under the LTI Plan to the Chief Executive Officer and senior Executives each financial year and is based on individual performance as assessed by the annual appraisal process. If a senior Executive does not sustain a consistent level of high performance they will not be nominated for LTI Plan participation. The Remuneration and Nominations Committee reviews all nominated senior Executives with participation subject to final Board approval. In accordance with the ASX Listing Rules approval from shareholders is obtained before participation in the LTI Plan commences for the Managing Director.

Each grant of performance rights is subject to specific performance hurdles. The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of a three year Performance Period.

The Board has retained the discretion to vary the performance hurdles and criteria.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and senior Executives in the financial year ended 30 June 2007 are based on Tassal Group Limited's EPS and TSR growth over the Performance Period of the three years from 30 June 2006 (being the "Base Year") to 30 June 2009 and are summarised as follows:

Earnings Per Share Hurdle ('EPS') (Applies to 50% of performance rights granted in the financial year ended 30 June 2007)

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if annual compound EPS growth over the Performance Period compared to the Base Year is less than 30% no performance rights will vest with the Executives;
- if annual compound EPS growth over the Performance Period compared to the Base Year is equal to 30% but less than 35%, the portion of performance rights vesting with the Executive will be increased on a pro-rata basis between 50% and 100%; or
- if annual compound EPS growth over the Performance Period compared to the Base Year is equal or greater than 35%, all of the performance rights granted (and attached to this hurdle) will vest with the Executive.

Total Shareholder Return Hurdle ('TSR') (Applies to 50% of performance rights granted in the financial year ended 30 June 2007)

The TSR hurdle requires that the growth in the Company's TSR must be at or above the median of the Company's comparator group (the "comparator group"). The comparator group is S&P/ASX 300. Growth in TSR is defined as share price growth and dividends paid and reinvestment on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the time of issue to the time of vesting.

The TSR performance hurdle was chosen as it is recognised as an indicator of shareholder value creation. The comparator group for TSR purposes has been chosen as it represents the group with whom the Company competes for shareholders' capital. The hurdle is as follows:

- if Tassal's TSR performance over the Performance Period is below the TSR of the entity which is at the median (50th percentile) of the comparator group of entities ranked by their TSR performance, no performance rights will vest with the Executives;
- if Tassal's TSR performance over the Performance Period is between the 50th percentile and 75th percentile of the comparator group of companies ranked by their TSR performance, the proportion of performance rights vesting with the Executive will be increased on a pro-rata basis between 50% and 100%; or
- if Tassal's TSR performance over the Performance Period is equal to or above the TSR of the entity which is at the 75th percentile of the comparator group of entities ranked by their TSR performance, all of the performance rights (and attached to this hurdle) will vest with the Executive.

The TSR calculation, once completed, is independently reviewed.

(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.

(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.

(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 |
| C. Bright | Non-executive Director |
| D. Groves | Non-executive Director, appointed 27 February 2007 |
| J. Monk | Non-executive Director |
| R. Roberts | Non-executive Director |
| M. Van Ryn | Non-executive Director, retired 23 May 2007 |
| J. Watson | Non-executive Director |

Other Key Management Personnel:

| Name | Title |
|-------------|---|
| N. Burrows | Company Secretary and Chief Financial Officer |
| M. Asman | Chief Operating Officer |
| D. Williams | Chief of Sales and Marketing |
| N. Petracca | Chief Risk Officer |
| K. Little | General Manager – Human Resources and Quality |

Directors' Report (cont.)

20. Remuneration Report (cont.)

(ii) Compensation of Key Management Personnel

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the named Executive Officers of the Company and the consolidated entity receiving the highest remuneration are set out below.

In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration tables are calculated on an accrual basis and only includes remuneration relating to the portion of the relevant periods that each individual was a Key Management Person.

| Directors: | | Short-term employment benefits | | | Post employment | | Share-based payment | | Other | Total |
|--|-------------|----------------------------------|--------------------------|---------------------------------|-----------------------|---------------------------|--|---------------------------------------|---|------------------|
| | | Salary & Fees ¹ \$ | Bonus ² \$ | Non-monetary ³ \$ | Super-annuation \$ | Prescribed Benefits \$ | Equity settled shares ⁴ \$ | Performance Rights ⁵ \$ | Termination Benefits ⁶ \$ | |
| C. Bright | 2007 | 51,042 | - | - | 4,594 | - | - | - | - | 55,636 |
| | 2006 | 41,250 | - | 3,713 | - | - | - | - | 44,963 | - |
| D. Groves | 2007 | 17,259 | - | - | 1,553 | - | - | - | - | 18,812 |
| | 2006 | - | - | - | - | - | - | - | - | - |
| G. Hunt | 2007 | - | - | - | - | - | - | - | - | - |
| | 2006 | 3,750 | - | - | - | - | - | - | - | 3,750 |
| A. McCallum | 2007 | 93,750 | - | - | 8,438 | - | - | - | - | 102,188 |
| | 2006 | 83,750 | - | - | 7,538 | - | - | - | - | 91,288 |
| J. Monk | 2007 | 51,042 | - | - | 4,594 | - | - | - | - | 55,636 |
| | 2006 | 45,000 | - | - | 4,050 | - | - | - | - | 49,050 |
| R. Roberts | 2007 | 51,042 | - | - | - | - | - | - | - | 51,042 |
| | 2006 | 45,000 | - | - | - | - | - | - | - | 45,000 |
| M. Ryan | 2007 | 398,186 | 235,260 | 4,125 | 33,444 | - | 83,686 | - | - | 754,701 |
| | 2006 | 397,732 | 158,171 | 4,125 | 31,408 | - | 88,492 | - | - | 679,928 |
| M. Van Ryn | 2007 | 50,438 | - | - | 4,539 | - | - | - | - | 54,977 |
| | 2006 | 52,500 | - | - | 4,725 | - | - | - | - | 57,225 |
| J. Watson | 2007 | 52,292 | - | - | 4,706 | - | - | - | - | 56,998 |
| | 2006 | 45,000 | - | - | 4,050 | - | - | - | - | 49,050 |
| Other Key Management Personnel: | | | | | | | | | | |
| D. Williams | 2007 | 187,470 | 77,673 | 10,881 | 16,075 | - | 24,867 | - | - | 316,966 |
| | 2006 | 183,642 | 66,850 | 9,183 | 14,714 | - | - | - | - | 274,389 |
| M. Asman | 2007 | 196,480 | 77,673 | - | 15,989 | - | 24,867 | - | - | 315,009 |
| | 2006 | 187,601 | 66,850 | - | 14,202 | - | - | - | - | 268,653 |
| N. Burrows | 2007 | 187,915 | 77,673 | 3,016 | 16,840 | - | 24,867 | - | - | 310,311 |
| | 2006 | 179,317 | 66,850 | 2,868 | 15,011 | - | - | - | - | 264,046 |
| N. Petracca | 2007 | 180,515 | 70,419 | 4,458 | 14,383 | - | 22,544 | - | - | 292,319 |
| | 2006 | 174,736 | 67,320 | 4,458 | 13,320 | - | - | - | - | 259,834 |
| K. Little | 2007 | 137,239 | 56,014 | 4,089 | 11,270 | - | 17,933 | - | - | 226,545 |
| | 2006 | 131,320 | 36,842 | 2,683 | 10,309 | - | - | - | - | 181,154 |
| M. Green | 2007 | - | - | - | - | - | - | - | - | - |
| | 2006 | 31,777 | - | 823 | 3,402 | - | - | 13,761 | - | 49,763 |
| Total | 2007 | 1,654,670 | 594,712 | 26,569 | 136,425 | - | 198,764 | - | - | 2,611,140 |
| Total | 2006 | 1,602,375 | 462,883 | 24,140 | 126,442 | - | 88,492 | - | 13,761 | 2,318,093 |

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

- Salary and fees includes salary and leave on an accruals basis.
- Cash bonuses relate to performance bonuses and amounts payable pursuant to the Company's Short-term Incentive Plan (STI). The Chief Executive Officer and other Key Management Personnel received 100% of their respective STI payments based on the STI percentages disclosed in section f (iii) of the Remuneration Report.
- Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.

- 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.
- Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model. Details of performance rights on issue are set out in the following table.
- Termination benefits include notice or redundancy payments where applicable.

Analysis of LTI performance rights granted as remuneration

Details of the vesting profile of the performance rights granted as remuneration to the Chief Executive Officer and other Key Management Personnel are summarised below:

| | Number | Grant date | Vested during the year % | Forfeited during the year ⁽¹⁾ % | Year in which the grant vests | Value yet to vest | |
|--|---------|------------|--------------------------|--|-------------------------------|---------------------------|---------------------------|
| | | | | | | Minimum ⁽²⁾ \$ | Maximum ⁽³⁾ \$ |
| Director: M. Ryan | 189,264 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 291,767 |
| Other Key Management Personnel: | | | | | | | |
| N. Burrows | 56,238 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 86,696 |
| M. Asman | 56,238 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 86,696 |
| K. Little | 40,557 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 62,521 |
| N. Petracca | 50,986 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 78,559 |
| D. Williams | 56,238 | 3 Nov 2006 | - | - | 30 June 2009 | Nil | 86,696 |

- (1) The % forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.
- (2) The minimum value of performance rights yet to vest is \$nil as the performance criteria may not be met and consequently the right may not vest.
- (3) The maximum values presented above represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$1.5416

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 indicated.

