



Tassal Group Limited 2008 Annual Report

2008

THE YEAR'S MILESTONES:

- **Achieved further cost reduction and throughput efficiencies Company-wide through:**
 - Automatic feeders now covering 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; and
 - Improved automation of processing techniques.
- **Achieved higher domestic and export market sales driven by strong demand growth and a higher effective selling price.**
- **Successfully raised capital employing funds towards the strategic acquisition of the Superior Gold brand, pursuing growth opportunities, accelerating capital investment, mitigating risk and reducing debt.**
- **Successfully assimilated the Superior Gold brand which met revenue and profit expectations and achieved synergies in supply and trading terms.**
- **Continued to strengthen the Executive Team and Operational Management to be global best practice from an operational, risk management, research and development and quality perspective.**
- **Continued the “roll out” of an enhanced Company-wide Risk Management Platform underpinning significant trend improvement in key workplace safety performance indicators.**
- **These achievements have allowed Tassal to:**
 - Deliver an impressive turnover and profit performance uplift on the prior year;
 - Utilise operational cash flow to underpin planned fish inventory growth and business cost improvement through an accelerated capital investment program premised on growth, efficiency and risk mitigation;
 - Strengthen the Balance Sheet and improve gearing;
 - Continue investment in planned research and development with the focus on accelerating fish husbandry and selective breeding program initiatives;
 - 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.

2009 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. 2009 Primary Focus

With our Strategic Plan out to the 2015 financial year now in place, the 2009 financial year will build on our 2008 achievements to drive further substantial increases in both financial and operational performance in the short term, and ensure that the appropriate infrastructure from a capital, financial and operational perspective is in place to deliver on our long term goal.

3. Hatchery Initiatives

Larger and earlier introduced smolt underwrites fish size growth targets

To construct Tassal's state-of-the-art freshwater hatchery to mitigate risk and underwrite significant improvement in smolt size and an accelerated smolt input regime.

4. 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, introducing on-site harvesting technology and delivering ongoing fish husbandry and feed management improvement.

5. Risk Management Initiatives

Enhanced Company-wide risk management drives business sustainability

To cascade risk mitigation and management accountability to all levels of the business and continue to build on the significant trend improvement in key workplace safety performance indicators achieved to date.

6. Processing Initiatives

Further 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.

7. Branding Initiatives

"Tassal Pure Tasmania" – the consumer choice

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

8. 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.

9. Environmental Management Initiatives

Sustainable environmental management – a key accountability across the business

To continue to drive sustainable environmental management practices and accountability across all levels of business to build on the foundations laid during 2008.

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Tassal Group Limited and Controlled Entities

COMPANY DIRECTORY

Directors

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

Chief Executive Officer

Mark Ryan
B.Com, CA, MAICD

Company Secretary

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

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

*Also principal administration office.

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

Stock Exchange Listing

The Company is listed on the Australian Securities 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
Mark Asman	Chief Operating Officer
Nicholas Burrows	Company Secretary and Chief Financial Officer
Dale Williams	Chief of Sales and Marketing

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Results and Performance Overview

Tassal Group Limited ("Tassal") has continued its strong performance since listing in November 2003, with the posting of another impressive result. The underlying net profit after tax (i.e. "normalised" NPAT) was \$21.200 million for the full year period to 30 June 2008 [30 June 2007: \$15.988 million] – an increase of 32.60%.

The result was driven by underlying salmon sales growth in the domestic market – combined with a targeted marketing spend, continued focus on cost reduction initiatives and an accelerated capital investment program (particularly with respect to efficiency related capital items). These factors were partially offset by an increase in feed costs due to rising raw material costs and a rising Australian dollar from an export perspective.