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 26 day of September 2007

Auditor's Independence Declaration

Deloitte.

The Board of Directors
Tassal Group Limited
2 Salamanca Square
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26 September 2007

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 2007, 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

Financial Statements

Tassal Group Limited and Controlled Entities

| | |
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Income Statement

for the Year ended
30 June 2007

| | Note | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|------|-------------------|-------------------|--------------|--------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 3(a) | 243,634 | 199,820 | 6,259 | 5,566 |
| Other income | 3(b) | 1,972 | 2,889 | - | - |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | 12 | 313 | 698 | - | - |
| Changes in inventories of finished goods and work in progress | | 21,840 | (7,709) | - | - |
| Raw materials and consumables used | | (198,493) | (144,162) | - | - |
| Employee benefits expense | | (24,699) | (25,012) | - | - |
| Depreciation and amortisation expense | 3(c) | (1,623) | (1,768) | - | - |
| Finance costs | 3(c) | (4,590) | (4,127) | - | - |
| Other expenses | | (10,197) | (6,108) | - | - |
| Profit before income tax (expense)/benefit | | 28,157 | 14,521 | 6,259 | 5,566 |
| Income tax (expense)/benefit | 4 | (8,012) | (3,972) | - | - |
| Net profit for the period attributable to members of the Company | | 20,145 | 10,549 | 6,259 | 5,566 |

| | Note | Cents per share | Cents per share |
|-------------------------------------|------|-----------------|-----------------|
| | | 2007 | 2006 |
| Earnings per ordinary share: | | | |
| Basic (cents per share) | 27 | 17.64 | 9.40 |
| Diluted (cents per share) | 27 | 17.57 | 9.40 |

Notes to the financial statements are included on pages 33 to 70.

Balance Sheet

as at 30 June 2007

Tassal Group Limited and Controlled Entities

| | Note | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|------|-------------------|-------------------|---------------|---------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | | |
| Cash and cash equivalents | | 1,654 | 1,459 | - | - |
| Trade and other receivables | 7 | 10,809 | 8,609 | 31,681 | 21,873 |
| Inventories | 8 | 33,110 | 11,270 | - | - |
| Biological assets | 9 | 66,660 | 58,362 | - | - |
| Other | 10 | 892 | 418 | - | - |
| Total Current Assets | | 113,125 | 80,118 | 31,681 | 21,873 |
| Non-Current Assets | | | | | |
| Trade and other receivables | 11 | 100 | 100 | - | - |
| Investments accounted for using the equity method | 12 | 6,370 | 6,042 | - | - |
| Other financial assets | 13 | 43 | 43 | 28,119 | 28,119 |
| Property, plant and equipment | 14 | 63,892 | 48,398 | - | - |
| Deferred tax assets | 4 | - | - | 7,102 | 11,794 |
| Goodwill | 15 | 14,851 | 14,851 | - | - |
| Other | 16 | 489 | 473 | - | - |
| Total Non-Current Assets | | 85,745 | 69,907 | 35,221 | 39,913 |
| Total Assets | | 198,870 | 150,025 | 66,902 | 61,786 |
| Current Liabilities | | | | | |
| Trade and other payables | 18 | 24,356 | 17,450 | - | - |
| Borrowings | 19 | 7,739 | 34,940 | - | - |
| Provisions | 20 | 2,617 | 2,587 | - | - |
| Other | 21 | 338 | 270 | - | - |
| Total Current Liabilities | | 35,050 | 55,247 | - | - |
| Non-Current Liabilities | | | | | |
| Borrowings | 22 | 46,091 | 11,313 | - | - |
| Deferred tax liabilities | 4 | 12,167 | 1,952 | - | - |
| Provisions | 23 | 602 | 536 | - | - |
| Total Non-Current Liabilities | | 58,860 | 13,801 | - | - |
| Total Liabilities | | 93,910 | 69,048 | - | - |
| Net Assets | | 104,960 | 80,977 | 66,902 | 61,786 |
| Equity | | | | | |
| Issued capital | 24 | 65,560 | 60,907 | 65,560 | 60,907 |
| Reserves | 25 | 5,141 | 265 | 160 | 265 |
| Retained earnings | 26 | 34,259 | 19,805 | 1,182 | 614 |
| Total Equity | | 104,960 | 80,977 | 66,902 | 61,786 |

Notes to the financial statements are included on pages 33 to 70.

Statement of Changes in Equity for the Year ended 30 June 2007

Consolidated

| | Issued capital | Asset revaluation reserve | Hedging reserve | Equity- settled employee benefits reserve | Retained earnings | Total attributable to equity holders of the entity |
|---|-------------------|---------------------------------|--------------------|---|----------------------|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 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) |
| Balance as at 30 June 2006 | 60,907 | - | - | 265 | 19,805 | 80,977 |
| Balance as at 1 July 2006 | 60,907 | - | - | 265 | 19,805 | 80,977 |
| Gain on cash flow hedge | - | - | 498 | - | - | 498 |
| Gain on revaluation of property | - | 6,617 | - | - | - | 6,617 |
| Related income tax | - | (1,985) | (149) | - | - | (2,134) |
| Net income recognised directly in equity | - | 4,632 | 349 | - | - | 4,981 |
| Profit for the period | - | - | - | - | 20,145 | 20,145 |
| Total recognised income and expense for the period | - | 4,632 | 349 | - | 20,145 | 25,126 |
| Issue of shares pursuant to Dividend Reinvestment Plan | 4,388 | - | - | - | - | 4,388 |
| Issue of shares pursuant to Chief Executive Officer's employment Contract | 265 | - | - | (265) | - | - |
| Recognition of share-based payments | - | - | - | 228 | - | 228 |
| Payment of dividends | - | - | - | - | (5,691) | (5,691) |
| Related income tax | - | - | - | (68) | - | (68) |
| Balance as at 30 June 2007 | 65,560 | 4,632 | 349 | 160 | 34,259 | 104,960 |

Notes to the financial statements are included on pages 33 to 70.

Company

| | Issued capital | Asset revaluation reserve | Hedging reserve | Equity-settled employee benefits reserve | Retained earnings | Total attributable to equity holders of the entity |
|---|----------------|---------------------------|-----------------|--|-------------------|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 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) |
| Balance as at 30 June 2006 | 60,907 | - | - | 265 | 614 | 61,786 |
| Balance as at 1 July 2006 | 60,907 | - | - | 265 | 614 | 61,786 |
| Profit for the period | - | - | - | - | 6,259 | 6,259 |
| Total recognised income and expense for the period | - | - | - | - | 6,259 | 6,259 |
| Issue of shares pursuant to Dividend Reinvestment Plan | 4,388 | - | - | - | - | 4,388 |
| Issue of shares pursuant to Chief Executive Officer's employment Contract | 265 | - | - | (265) | - | - |
| Recognition of share-based payments | - | - | - | 228 | - | 228 |
| Payment of dividends | - | - | - | - | (5,691) | (5,691) |
| Related income tax | - | - | - | (68) | - | (68) |
| Balance as at 30 June 2007 | 65,560 | - | - | 160 | 1,182 | 66,902 |

Notes to the financial statements are included on pages 33 to 70.

Cash Flow Statement for the Year ended 30 June 2007

| | Note | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------|-------------------|-------------------|----------------|----------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash Flows from Operating Activities | | | | | |
| Receipts from customers | | 163,402 | 144,944 | - | - |
| Payments to suppliers and employees | | (149,658) | (117,768) | - | - |
| Interest received | | 156 | 23 | - | - |
| Interest and other costs of finance paid | | (4,514) | (4,263) | - | - |
| Net cash provided by operating activities | 36(b) | 9,386 | 22,936 | - | - |
| Cash Flows from Investing Activities | | | | | |
| Payment for property, plant and equipment | | (15,726) | (13,176) | - | - |
| Proceeds from sale of property, plant and equipment | | 314 | 576 | - | - |
| Advance from controlled entities | | - | - | 1,303 | 3,526 |
| Payment for investments | | (15) | (183) | - | (102) |
| Amounts advanced to other third parties | | - | (600) | - | - |
| Other | | (38) | - | - | - |
| Net cash (used in)/provided by investing activities | | (15,465) | (13,383) | 1,303 | 3,424 |
| Cash Flows from Financing Activities | | | | | |
| Dividend paid – members of parent entity | | (1,303) | (3,424) | (1,303) | (3,424) |
| Proceeds from borrowings | | 40,203 | 4,418 | - | - |
| Repayment of borrowings | | (30,667) | (10,150) | - | - |
| Net cash (used in)/ provided by financing activities | | 8,233 | (9,156) | (1,303) | (3,424) |
| Net increase in cash and cash equivalents held | | 2,154 | 397 | - | - |
| Cash and cash equivalents at the beginning of the financial year | | (1,210) | (1,607) | - | - |
| Cash and cash equivalents at the end of the financial year | 36(a) | 944 | (1,210) | - | - |

Notes to the financial statements are included on pages 33 to 70.

Notes to the Financial Statements for the Year ended 30 June 2007

Tassal Group Limited and Controlled Entities

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Notes to the Financial Statements for the Year ended 30 June 2007

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 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 financial statements and notes of the consolidated entity and Company comply with International Financial Reporting Standards ('IFRS').

The Annual Financial Report was authorised for issue by the Directors on 26 September 2007.

Basis of Preparation

The Annual Financial Report has been prepared on the basis of historic cost except for biological assets which are measured at net market value, and, if relevant for the revaluation of certain non-current assets and financial instruments, 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 the consolidated entity's accounting policies, 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 consolidated entity's accounting policies 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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007, and the comparative information presented in these financial statements.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

- investments at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards'); and
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards').

The adoption of these new and revised Standards and Interpretations has had no impact on the Annual Financial Report.

Limitation of ability to designate financial assets and financial liabilities through profit or loss

The Australian Accounting Standards Board ('AASB') released AASB 2005-4 'Amendments to Australian Accounting Standards' in June 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' by limiting the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss'.

Financial assets that can no longer be designated as 'at fair value through profit or loss' shall be classified into either loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate, and measured at amortised cost or at fair value with changes in fair value recognised in equity, depending on classification. Financial liabilities that can no longer be designated as 'at fair value through profit or loss' shall be classified as 'other' financial liabilities and measured at amortised cost.

The changes introduced by AASB 2005-4 are applied by the Group with effect from the beginning of the comparative reporting period presented in this Annual Financial Report (i.e., with effect from 1 July 2005). Financial assets and financial liabilities designated by the Group as 'at fair value through profit or loss' continue to meet the revised designation rules and, accordingly, the application of these amendments has had no impact on the Annual Financial Report.

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the Group's revenue recognition policies.

The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this Annual Financial Report (i.e., with effect from 1 July 2005). The Group is party to a financial guarantee contract where an entity in the Group has provided a financial guarantee to a bank in respect of an entity external to the Group. The application of these amendments results in such financial guarantee contracts now being recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, cumulative amortisation.

The Directors have given due consideration to the probability of having to call the guarantee, the nature and sufficiency of security over the guarantee, and the financial performance and net asset backing of the entity in relation to which the guarantee has been given, and determined that this change in accounting policy has had no impact on the Annual Financial Report at the beginning of the comparative period or with respect to the Annual Financial Report for the financial year ended 30 June 2007.

The following standards, amendments to standards and interpretations were in issue but not yet effective and have been identified as those which may impact the Group in the period of initial application. They were available for early adoption at 30 June 2007, but have not been applied by the Group in preparing these financial statements:

- AASB 7 'Financial Instruments: Disclosure' (August 2005) replaced the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosure with respect to the Group's financial instruments.
- AASB 2005-10 'Amendments to Australian Accounting Standards' (September 2005) makes consequential amendments to a number of standards including AASB 132 'Financial Instruments: Disclosure and Presentation', AASB 101 'Presentation of Financial Statements', AASB 114 'Segment Reporting', AASB 117 'Leases', AASB 133 'Earnings Per Share', AASB 139 'Financial Instruments: Recognition and Measurement', and AASB1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 'Operating Segments' replaced the presentation requirements of segment reporting in AASB 114 'Segment Reporting'. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Group or Company as the standard is only concerned with disclosures.
- AASB 2007-3 'Amendments to Australian Accounting Standards' arising from AASB 8 makes amendments to a number of standards including AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', AASB 6 'Exploration for and Evaluation of Mineral Resources', AASB 102, 'Inventories', AASB107 'Cash Flow Statements', AASB 119 'Employee Benefits', AASB 127 'Consolidated and Separate Financial Statements', AASB 134 'Interim Financial Reporting', and AASB 136 'Impairment Assets'. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 'Operating Segments'. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 'Interim Financial Reporting and Impairment' prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 30 June 2008 financial year, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (ie 1 July 2004 and 1 July 2005, respectively). If Interpretation 10 was to be adopted at 30 June 2007, it would not result in any retrospective adjustments.
- AASB 2007-2 'Amendments to Australian Accounting Standards' arising from AASB Interpretation 12 makes amendments to AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', AASB 117 'Leases', AASB 118 'Revenue', AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance', AASB 121 'The Effects of changes in Foreign Exchange Rates', AASB 127 'Consolidated and Separate Financial Statement', AASB 131 'Interest in Joint Venture', and AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 2007 - 2 is applicable for the Group's 30 June 2009 financial year.
- AASB 2007-2 'Amendments to Australian Accounting Standards' also amends references to 'UIG Interpretation' to interpretations. This amending standard is applicable to the Group's 30 June 2009 financial year.
- The AASB released Accounting Standard AASB 2007-4 'Amendments to Australian Standards' to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments. AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007 and must therefore be applied by the Group in its financial statements for the year ending on 30 June 2008. The Group does not intend to change any of its current accounting policies on adoption of AASB 2007-4, accordingly, there will be no financial impact to these financial statements. However in the Group's financial statements for the year ended 30 June 2008 certain information may no longer be disclosed, or may be disclosed in an alternate manner, due to amendments made by 2007-4 to the disclosure requirement of various Accounting Standards.

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.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

1. Summary of Accounting Policies (cont.)

(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 the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(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 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 using the effective interest method 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.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 1(v).

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 acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicated that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

1. Summary of Accounting Policies (cont.)

(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 are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. 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.

(m) Impairment of Other Tangible or Intangible 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.

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.

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 unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(t).

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 unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(t).

(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.

Intangible assets acquired in a business combination

All 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 necessary to make the sale.

(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 in 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.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

1. Summary of Accounting Policies (cont.)

(t) Property, Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external experts and in conformance with Australian Valuation Standards. The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

In the previous reporting period land and buildings were valued at historic cost.

An independent valuation of the consolidated entity's freehold land and freehold and leasehold buildings was performed by Mr M J Page [B.Bus.(Property)AAP] to determine the fair value of land and buildings. Specialised land and buildings have been valued based on the depreciated replacement cost method. The valuation conforms to Australian Valuation Standards, and was effective as at 5 June 2007.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

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, with the effect of any change recognised on a prospective basis.

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 |

(u) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision 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. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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 all the following conditions are satisfied:

- the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(w) Share-based Payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Monte Carlo simulation model, taking into account the terms and conditions upon which the equity-settled share-based payment were granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 5 (c) (ii) to the financial statements.

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.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(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 point of sale costs, 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) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

If relevant, the interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2. Subsequent Events**Final Dividend Declared**

On 27 August 2007, the Directors declared a final unfranked dividend of \$3.179 million (2.75 cents per ordinary share) in respect of the financial year ended 30 June 2007. The record date for determining entitlements to this interim dividend is 5 October 2007. The final dividend will be paid on 30 October 2007. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 5% has been determined by the Directors. The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2007.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

3. Profit from Operations

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

| | Note | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|------|-------------------|-------------------|--------------|--------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Revenue | | | | | |
| Revenue from the sale of goods | | 141,539 | 123,450 | - | - |
| Net market value of non-living produce extracted | (i) | 100,551 | 68,483 | - | - |
| Increment in net market value of biological assets | (ii) | 1,367 | 7,856 | - | - |
| Dividends received from controlled entities | | - | - | 6,259 | 5,566 |
| Rental revenue | | 21 | 8 | - | - |
| Interest revenue | | 156 | 23 | - | - |
| Total revenue | | 243,634 | 199,820 | 6,259 | 5,566 |
| (b) Other income | | | | | |
| Gain on disposal of property, plant and equipment | | 30 | 357 | - | - |
| Net foreign exchange gain | | - | 1,102 | - | - |
| Government grants received | | 1,006 | 982 | - | - |
| Other | | 936 | 448 | - | - |
| Total other income | | 1,972 | 2,889 | - | - |

Notes: AASB 141 "Agriculture":

- (i) Pursuant to the requirements of AASB 141, this amount represents the fair value of finfish harvested during the year less point of sale costs at the point 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).
- (iii) The impact on net profit before tax of applying AASB 141 for the year is an increase of \$7.150 million [2006: an increase of \$0.856 million].