Key Financial Performance Indicators

The tables below report the key consolidated financial performance indicators for the financial year to 30 June 2008 and 30 June 2007:

Financial year ended 30 June 2008	Reported	AASB 141 impact ⁽¹⁾	Non-recurring items impact	Underlying operational result
	\$'000	\$'000	\$'000	\$'000
Revenue (from all sources)	288,311	(121,045)	-	167,266
EBITDA	33,614	(983)	2,030	34,661
EBIT	31,157	(983)	2,030	32,204
Profit before income tax expense	27,043	(983)	2,030	28,090
Income tax expense	(6,576)	295	(609)	(6,890)
Net profit after income tax expense	20,467	(688)	1,421	21,200
Gearing Ratio				17.24%
Interest Cover (x)				7.83
NTA (\$'000)				151,119
NTA per Share				\$1.12
ROE (NPAT)				11.21%
ROA (EBIT)				11.51%
EPS				\$0.171

Financial year ended 30 June 2007	Reported	AASB 141 impact ⁽¹⁾	Non-recurring items impact	Underlying operational result
	\$'000	\$'000	\$'000	\$'000
Revenue (from all sources)	245,919	(101,918)	-	144,001
EBITDA	34,370	(7,150)	1,211	28,431
EBIT	32,747	(7,150)	1,211	26,808
Profit before income tax expense	28,157	(7,150)	1,211	22,218
Income tax expense	(8,012)	2,145	(363)	(6,230)
Net profit after income tax expense	20,145	(5,005)	848	15,988
Gearing Ratio				49.71%
Interest Cover (x)				5.84
NTA (\$'000)				90,108
NTA per Share				\$0.78
ROE (NPAT)				15.23%
ROA (EBIT)				13.48%
EPS				\$0.140

1. Australian Accounting Standard AASB 141 "Agriculture" 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 \$121.045 million in revenue for the financial year to 30 June 2008 [2007: \$101.918 million].

2. Definitions:
Interest Cover (x): EBIT/finance costs
NTA (\$'000): Total equity less goodwill and other intangible assets
NTA per Share: (Total equity less goodwill and other intangible assets)/Shares on issue
ROE (NPAT): Profit after tax/Total equity
ROA (EBIT): EBIT/Total assets
EPS: Profit after tax/weighted average no. shares on issue

The Directors of Tassal have declared an unfranked final dividend of 3.50 cents per share which, together with an interim dividend of 3.00 cents per share, brings the total dividend for the financial year ended 30 June 2008 to 6.50 cents per share – an increase of 23.81% [previous period total dividend: 5.25 cents per share].

The Company's Dividend Re-investment Plan will again be in place to support continued investment in fish growth and marine and processing infrastructure. Our focus on infrastructure investment in financial year 2009 is centred on growth, efficiency focussed and risk mitigation related capital items.



Overview

Tassal has a robust Strategic Plan in place to financial year 2015 – and since its development and implementation in financial year 2006, Tassal has met all the operational and financial targets underpinning its Strategic Plan. From an operational perspective, the Strategic Plan sets out a production target of 30,000 hog tonnes (whole fish equivalent of 35,000 tonnes) – which would put Tassal around the top 10 Salmon producing companies on a global perspective. From a financial perspective, this would put Tassal in a global cost competitive basis from a growing and processing perspective – and continue to ensure that Tassal is both sustainable and profitable.

Together with global cost competitiveness, Tassal's strategy focuses on achieving premium returns from our sales and marketing initiatives. Tassal's Salmon products attract a premium price 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. Tassal is committed to marketing activities to ensure sales growth continues in the domestic market.

During the 2008 financial year Tassal has been able to achieve the following:

- Increased Salmon demand and revenue;
- Undertook a successful capital raising;
- Undertook and implemented the Superior Gold acquisition;
- Further improved fish biomass;
- Further reduced finished goods cost;
- Improved sales price;
- Improved cash generation;
- Accelerated growth, efficiency and risk mitigation capital expenditure;
- Significantly increased research and development expenditure; and
- Improved our balance sheet.

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 2008 financial year as an accurate reflection of the effort and innovation across the business and remains satisfied that the continued successful implementation of operating improvements since listing will ensure future profitable growth and improved shareholder returns. The underlying operational result for the 2008 financial year is summarised as follows:

- Revenue from all sources increased by 16.016% to \$167.266 million [2007: \$144.001 million];
- EBITDA increased by 21.91% to \$34.661 million [2007: \$28.431 million];
- EBIT increased by 20.13% to \$32.204 million [2007: \$26.808 million]; and
- Net profit after income tax expense increased by 32.60% to \$21.200 million [2007: \$15.988 million].

Cash flow from operating activities was substantially utilised to underpin:

- The growth of fish inventory – with biological assets (i.e. fish in the water) increasing in value by \$16.341 million. This level of growth underpins Tassal's Strategic Plan FY2015;
- The build-up in trade debtors due to the increasing mix of sales to Supermarkets and the longer term agreement with Petuna of \$9.580 million; and
- The ongoing investment in marine and processing infrastructure – payments for property, plant and equipment of \$29.067 million were incurred for the 2008 financial year. The ongoing investment in infrastructure is centred on growth, efficiency related and risk mitigation capital items.

Despite the increased investment in fish inventory, trade debtors and marine and processing infrastructure, and noting the impact of the capital raising, Tassal has been able to improve its gearing position with a net debt to equity ratio of 17.24% [FY2007: 49.71%] and net interest bearing debt of \$32.593 million at 30 June 2008. Net interest bearing debt at 30 June 2007 was \$52.176 million [FY2006: \$44.794 million].

Outlook for the Full Year to 30 June 2009

- Tassal will continue to implement the financial and operational strategies underpinning the Strategic Plan to FY2015.
- The Board is of the view that continued progression of operational and financial initiatives achieved in the 2008 financial year will ensure future sustained profitable growth.
- Tassal is looking forward to a higher operating result and net profit after tax for the 2009 financial year.
- With the current fish size and survival rates, Tassal will be able to continue 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.
- Tassal has targeted a minimum export margin of \$1.50kg for FY2009.
- From a domestic perspective, with the growth Tassal experienced in the domestic market in FY2008, coupled with the long term supply agreement with Petuna and the acquisition of Superior Gold, the Board is of the view that Tassal should be able to maintain its earnings momentum in FY2009.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT (cont.)

- From a global perspective, it appears that global supply should grow only by a nominal 1% pa which should translate into an improved export price over the price received in FY2008. Disease issues in Chile remain a significant constraint to global supply.
- 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.
 - There has been an increase in the price of raw materials underpinning Tassal's fish feed – fish meal and fish oil, together with grains and plant oils, have increased and there remains upward pressure on global fish feed prices. Tassal will manage and mitigate the effect of this through changing both the mix of the feed products to be fed and altering the diet formulations within the products.
 - 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 6.13% to 7.50%.
 - With the increased biomass, there is some pricing risk in the domestic market. Tassal is committed to ensuring Tassal Atlantic Salmon is a key protein choice for consumers in the domestic market place – and will work with retailers and wholesalers to ensure continuation of sales growth in the domestic market.
 - Given the export and import sales strategies in place, there exists some exchange risk.
- Processing improvements – with the further installation of processing automation and practices during FY2008, Tassal expects further improved processing results during FY2009. Tassal is quickly moving towards global best practice from a cost perspective in the processing environment.
- 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. The Superior Gold acquisition was an important strategic acquisition.
- 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 2009 financial year and beyond.
- Environmental management – Tassal will continue to focus on enhancing a Company-wide environmental management culture across the business. Focus will be on implementing environmental management accountability to all levels of the business and to continue to build upon the foundations laid during the 2008 financial year.