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (c) Expenses | | | | |
| Depreciation of non-current assets | 1,601 | 1,746 | - | - |
| Amortisation of non-current assets | 22 | 22 | - | - |
| Total depreciation and amortisation | 1,623 | 1,768 | - | - |
| Interest - other entities | 3,504 | 3,413 | - | - |
| Finance lease charges | 1,086 | 714 | - | - |
| Total finance costs (i) | 4,590 | 4,127 | - | - |
| (i) Finance costs of \$0.118 million were capitalised during the current year (2006: \$0.169 million). | | | | |
| Cost of sales | 141,584 | 123,207 | - | - |
| Employee benefit expense: | | | | |
| Share-based payments: | | | | |
| Equity settled share-based payments | 228 | 88 | - | - |
| Termination payments | - | 476 | - | - |
| Net bad and doubtful debts - other entities | 216 | 330 | - | - |
| Write-downs of inventories to net realisable value | 94 | 124 | - | - |
| Operating lease rental expenses | 3,397 | 3,930 | - | - |
| Research and development costs immediately expensed | 24 | 14 | - | - |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

4. Income Taxes

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Income tax recognised in profit or loss: | | | | |
| Tax (expense)/income comprises: | | | | |
| Current tax (expense)/income | (4,489) | 490 | 116 | 116 |
| Adjustment recognised in the current year in relation to the current tax of prior years | (18) | - | - | - |
| Deferred tax (expense)/income relating to the origination and reversal of temporary differences | (3,505) | (4,462) | (116) | (116) |
| Total tax (expense)/income | (8,012) | (3,972) | - | - |
| 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 | 28,157 | 14,521 | 6,259 | 5,566 |
| Income tax (expense)/benefit calculated at 30% | (8,447) | (4,356) | (1,878) | (1,670) |
| Non-tax deductible items | (13) | (37) | - | - |
| Dividends from wholly-owned subsidiaries | - | - | 1,878 | 1,670 |
| Research and development concession | 430 | 421 | - | - |
| Adjustment recognised in the current year in relation to the current tax of prior years | 18 | - | - | - |
| Income tax (expense)/benefit | (8,012) | (3,972) | - | - |
| 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) Income tax recognised directly in equity | | | | |
| Deferred tax: | | | | |
| Property revaluations | 1,985 | - | - | - |
| Revaluation of financial instruments treated as cash flow hedges | 149 | - | - | - |
| | 2,134 | - | - | - |
| (c) Deferred tax balances: | | | | |
| Deferred tax assets comprise: | | | | |
| Tax losses – revenue | 6,971 | 11,547 | 6,971 | 11,547 |
| Temporary differences | 1,321 | 2,023 | 131 | 247 |
| | 8,292 | 13,570 | 7,102 | 11,794 |
| Deferred tax liabilities comprise: | | | | |
| Temporary differences | 20,459 | 15,522 | - | - |
| | 20,459 | 15,522 | - | - |
| Net deferred tax asset / (liability) | (12,167) | (1,952) | 7,102 | 11,794 |

| Consolidated | Opening balance | Charged to income | Charged to equity | Closing balance |
|--|-----------------|-------------------|-------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (c) Deferred tax balances (cont.): | | | | |
| Taxable and deductible temporary differences arise from the following: | | | | |
| 2007 | | | | |
| Gross deferred tax liabilities: | | | | |
| Biological assets | (13,710) | (3,013) | - | (16,723) |
| Inventories | (366) | (268) | - | (634) |
| Property, plant and equipment | (1,198) | 571 | (1,985) | (2,612) |
| Investment in associates and jointly controlled entities | (247) | (93) | - | (340) |
| Cash flow hedges | - | - | (149) | (149) |
| Other financial assets | (1) | - | - | (1) |
| | (15,522) | (2,803) | (2,134) | (20,459) |
| Gross deferred tax assets: | | | | |
| Provisions | 1,055 | (15) | - | 1,040 |
| Accruals | 27 | 8 | - | 35 |
| Deferred income | 81 | 20 | - | 101 |
| Property, plant and equipment | 606 | (606) | - | - |
| Share issue expenses deductible over 5 years | 247 | (116) | - | 131 |
| Other | 7 | 7 | - | 14 |
| | 2,023 | (702) | - | 1,321 |
| | (13,499) | (3,505) | (2,134) | (19,138) |
| Reduction arising from: | | | | |
| Tax losses - revenue | 11,547 | (4,576) | - | 6,971 |
| Net deferred tax asset/(liability) | (1,952) | (8,081) | (2,134) | (12,167) |
| 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) |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

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 |
| (c) Deferred tax balances (cont.): | | | | |
| Taxable and deductible temporary differences arise from the following: | | | | |
| 2007 | | | | |
| Gross deferred tax liabilities: | | | | |
| Share issue expenses deductible over 5 years | 247 | (116) | - | 131 |
| | 247 | (116) | - | 131 |
| Addition arising from: | | | | |
| Tax losses – revenue (members of the tax-consolidated group) | 11,547 | (4,576) | - | 6,971 |
| Net deferred tax asset | 11,794 | (4,692) | - | 7,102 |
| 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 |

(d) 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

(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 |
| C. Bright | Non-executive Director |
| D. Groves | Non-executive Director, appointed 27 February 2007 |
| J. Monk | Non-executive Director |
| R. Roberts | Non-executive Director |
| M. Van Ryn | Non-executive Director, retired 23 May 2007 |
| J. Watson | Non-executive Director |
| Other Key Management Personnel: | |
| N. Burrows | Company Secretary and Chief Financial Officer |
| M. Asman | Chief Operating Officer |
| D. Williams | Chief of Sales and Marketing |
| N. Petracca | Chief Risk Officer |
| K. Little | General Manager – Human Resources and Quality |

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$ | \$ | \$ | \$ |
| (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 | 2,275,951 | 2,089,398 | - | - |
| Post-employment benefits | 136,425 | 126,442 | - | - |
| Termination benefits | - | 13,761 | - | - |
| Share-based payment | 198,764 | 88,492 | - | - |
| | 2,611,140 | 2,318,093 | - | - |

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. An allocation of Key Management Personnel compensation to the Company is considered impractical as such an allocation would be purely arbitrary in nature.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

5. Key Management Personnel Compensation (cont.)

(c) Share-based Remuneration

(i) Chief Executive Officer – Ordinary Share Incentive

On 8 December 2006, 400,000 ordinary shares were issued to the Chief Executive Officer pursuant to the "Ordinary Shares Incentive" component of his employment contract. The issue of these ordinary shares to the Chief Executive Officer was approved by the Company's shareholders at the Company's Annual General Meeting held on 2 November 2006. The fair value of the ordinary shares calculated at their initial grant date (18 December 2003) was \$0.6637 per ordinary as determined by an independent valuation.

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 2007 is \$nil (2006: \$88,492) which has been disclosed in the Key Management Personnel/ Compensation table in section (g) (ii) of the Remuneration Report.

(ii) Long-term Incentive Plan

The Company established a Long-term Incentive Plan during the current financial year. Employees receiving awards under the Long-term Incentive Plan are those of an Executive level (including the Managing Director).

Under the Company's Long-term Incentive Plan, participants are granted performance rights to ordinary shares, subject to the Company meeting specified performance criteria during the performance period. If these performance criteria are satisfied, ordinary shares will be issued at the end of the performance period. The number of ordinary shares that a participant will ultimately receive will depend on the extent to which the performance criteria are met by the Company. If specified minimum performance hurdles are not met no ordinary shares will be issued in respect of the performance rights.

An employee granted performance rights is not legally entitled to shares in the Company before the performance rights allocated under the Plan vest. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights. Once shares have vested they remain in a holding lock until the earlier of the employee leaving the consolidated entity, the tenth anniversary of the date the performance rights were awarded or the Board approving an application for their release.

Set out below is a summary of performance rights granted to Key Management Personnel under the Plan (Consolidated and Parent Entity):

| Grant date | Vesting date | Balance at start of year (Number) | Granted during the year (Number) | Vested during the year (Number) | Lapsed during the year (Number) | Balance at end of year (Number) |
|------------|--------------|-----------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 3 Nov 2006 | 30 June 2009 | - | 449,521 | - | - | 449,521 |

None of the performance rights granted under the Plan vested or became exercisable during the year. There were no grants under the Plan during the 2006 financial year.

Details of the terms and conditions, including performance criteria, are disclosed in section (f) (iv) of the Remuneration Report. Details of the performance rights holdings of respective Key Management Personnel are disclosed in note 35 (a).

(ii) Long-term Incentive Plan (cont.)

The independently assessed fair value at grant date of performance rights granted under the Long-term Incentive Plan during the year ended 30 June 2007, and applicable to Key Management Personnel was:

| Performance condition | Value at grant date \$ | Reporting period expense \$ |
|----------------------------------|---------------------------|--------------------------------|
| Earnings per share ('EPS') | 329,165 | 109,722 |
| Total shareholder return ('TSR') | 267,127 | 89,042 |
| | 596,292 | 198,764 |

The above performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date.

The estimated fair value of performance rights applicable to the financial year ended 30 June 2007 is \$198,764 (2006:\$nil) which has been disclosed in the Key Management Personnel Remuneration table in section (g) (ii) of the Remuneration Report.

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2007 attach respectively to each of the EPS and TSR performance hurdles.

The fair value of the performance rights subject to the EPS performance hurdle vesting criteria was determined by projecting a range of earnings and EPS growth outcomes with reference to sensitivities applied to Management approved forecasts and cash flow projections. The probability weighted number of performance rights to vest under each sensitivity modelled was valued using the share price at grant date (\$1.725) adjusted for the present value of expected dividends over the vesting Performance Period.

The fair value of the performance rights subject to the TSR performance hurdle vesting criteria was determined using a Monte Carlo simulation model utilising the following input metrics:

| | |
|------------------------------------|-----------------------------|
| Grant date | 3 November 2006 |
| Grant date share price | \$1.725 |
| Performance (vesting) period | 1 July 2006 to 30 June 2009 |
| Expected volatility ⁽ⁱ⁾ | 26.8% |
| Dividend yield | 4.16% |
| Risk-free interest rate | 5.98% |

(i) Expected volatility is based on historical monthly share price volatility over a five year period.