Priorities for the Year Ahead

Cost competitiveness is achieved by scale and synergistic benefits:

- Fish size – fish size remains the number one priority for Tassal. Significant improvement has been made in our fish size since listing. 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 2009 financial year.
- Fish survivability – improving our fish survivability via improved fish husbandry and on-site harvesting remains a key focus. The introduction of on-site harvesting is expected to deliver an improvement in survivability of 1% to 2%.
- Selective breeding program – 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 2009 financial year. Some of the 2009 Year Class will come from the selective breeding program stock – with these stock harvested in FY2010.

Health and Safety, Environment and Climate Change

Tassal is committed to ensuring compliance with relevant health, safety, climate change and environmental legislation. The Board is accountable for the development, establishment and review of appropriate policy in these areas. The Board requires a best practice approach in these areas and has implemented appropriate management objectives and structures, and a regular reporting process to ensure that this objective is achieved.

Tassal Group's health, safety, climate change and environmental policies are under continuous review and are updated when required.

The Board considers Tassal to be a sustainable aquaculture company from an environmental, operational and financial perspective.

OH & S:

Tassal is committed to providing a healthy and safe workplace that is, as far as is reasonably practicable, without risk of injury or illness. Our vision is "No Injuries".

This commitment extends to the delivery of a healthy and safe product to all Tassal customers and consumers and is underpinned by the Company's food safety and hygiene related



accreditations. These include ISO 9001:2000, HACCP, Halal, Kosher and various specific other accreditations to meet the food safety and hygiene requirements of our major retail customers.

Tassal believe that no job is so important that it cannot be done safely. Each and every Tassal employee has a responsibility to themselves, their colleagues, their families and their community to ensure that this is upheld and turned in to action.

Tassal undertakes to:

- ensure that all its facilities, plant and machinery operate in compliance with applicable legislative and regulatory criteria, including codes of practice;
- continuously seek improvement in reducing hazards in the workplace through consultation, planning, implementation and review of the safety management system;
- educate and support all employees of expectations and requirements; and
- provide the necessary resources to meet OH & S goals.

Consistent with this philosophy, the 2008 financial year saw a continued "roll out" of an enhanced Risk Management Platform and a focussed effort to engage all employees in behavioural change to drive workplace safety improvement.

Tassal has achieved significant improvement trends across a range of workplace safety performance indicators demonstrated as follows:

Indicator	2008	2007	2006	2005
Lost time injuries	9	6	16	101
Days lost	28	15	82	613
Workers compensation claims	11	18	26	163
Number of Employees	474	482	441	516
Workers compensation cost of claims (\$'000)	\$123	\$261	\$284	\$622

Environment:

Tassal is committed to protecting community living standards and the environmental heritage of future generations.

As a responsible corporate member of the community, Tassal seeks to conduct a profitable business with a commitment to protecting the quality of the air, water and soil environments and seeks to prevent pollution and minimise the environmental impact of all its operations.

Tassal undertakes to:

- work towards ensuring our plants and facilities operate in compliance with applicable regulatory requirements;
- promote the efficient use of resources and energy; and
- strive to minimise the impact on the environment.

Tassal has employed an Environmental and Sustainability Advisor, whose role is to ensure compliance with the regulatory framework and implement processes of continuous improvement with respect to environmental management.

Climate Change:

Tassal considers that increasing greenhouse gas concentrations in the atmosphere and associated climate change risks need to be addressed at both a global and local level.

As a responsible corporate member of the community, Tassal seeks to conduct a profitable business with a commitment to reduce our contribution to greenhouse gas emissions and reduce the risks of adverse effects from climate change while operating in an emission constrained environment.

Tassal believes that the risks of climate change associated with increasing greenhouse gas concentrations needs to be addressed through accelerated action. Behavioural change, innovation and technical progress are essential to achieve a balance in meeting natural resource and energy needs. Tassal will take action within our own business and work with industry, governments and other stakeholders to address this global challenge and find lasting solutions congruent with our goals.

Tassal has calculated its carbon footprint and energy consumption to establish the requirement to register with the National Greenhouse and Energy Reporting Act as managed by the Commonwealth Department of Climate Change (DCC). According to the threshold limits established by the DCC, the consolidated entity is significantly below the limits required for registration. At this stage the Board has decided not to adopt the option of voluntary registration until such time as the Greenhouse Gas Emission (GHGE) estimates can be further defined. The investigation revealed that the consolidated entity was contributing 7.44 tonnes of GHGE equivalent and consuming 101.47 Terra Joules per year. The consolidated entity has a Climate Change Policy which gives consideration and commitment to lowering the operational greenhouse gas emissions and overall energy consumption of the operations.

Support

On behalf of the Board, 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

Hobart, this 29th day of September 2008

CORPORATE GOVERNANCE STATEMENT

The Company is committed to maintaining high standards of corporate governance appropriate to its size and operations to effectively manage risk, improve the Company's performance and enhance corporate responsibility. The Board of Directors of the Company (the Board), working with senior management, is responsible for the corporate governance of the Company and its controlled entities. The Board carries out its responsibilities within a framework of corporate governance policies and practice documents which outline the commitment to act ethically, openly, fairly, and diligently when promoting the interests of shareholders, employees, customers and broader community interests.

The Board recognises the need for the continual development of the Company's corporate governance policies and practices. During the financial year ended 30 June 2008 the Board has been overseeing a project to review, revise and update the Company's suite of corporate governance policies and practices to enhance compliance with the ASX Corporate Governance Council ("ASX CGC") Principles and Recommendations and to ensure that the Company seeks to achieve best practice.

This has been partially driven by the need to identify and implement enhancements and refinements that are required to be made following the ASX CGC's August 2007 revision of its Corporate Governance Principles and Recommendations which apply for financial years beginning on or after 1 January 2008 (i.e. for 30 June 2009 for the Company). The Board is well progressed in its governance documentation review and update process and will be in a position to report compliance with the revised principles from their commencement date on 1 July 2008. Accordingly, any related changes made to the Company's corporate governance policies and practices will be disclosed in the Company's 2009 Annual Report.

Unless explicitly stated otherwise, the Directors believe the Company complies with the core principles and underlying recommendations of ASX CGC's existing "Principles of Good Corporate Governance and Best Practice 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 Recognise and publish the respective roles and responsibilities of Board and management.		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 • Statement of Delegated Authority • Role of the Chairman • Role of the CEO 	



		Reference material	Compliance
Principle 2	Structure the Board to add value <i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i>		Yes
Recommendation 2.1	A majority of the Board should be independent directors.		Yes
Tassal Board Response	<p>The Board is conscious of the need to have independent Directors but must also ensure that Board members can add value in the context of Tassal's business. Therefore, the Board will seek to ensure that the Board comprises Directors who have a strong understanding of Tassal's business.</p> <p>The Company has adopted a Policy on Independence. The fundamental premise of the policy is that an independent Director must be independent of management and free to exercise his or her unfettered and independent judgement.</p> <p>The Directors considered by the Board to constitute independent Directors are identified, along with their period in office, in the Directors' Report.</p> <p>The Company presently has six Non-executive Directors, four of whom, including the Chairman, are considered by the Board to be independent in terms of the ASX CGC's definition of an independent Director. The Chief Executive Officer is an Executive Director of the Company.</p> <p>The Board is accordingly comprised of a majority of independent Directors.</p>	<ul style="list-style-type: none"> • Board Charter • Policy – Independence of Directors 	
Recommendation 2.2	The Chairman should be an independent Director.		Yes
Tassal Board Response	The Chairman is an independent Director.	<ul style="list-style-type: none"> • Board Charter • Role of the Chairman 	
Recommendation 2.3	The roles of the Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual.		Yes
Tassal Board Response	In line with the Board Charter, the roles of Chairman and Chief Executive Officer/Managing Director are separated. Board policy is that the Chief Executive Officer/Managing Director cannot 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, membership, meeting process and performance evaluation requirements.	<ul style="list-style-type: none"> • Remuneration and Nominations Committee Charter 	
Recommendation 2.5	Provide the information set out in Guide to reporting on Principle 2: <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. 		Yes
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's independence criteria used as guidelines for the Board to use in determining the independence of Directors 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 	

CORPORATE GOVERNANCE STATEMENT (cont.)