(iii) Share Options

There were no options granted to Key Management Personnel during or since the end of the financial year.

6. Remuneration of Auditors

| | Consolidated 2007 \$ | Consolidated 2006 \$ | Company 2007 \$ | Company 2006 \$ |
|--|-------------------------|-------------------------|--------------------|--------------------|
| Audit or review of the financial reports | 161,250 | 125,300 | - | - |
| Non-audit services (i) | 92,950 | 144,465 | - | - |
| | 254,200 | 269,765 | - | - |

Notes:

- (i) The "non-audit services" principally refers to the provision of taxation services and other professional services as requested. 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.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

7. Current Trade and other Receivables

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables (i) | 8,106 | 6,478 | - | - |
| Allowance for doubtful debts | (23) | (248) | - | - |
| | 8,083 | 6,230 | - | - |
| Goods and services tax (GST) receivable | 1,123 | 877 | - | - |
| Foreign currency hedge receivable | 498 | - | - | - |
| Amount receivable from wholly-owned controlled entities (ii) | - | - | 31,681 | 21,873 |
| Other receivables | 1,105 | 1,502 | - | - |
| | 10,809 | 8,609 | 31,681 | 21,873 |

(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. During the current financial year the allowance for doubtful debts decreased \$0.225 million (2006: decreased by \$0.140 million). This movement 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-funding agreement. (refer to note 4 for details).

8. Current Inventories

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|-----------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Raw materials | | | | |
| At cost | 3,618 | 2,551 | - | - |
| Finished goods | | | | |
| At cost | 29,492 | 8,719 | - | - |
| | 33,110 | 11,270 | - | - |

9. Biological Assets

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Livestock at fair value(i) | | | | |
| Opening balance | 58,362 | 45,847 | - | - |
| Gain or loss arising from changes in fair value less estimated point of sale costs | 101,918 | 76,339 | - | - |
| Increases due to purchases | 6,931 | 4,659 | - | - |
| Decreases due to harvest | (100,551) | (68,483) | - | - |
| Closing balance | 66,660 | 58,362 | - | - |

(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 10,003,795 kilograms (2006: 9,152,464 kilograms).

10. Other Current Assets

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|-------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Prepayments | 892 | 418 | - | - |

11. Non-current Trade and other Receivables

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---------------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Amount due from unrelated third party | 100 | 100 | - | - |

12. Investments Accounted for using the Equity Method

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investments in associates | 5,764 | 5,731 | - | - |
| Investments in jointly controlled entities | 606 | 311 | - | - |
| | 6,370 | 6,042 | - | - |

| Name of entity | Principal activity | Country of incorporation | Ownership interest | |
|--|-----------------------------------|--------------------------|--------------------|-----------|
| | | | 2007 % | 2006 % |
| Associates: | | | | |
| Salmon Enterprises of Tasmania Pty Ltd (i) | Atlantic salmon hatchery | Australia | 68.55 | 68.55 |
| Jointly controlled entities: | | | | |
| Springfield Hatcheries Pty Ltd | Atlantic salmon & trout hatchery | Australia | 50.00 | 50.00 |
| Pink Restaurant Pty Ltd (ii) | Restaurant and related activities | Australia | 50.00 | - |

(i) The Consolidated entity owns 68.55% (2006: 68.55%) of the issued capital and 61.22% (2006: 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 6 February 2007, the Company's wholly owned subsidiary, Tassal Operations Pty Ltd, together with an unaffiliated management company, formed a new and jointly owned company, Pink Restaurant Pty Ltd, to manage and operate a niche restaurant adjacent to the Company's Hobart based premises at 2 Salamanca Square. Tassal Operations Pty Ltd owns 50% of the issued capital of Pink Restaurant Pty Ltd. Acquisition costs to date comprise company formation expenses of \$0.012 million. Pink Restaurant Pty Ltd is expected to commence trading activities during October 2007.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

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

| Summarised financial information of associates: (i) | Consolidated 2007 | Consolidated 2006 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Current assets | 3,312 | 3,986 |
| Non-current assets | 8,768 | 7,649 |
| | 12,080 | 11,635 |
| Current liabilities | (799) | (542) |
| Non-current liabilities | (1,359) | (1,443) |
| | (2,158) | (1,985) |
| Net assets | 9,922 | 9,650 |
| Revenue | 6,206 | 4,963 |
| Net profit | 272 | 341 |
| Share of associates' profit: | | |
| Share of profit before income tax | 29 | 306 |
| Income tax (expense)/benefit | 4 | (73) |
| Share of associate's profit – current period | 33 | 233 |
| Share of associate's profit on initial adoption of equity accounting | - | 235 |
| | 33 | 468 |

| Summarised financial information of jointly controlled entities: (i) | Consolidated 2007 | Consolidated 2006 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| Current assets | 3,162 | 2,268 |
| Non-current assets | 5,815 | 4,636 |
| | 8,977 | 6,904 |
| Current liabilities | (2,430) | (1,726) |
| Non-current liabilities | (5,253) | (4,520) |
| | (7,683) | (6,246) |
| Net assets | 1,294 | 658 |
| Revenue | 3,390 | 496 |
| Net profit | 813 | 461 |
| Share of jointly controlled entities' profit: | | |
| Share of profit before income tax | 389 | 329 |
| Income tax expense | (109) | (99) |
| Share of jointly controlled entities' profit – current period | 280 | 230 |
| Total share of associates' and jointly controlled entities' profit | 313 | 698 |

(i) Profit and loss resulting from upstream and downstream transactions between an investor and an associate or a joint venture entity are recognised in the investor's financial statements only to the extent of unrelated investors' interest in the associate or joint venture entity.

13. Other Non-current Financial Assets

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---------------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Shares in other entities | 43 | 43 | - | - |
| Shares in controlled entities at cost | - | - | 28,119 | 28,119 |
| | 43 | 43 | 28,119 | 28,119 |

14. Property, Plant and Equipment

Consolidated: 2007

| | Freehold land at fair value | Buildings at fair value | 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 2006 | 2,177 | 9,967 | 29,916 | 12,558 | 4,978 | 59,596 |
| Additions | - | 301 | 1,923 | 11,181 | 3,206 | 16,611 |
| Disposals | - | - | (731) | - | - | (731) |
| Transfers to asset categories | (11) | 328 | 4,661 | - | (4,978) | - |
| Net revaluation increment | 884 | 4,659 | - | - | - | 5,543 |
| Balance at 30 June 2007 | 3,050 | 15,255 | 35,769 | 23,739 | 3,206 | 81,019 |
| Accumulated depreciation | | | | | | |
| Balance at 30 June 2006 | - | (623) | (9,080) | (1,495) | - | (11,198) |
| Depreciation expense | - | (292) | (4,654) | (2,499) | - | (7,445) |
| Disposals | - | - | 442 | - | - | 442 |
| Transfers to asset categories | - | (164) | 164 | - | - | - |
| Net adjustments from revaluations | - | 1,074 | - | - | - | 1,074 |
| Other | - | 5 | (5) | - | - | - |
| Balance at 30 June 2007 | - | - | (13,133) | (3,994) | - | (17,127) |
| Net book value | | | | | | |
| Balance at 30 June 2006 | 2,177 | 9,344 | 20,836 | 11,063 | 4,978 | 48,398 |
| Balance at 30 June 2007 | 3,050 | 15,255 | 22,636 | 19,745 | 3,206 | 63,892 |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

14. Property, Plant and Equipment (cont.)

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 |

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <p>An independent valuation of the Group's freehold land and freehold and leasehold buildings was performed by Mr M.J.Page [B.Bus. (Property)AAPJ] to determine the fair value of the land and buildings. The valuation conforms to Australian Valuations Standards, and was effective as at 5 June 2007.</p> <p>Had the Group's freehold land, and freehold and leasehold buildings been measured on a historical cost basis, their carrying amounts would have been as follows:</p> | | | | |
| Freehold land | 2,177 | 2,177 | - | - |
| Freehold and leasehold buildings | 9,522 | 9,344 | - | - |
| <p>Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:</p> | | | | |
| Buildings | 292 | 263 | - | - |
| Plant and equipment | 4,654 | 4,308 | - | - |
| Equipment under finance lease | 2,499 | 1,099 | - | - |
| | 7,445 | 5,670 | - | - |

15. Goodwill

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|---|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross carrying amount | | | | |
| Balance at the beginning of financial year | 14,851 | 14,748 | - | - |
| Additional amounts recognised from business combinations occurring during the period | - | 103 | - | - |
| Balance at the end of financial year | 14,851 | 14,851 | - | - |
| 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 | 14,851 | 14,748 | - | - |
| Balance at the end of the financial year | 14,851 | 14,851 | - | - |
| Impairment test for goodwill | <p>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 10.4%. The calculation is based on management approved cash flows and financial projections to 2015, and a further ten year forecast to 2025, of the continued and incremental cash flow synergies to be derived from the acquisition of Aquatas Pty Ltd. The forecast period has been selected as this approximates a sufficient number of finfish growth cycles which deliver the 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 latter 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.</p> | | | |

16. Other Non-current Assets

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Marine farming lease – at cost | 548 | 510 | - | - |
| Accumulated amortisation (i) | (59) | (37) | - | - |
| | 489 | 473 | - | - |

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

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.

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

18. Current Trade and other Payables

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--------------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade payables (i) | 21,310 | 15,252 | - | - |
| Other creditors and accruals | 3,030 | 2,146 | - | - |
| Goods and services tax (GST) payable | 16 | 52 | - | - |
| | 24,356 | 17,450 | - | - |

(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 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Secured: | | | | |
| At amortised cost | | | | |
| Bank overdrafts (i) | 710 | 2,669 | - | - |
| Commercial bills (i), (iv) | - | 26,831 | - | - |
| Finance lease liabilities (ii) | 4,552 | 2,517 | - | - |
| Bank loans (iii) | 2,472 | 2,857 | - | - |
| | 7,734 | 34,874 | - | - |
| Unsecured: | | | | |
| At amortised cost | | | | |
| Other loans | 5 | 66 | - | - |
| | 7,739 | 34,940 | - | - |

(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 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--------------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current provisions comprise: | | | | |
| Employee benefits (refer to note 23) | 2,617 | 2,575 | - | - |
| Other | - | 12 | - | - |
| | 2,617 | 2,587 | - | - |

(i) The current provision for employee entitlements includes \$0.744 million (2006: \$0.701 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

21. Other Current Liabilities

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|----------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred government grants | 338 | 270 | - | - |
| | 338 | 270 | - | - |

22. Non-current Borrowings

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--------------------------------|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Secured: | | | | |
| At amortised cost: | | | | |
| Cash advance (i) | 32,882 | 3,240 | - | - |
| Finance lease liabilities (ii) | 13,179 | 8,071 | - | - |
| | 46,061 | 11,311 | - | - |
| Unsecured: | | | | |
| At amortised cost: | | | | |
| Other loans | 30 | 2 | - | - |
| | 46,091 | 11,313 | - | - |

(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 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee benefits | 602 | 536 | - | - |
| The aggregate employee benefit liability recognised and included in the financial statements is as follows: | | | | |
| Provision for employee benefits | | | | |
| Current (refer to note 20) | 2,617 | 2,575 | - | - |
| Non-current | 602 | 536 | - | - |
| | 3,219 | 3,111 | - | - |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

24. Issued Capital

| Consolidated and Company | | | | | |
|---|-------------|--------|-------------|--------|--|
| | | 2007 | | 2006 | |
| Note | Number | \$'000 | Number | \$'000 | |
| (a) Ordinary share capital (fully paid): | | | | | |
| Ordinary shares | 115,600,194 | 65,560 | 112,893,432 | 60,907 | |
| 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 | 112,893,432 | 60,907 | 110,875,575 | 59,019 | |
| Issued pursuant to Dividend Reinvestment Plan (i) | 2,306,762 | 4,388 | 2,017,857 | 1,888 | |
| Issued pursuant to Chief Executive Officer's employment contract (ii) | 400,000 | 265 | - | - | |
| | 115,600,194 | 65,560 | 112,893,432 | 60,907 | |
| 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) Shares issued pursuant to Company's Dividend Reinvestment Plan:

Current financial year:

On 30 October 2006, 1,444,715 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$1.4118 per share. A discount of 5% was applicable.

On 30 April 2007, 862,047 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$2.7222 per share. A discount of 5% was applicable.

Previous 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.

(ii) Shares issued pursuant to Chief Executive Officer's employment contract:

On 8 December 2006, 400,000 ordinary shares were issued to the Chief Executive Officer pursuant to the "Ordinary Shares Incentive" component of his employment contract. The issue of these ordinary shares to the Chief Executive Officer was approved by the Company's shareholders at the Company's Annual General Meeting held on 2 November 2006. The fair value of the ordinary shares calculated at their initial grant date (18 December 2003) was \$0.6637 per ordinary share as determined by an independent valuation.

(c) Performance rights granted under Long-term Incentive Plan

In accordance with the provisions of the Company's Long-term Incentive Plan, 515,764 performance rights were granted on 3 November 2006 to senior Executives including the Managing Director. The issue of performance rights to the Managing Director was approved by the Company's shareholders at the Company's Annual General Meeting held on 2 November 2006.

There were no grants under the Plan during the 2006 financial year.

Further details of performance rights granted under the Company's Long-term Incentive Plan are contained in sections (f) (iv) and (g) (ii) of the Remuneration Report and in notes 5 (c) (ii) and 35 (a) to the financial statements.

25. Reserves

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Equity-settled employee benefits | 160 | 265 | 160 | 265 |
| Hedging | 349 | - | - | - |
| Asset revaluation | 4,632 | - | - | - |
| | 5,141 | 265 | 160 | 265 |
| (a) Equity-settled employee benefits reserve | | | | |
| Balance at the beginning of the financial year | 265 | 177 | 265 | 177 |
| Share-based payment | 228 | 88 | 228 | 88 |
| Issue of shares pursuant to Chief Executive Officer's employment contract | (265) | - | (265) | - |
| Related income tax | (68) | - | (68) | - |
| Balance at the end of the financial year | 160 | 265 | 160 | 265 |
| <p>The equity-settled employee 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.</p> | | | | |
| (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) | - | - |
| Gain recognised: | | | | |
| Forward exchange contracts | 498 | - | - | - |
| Related income tax | (149) | - | - | - |
| Balance at the end of the financial year | 349 | - | - | - |
| <p>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.</p> | | | | |
| (c) Asset revaluation reserve | | | | |
| Balance as at the beginning of the financial year | - | - | - | - |
| Revaluation increments | 6,617 | - | - | - |
| Deferred tax liability arising on revaluation | (1,985) | - | - | - |
| Balance as at the end of the financial year | 4,632 | - | - | - |
| <p>The asset revaluation reserve arises on the revaluation of freehold land and freehold and leasehold buildings. Where a revalued land or building is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits. (Refer to note 14 for details of independent valuation of freehold land and freehold and leasehold buildings undertaken during the financial year)</p> | | | | |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

26. Retained Earnings

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at the beginning of the financial year | 19,805 | 14,568 | 614 | 360 |
| Net profit attributable to members of the parent entity | 20,145 | 10,549 | 6,259 | 5,566 |
| Dividends provided for or paid (refer to note 28) | (5,691) | (5,312) | (5,691) | (5,312) |
| Balance at the end of the financial year | 34,259 | 19,805 | 1,182 | 614 |

27. Earnings Per Share (EPS)

Earnings per ordinary share

| | Consolidated 2007 | Consolidated 2006 |
|--------------------------------|-------------------|-------------------|
| | (Cents per share) | (Cents per share) |
| Basic (cents per share) (i) | 17.64 | 9.40 |
| Diluted (cents per share) (ii) | 17.57 | 9.40 |

(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

| | 2007 | 2006 |
|---|----------|----------|
| | No. '000 | No. '000 |
| Number for basic EPS | 114,230 | 112,219 |
| Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan. | 444 | - |
| Number for diluted EPS | 114,674 | 112,219 |

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

| | 2007 | 2006 |
|--------------------------|--------|--------|
| | \$'000 | \$'000 |
| Earnings for basic EPS | 20,145 | 10,549 |
| Earnings for diluted EPS | 20,145 | 10,549 |

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

28. Dividends

| | Year Ended 30 June 2007 | | Year Ended 30 June 2006 | |
|--|-------------------------|--------|-------------------------|--------|
| | Cents per share | \$'000 | Cents per share | \$'000 |
| (a) Recognised amounts | | | | |
| Fully paid ordinary shares | | | | |
| Interim dividend in respect of current financial year | | | | |
| Unfranked | 2.50 | 2,869 | 2.25 | 2,540 |
| Final dividend paid in respect of prior financial year | | | | |
| Unfranked | 2.50 | 2,822 | 2.50 | 2,772 |
| | 5.00 | 5,691 | 4.75 | 5,312 |
| 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 | 2.75 | 3,179 | 2.50 | 2,822 |
| <p>On 27 August 2007, the Directors declared a final unfranked dividend of \$3.179 million (2.75 cents per ordinary share) in respect of the financial year ended 30 June 2007. The record date for determining entitlements to this dividend is 5 October 2007. The final dividend will be paid on 30 October 2007. The Company's Dividend Re-investment Plan 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 2007 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2007.</p> <p>No portion of the unfranked final dividend declared for the financial year ended 30 June 2007 constitutes Conduit Foreign Income.</p> | | | | |

29. Commitments for Expenditure (i)

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Capital expenditure commitments | | | | |
| plant and equipment | | | | |
| Not longer than 1 year | 1,360 | 190 | - | - |
| Longer than 1 year and not longer than 5 years | - | - | - | - |
| Longer than 5 years | - | - | - | - |
| | 1,360 | 190 | - | - |

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

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

30. Leases

| (a) Finance lease liabilities | Minimum future lease payments | | | | Present value of minimum future lease payments | | | |
|--|-------------------------------|---------|---------|--------|--|--------|---------|--------|
| | Consolidated | | Company | | Consolidated | | Company | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Not later than 1 year | 5,720 | 3,217 | - | - | 4,552 | 2,517 | - | - |
| Later than 1 year and not later than 5 years | 14,676 | 9,016 | - | - | 13,179 | 8,071 | - | - |
| Later than 5 years | - | - | - | - | - | - | - | - |
| Minimum lease payments* | 20,396 | 12,233 | - | - | 17,731 | 10,588 | - | - |
| Less future finance charges | (2,665) | (1,645) | - | - | - | - | - | - |
| Present value of minimum lease payments | 17,731 | 10,588 | - | - | 17,731 | 10,588 | - | - |
| Included in the financial statements as: | | | | | | | | |
| Current borrowings (refer to note 19) | | | | | 4,552 | 2,517 | - | - |
| Non-current borrowings (refer to note 22) | | | | | 13,179 | 8,071 | - | - |
| | | | | | 17,731 | 10,588 | - | - |

* 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 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not longer than 1 year | 1,641 | 1,447 | - | - |
| Longer than 1 year and not longer than 5 years | 5,230 | 1,137 | - | - |
| Longer than 5 years | 4,764 | 51 | - | - |
| | 11,635 | 2,635 | - | - |
| 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 terms of 10 years, with options to renew for a further 5 year term incorporating contract CPI review clauses. | | | | |
| Contracts for specific property leases for corporate offices and related infrastructure are for an initial term of 5 years with an option to renew for a further 5 year term incorporating market review clauses. | | | | |

31. Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at the date of this Annual Financial Report

32. Investments in Controlled Entities

Details of controlled entities are reflected below:

| Name of entity | Country of incorporation | Ownership interest | |
|--------------------------------------|--------------------------|--------------------|------|
| | | 2007 | 2006 |
| Parent entity: | | | |
| Tassal Group Limited (i) | Australia | | |
| Controlled entities: (ii) | | | |
| Tassal Operations Pty Ltd (iii), (v) | Australia | 100% | 100% |
| Aquatlas Pty Ltd (iv), (v) | Australia | 100% | 100% |

Notes:

- (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) Aquatlas Pty Ltd was acquired on 18 March 2005 pursuant to a Merger Agreement with Webster Limited.
- (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. 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.

34. Seasonality

The consolidated entity's principal activities, being principally the farming, processing and marketing of Atlantic Salmon are not generally subject to material or significant seasonal fluctuations.

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

Aquatlas 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

Pink Restaurant Pty Ltd

(Refer to note 12 for details of equity interests 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.

Transactions 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 details and movements in equity holdings of fully paid ordinary shares during the respective current and prior reporting periods of each member of the Key Management Personnel of the consolidated entity:

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

35. Related Party Disclosures (cont.)

(a) Key Management Personnel (cont.):

| 2007: | Balance as at 1/7/06 | Balance at appointment date (if applicable) | Granted as remuneration | On exercise of options | Net other change | Balance at resignation date (if applicable) | Balance as at 30/06/07 | Balance held nominally |
|---|-------------------------|--|----------------------------|---------------------------|---------------------|--|---------------------------|------------------------------|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| Directors: | | | | | | | | |
| C. Bright* | 31,609,723 | - | - | - | 1,002,030 | - | 32,611,753 | - |
| D. Groves (Appointed 27 February 2007) | - | - | - | - | - | - | - | - |
| A. McCallum | 175,619 | - | - | - | 9,747 | - | 185,366 | - |
| J. Monk | 107,544 | - | - | - | 2,905 | - | 110,449 | - |
| R. Roberts* | 31,609,723 | - | - | - | 1,002,030 | - | 32,611,753 | - |
| M. Ryan ¹ | - | - | 400,000 | - | 3,673 | - | 403,673 | - |
| M. Van Ryn (Retired 23 May 2007) | 248,250 | - | - | - | (123,250) | 125,000 | N/A | - |
| J. Watson | 230,468 | - | - | - | (145,031) | - | 85,437 | - |
| Other Key Management Personnel: | | | | | | | | |
| M. Asman | - | - | - | - | - | - | - | - |
| N. Burrows | 10,000 | - | - | - | - | - | 10,000 | - |
| K. Little | - | - | - | - | - | - | - | - |
| N. Petracca | - | - | - | - | - | - | - | - |
| D. Williams | - | - | - | - | - | - | - | - |
| Total | 63,991,327 | - | 400,000 | - | 1,752,104 | 125,000 | 66,018,431 | - |

* 32,611,753 are held by Webster Limited. Both Mr Bright and Mr Roberts were Directors of Webster Limited throughout the financial year ended 30 June 2007.

¹ Details of Mr Ryan's equity based remuneration arrangements are separately discussed in the Remuneration Report and note 5 (c).

| 2006: | Balance as at 1/7/05 | Balance at appointment date (if applicable) | 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 Webster Limited throughout the financial year ended 30 June 2006.

¹ Details of Mr Ryan's equity based remuneration arrangements are separately discussed in the Remuneration Report and note 5 (c).

(iii) Equity Holdings (cont.)

Long-term Incentive Plan – Performance Rights

The following table shows details and movements in equity holdings of performance rights granted pursuant to the Company's Long-term Incentive Plan during the current reporting period of each member of the Key Management Personnel of the consolidated entity:

| 2007: | Balance as at 1/7/06 | Balance at appointment date (if applicable) | Granted | Net other change | Balance as at 30/06/07 | Balance held nominally |
|--|-------------------------|--|----------------|---------------------|---------------------------|------------------------------|
| | No. | No. | No. | No. | No. | No. |
| Directors: | | | | | | |
| C. Bright | - | - | - | - | - | - |
| D. Groves (Appointed 27 February 2007) | - | - | - | - | - | - |
| A. McCallum | - | - | - | - | - | - |
| J. Monk | - | - | - | - | - | - |
| R. Roberts | - | - | - | - | - | - |
| M. Ryan ¹ | - | - | 189,264 | - | 189,264 | - |
| M. Van Ryn (Retired 23 May 2007) | - | - | - | - | - | - |
| J. Watson | - | - | - | - | - | - |
| Other Key Management Personnel: | | | | | | |
| M. Asman | - | - | 56,238 | - | 56,238 | - |
| N. Burrows | - | - | 56,238 | - | 56,238 | - |
| K. Little | - | - | 40,557 | - | 40,557 | - |
| N. Petracca | - | - | 50,986 | - | 50,986 | - |
| D. Williams | - | - | 56,238 | - | 56,238 | - |
| Total | - | - | 449,521 | - | 449,521 | - |

¹ Details of Mr Ryan's equity based remuneration arrangements are separately discussed in the Remuneration Report and note 5 (c). (There were no performance rights issued during the financial year ended 30 June 2006)

(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:

- Inter-entity 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 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|--|-------------------|-------------------|--------------|--------------|
| Entity | \$'000 | \$'000 | \$'000 | \$'000 |
| Salmon Enterprises of Tasmania Pty Ltd | 5,286 | 4,181 | - | - |
| Springfield Hatcheries Pty Ltd | 1,222 | 384 | - | - |
| | 6,508 | 4,565 | - | - |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

36. Notes to the Cash Flow Statement

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$'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 | 1,654 | 1,459 | - | - |
| Bank overdraft | (710) | (2,669) | - | - |
| | 944 | (1,210) | - | - |
| (b) Reconciliation of profit for the period to net cash flows from operating activities: | | | | |
| Profit for the period | 20,145 | 10,549 | 6,259 | 5,566 |
| Depreciation and amortisation of non-current assets | 1,623 | 1,768 | - | - |
| Depreciation – impact of allocation to cost of live and processed fish inventories | 5,842 | 3,924 | - | - |
| Net increment in biological assets | (7,150) | (856) | - | - |
| (Gain) / loss on sale of fixed assets | (30) | (357) | - | - |
| (Increase) / decrease in deferred tax balances | 8,012 | 3,972 | (4,692) | (378) |
| Share of associates' and jointly controlled entities' profits | (313) | (698) | - | - |
| Equity settled share-based payment | 228 | 88 | 228 | 88 |
| Other | 6 | - | - | - |
| Changes in net assets and liabilities net of effects from acquisition of businesses | | | | |
| (Increase) / decrease in assets: | | | | |
| Inventories (i) | (17,884) | 6,027 | - | - |
| Biological assets (i) | (5,104) | (9,978) | - | - |
| Current trade and other receivables | (1,702) | 11,111 | (1,795) | (5,025) |
| Prepayments | (474) | (75) | - | - |
| Other | - | 126 | - | - |
| Increase / (decrease) in liabilities: | | | | |
| Current trade and other payables | 6,091 | (1,769) | - | (251) |
| Other current liabilities | - | (732) | - | - |
| Current provisions | 30 | (299) | - | - |
| Non-current provisions | 66 | 135 | - | - |
| Net cash provided by/(used in) operating activities | 9,386 | 22,936 | - | - |

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

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|-------------------|-------------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (c) Financing facilities | | | | |
| Secured revolving bank overdraft facility subject to annual review and payable at call | | | | |
| • Amount used | 710 | 2,669 | - | - |
| • Amount unused | 4,790 | 10,331 | - | - |
| | 5,500 | 13,000 | - | - |
| Secured facilities with various maturity dates through to 2009 and payable at call | | | | |
| • Amount used | 32,882 | 30,071 | - | - |
| • Amount unused | 5,118 | 2,929 | - | - |
| | 38,000 | 33,000 | - | - |
| Revolving lease finance facilities subject to annual review and payable at call with individual lease terms no greater than 5 years | | | | |
| • Amount used | 20,203 | 13,445 | - | - |
| • Amount unused | 13,797 | 11,555 | - | - |
| | 34,000 | 25,000 | - | - |
| (d) Non-cash financing and investing activities | | | | |
| Shares issued pursuant to Company's Dividend Reinvestment Plan: | | | | |
| Current financial year: | | | | |
| On 30 October 2006, 1,444,715 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$1.4118 per share. A discount of 5% was applicable. | | | | |
| On 30 April 2007, 862,047 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$2.7222 per share. A discount of 5% was applicable. | | | | |
| Previous 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. | | | | |
| Shares issued pursuant to Chief Executive Officer's employment contract: | | | | |
| On 8 December 2006, 400,000 ordinary shares were issued to the Chief Executive Officer pursuant to the "Ordinary Shares Incentive" component of his employment contract. The issue of these ordinary shares to the Chief Executive Officer was approved by the Company's shareholders at the Company's Annual General Meeting held on 2 November 2006. The fair value of the ordinary shares calculated at their initial grant date (18 December 2003) was \$0.6637 per ordinary share as determined by an independent valuation. | | | | |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

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

The consolidated entity undertakes certain transactions in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising 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 under forward exchange contracts relating to anticipated future transactions is \$0.498 million (2006:\$nil).

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

| | Average Exchange Rate | | Principal Amount | |
|------------------------------|-----------------------|------|------------------|----------------|
| | 2007 | 2006 | 2007 \$'000 | 2006 \$'000 |
| Outstanding Contracts | | | | |
| Sell Japanese Yen | | | | |
| Less than 3 months | 96.99 | - | 1,191 | - |
| 3 to 6 months | 96.99 | - | 3,417 | - |
| Longer than 6 months | 96.99 | - | 7,572 | - |
| | | - | 12,180 | - |

(d) Interest rate risk

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the consolidated entity by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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.

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

(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 | |
|---|---|-------|---------------------------|--------|------------|--------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | % | % | \$'000 | \$'000 | \$'000 | \$'000 |
| Less than 1 year | 6.13% | - | 7,500 | - | 25 | - |
| 1 to 2 years | 6.37% | 6.13% | 13,500 | 7,500 | 62 | (14) |
| 2 to 5 years | - | 6.13% | - | 7,500 | - | 12 |
| 5 years + | - | - | - | - | - | - |
| | | | 21,000 | 15,000 | 87 | (2) |

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSY. The consolidated entity will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the consolidated entity's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

(e) Maturity profile of financial statements

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2007:

| | 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 | | |
| 2007 | % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 4.75% | 1,654 | - | - | - | - | 1,654 |
| Trade receivables | - | - | - | - | - | 8,083 | 8,083 |
| Other receivables | - | - | - | - | - | 2,826 | 2,826 |
| Other | - | - | - | - | - | 43 | 43 |
| | | 1,654 | - | - | - | 10,952 | 12,606 |
| Financial liabilities | | | | | | | |
| Trade payables | - | - | - | - | - | 21,310 | 21,310 |
| Other payables | - | - | - | - | - | 3,046 | 3,046 |
| Bank overdrafts | 6.84% | 710 | - | - | - | - | 710 |
| Cash advance | 6.84% | - | - | 32,882 | - | - | 32,882 |
| Finance lease liabilities | 7.46% | - | 4,552 | 13,179 | - | - | 17,731 |
| Bank loans | 6.94% | - | 2,472 | - | - | - | 2,472 |
| Other loans | 8.20% | - | 5 | 30 | - | - | 35 |
| Employee benefits | - | - | - | - | - | 3,219 | 3,219 |
| | | 710 | 7,029 | 46,091 | - | 27,575 | 81,405 |

The following table details the Company's exposure to interest rate risk as at 30 June 2007:

| | 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 | | |
| 2007 | % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | | | |
| Other receivables | - | - | - | - | - | 31,681 | 31,681 |
| | | - | - | - | - | 31,681 | 31,681 |

Notes to the Financial Statements (cont.) for the Year ended 30 June 2007

37. Financial Instruments (cont.)

(e) Maturity profile of financial statements (cont.)

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 Company'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 | | | | | | | |
| Other receivables | - | - | - | - | - | 21,873 | 21,873 |
| | | - | - | - | - | 21,873 | 21,873 |

(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, 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.

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 28 to 70, and the remuneration disclosures contained in the Directors' Report set out on pages 21 to 25 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 2007 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 2007.

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

On behalf of the Directors



A. D. McCallum
Chairman

Hobart, this 26 day of September 2007

Independent Auditor's Report

Deloitte.

Independent auditors report to the members of Tassal Group Limited

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Tassal Group Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 71.

We have also audited the compensation disclosures contained in the Directors' Report. 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 25 of the Directors' Report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are also responsible for the compensation disclosures contained in the Directors' Report. In note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the Directors' Report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal

control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the Directors' Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the Directors' Report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion on the Financial Report

In our opinion:

- (a) 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 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 21 to 25 under the heading "Remuneration Report" of the Directors' Report and identified as being subject to audit, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.



DELOITTE TOUCHE TOHMATSU



L.T. Cox
Partner
Chartered Accountants
Hobart, 26 September 2007

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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 3 September 2007.

Number of holder of equity securities

Ordinary share capital (quoted)

115,600,194 fully paid ordinary shares are held by 2,507 shareholders. At a general meeting, every shareholder present in person or by proxy, attorney of representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held.

Performance rights (unquoted)

515,764 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 8 employees. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

Distribution of holders of equity securities

| Number of equity securities held | Ordinary shares | Performance rights |
|----------------------------------|-----------------|--------------------|
| 1 – 1,000 | 583 | - |
| 1,001 – 5,000 | 1,120 | - |
| 5,001 – 10,000 | 398 | - |
| 10,001 – 100,000 | 369 | 7 |
| 100,001 and over | 37 | 1 |
| Total number of holders | 2,507 | 8 |

The number of shareholders holding less than a marketable parcel of 148 fully paid ordinary shares on 3 September 2007 is 55 and they hold 2,487 fully paid ordinary shares.

Substantial shareholders

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

| Name | Number of ordinary shares | % of voting power advised |
|---|---------------------------|---------------------------|
| Webster Limited | 32,611,753 | 28.21 |
| AMP Limited | 9,175,436 | 7.94 |
| Commonwealth Bank of Australia and its subsidiaries | 7,054,338 | 6.10 |
| Kinetic Investment Partners Limited | 6,085,744 | 5.26 |
| Portfolio Partners Limited and entities in the AMVA Group | 5,828,227 | 5.04 |
| The Capital Group Companies Inc | 5,822,780 | 5.04 |

Additional Stock Exchange Information (cont.)

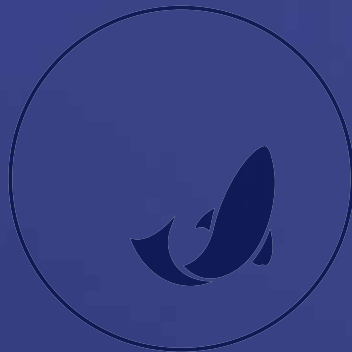
Twenty largest holders of quoted ordinary shares

| Name | Number of shares | % of issued capital |
|---|-------------------------|----------------------------|
| Webster Limited | 32,611,753 | 28.21 |
| J P Morgan Nominees Australia Limited | 19,511,103 | 16.88 |
| National Nominees Limited | 8,833,977 | 7.64 |
| Citicorp Nominees Pty Limited <CFSIL CFS WS Small Comp A/C> | 5,118,264 | 4.43 |
| HSBC Custody Nominees (Australia) Limited | 4,163,797 | 3.60 |
| AMP Life Limited | 3,584,932 | 3.10 |
| Cogent Nominees Pty Ltd <SMP Accounts> | 3,221,864 | 2.79 |
| Cogent Nominees Pty Limited | 3,073,448 | 2.66 |
| Citicorp Nominees Pty Limited | 2,842,898 | 2.46 |
| ANZ Nominees Limited <Income reinvest plan A/C> | 2,742,103 | 2.37 |
| ANZ Nominees Limited <Cash Income A/C> | 2,184,594 | 1.89 |
| Mirrabooka Investments Limited | 2,041,192 | 1.77 |
| Equity Trustees Limited <SGH PI Smaller Co's Fund> | 2,034,151 | 1.76 |
| Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/C> | 1,876,889 | 1.62 |
| Bond Street Custodians Limited <Macquarie Smaller Co's A/C> | 1,439,596 | 1.25 |
| RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C> | 685,083 | 0.59 |
| Queensland Investment Corporation | 602,375 | 0.52 |
| UBS Nominees Pty Ltd | 556,188 | 0.48 |
| The University of Melbourne | 405,621 | 0.35 |
| Mr Mark Ryan | 403,673 | 0.35 |
| Total | 97,933,501 | 84.72 |

On-market buy-back

There is no current on-market buy-back.

Tassal Group Limited
2007 Annual Report



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