		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
	<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 new Directors and for recommending to the Board the reappointment of retiring Directors. 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 for Selection and Appointment of Directors Remuneration and Nominations Committee Charter 	
		Reference material	Compliance
Principle 3	Promote ethical and responsible decision making <i>Actively promote timely ethical and responsible decision making.</i>		Yes
Recommendation 3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives as to:		Yes
	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.		
Tassal Board Response	<p>The Directors have adopted a Code of Conduct to provide clear guidelines for the ethical behavioural standards expected of the Company's Directors and Employees.</p> <p>The Code of Conduct sets ethical standards for Tassal's Directors and Employees, all of whom are expected to pursue the highest standards of ethical conduct in the interests of shareholders, customers, suppliers, the wider community and the environment.</p> <p>Ethical conduct relates to standards of behaviour characterised not only by complying with the law and the various policies of the Company which are referred to in the Code of Conduct, but also by acting fairly, honestly and with integrity.</p>	<ul style="list-style-type: none"> Code of Conduct 	



		Reference material	Compliance
Principle 3 (cont.)	Promote ethical and responsible decision making Actively promote timely ethical and responsible decision making.		Yes
Recommendation 3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.		Yes
Tassal Board Response	<p>The Company has a Securities Trading Policy which regulates dealings by the following Restricted Persons in Tassal securities and securities of any other entity that may be affected by inside information:</p> <ul style="list-style-type: none"> • Tassal Directors; • Designated Tassal Employees: <ul style="list-style-type: none"> ◦ Chief Executive Officer ◦ Company Secretary and CFO ◦ All members of Tassal's Executive ◦ All direct reports to members of Tassal Executive ◦ All Tassal employees employed or engaged in the Information Services Centre (Administration and Finance) Department ◦ All Tassal employees employed or engaged in the Information Technology Department ◦ Any other Tassal employee(s) designated as a Restricted Person by the Company Secretary from time to time for the purposes of this Policy; • All Immediate Family Members of Tassal Directors and Designated Tassal Employees; <p>and companies, trusts and entities controlled by any of the above.</p> <p>The rationale for the Policy is to establish a best practice procedure relating to buying and selling Tassal Securities that provides protection to the Company and to Restricted Persons to ensure that they do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of Tassal's results, and to explain the type of conduct that is prohibited under the Corporations Act.</p> <p>Restricted Persons are prohibited from trading in Tassal securities and any other entity (e.g. another listed company with which Tassal is confidentially negotiating a significant transaction) whilst in the possession of what they ought reasonably to know is inside information, being price sensitive information not generally available and that a reasonable person would expect to have a material effect on the price or value of Tassal shares.</p> <p>Restricted Persons are prohibited from trading in Tassal securities during "Black Out" periods defined as follows:</p> <ul style="list-style-type: none"> • From midnight, 31 December until midday Hobart Local Time (HLT) on the next ASX trading day after the day on which Tassal's half-year results are released to ASX; and • From midnight, 30 June until midday HLT on the next ASX trading day after the day on which Tassal's full year results are released to ASX. <p>The Policy provides specific "pre and post" deal notification procedures that must be followed when, in the absence of possession of inside information, Restricted Persons intend to trade in Tassal securities.</p> <p>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.</p>	<ul style="list-style-type: none"> • Securities Trading Policy • Board Charter • Code of Conduct 	
Recommendation 3.3	Provide the information set out in Guide to reporting on Principle 3.		Yes
Tassal Board Response	See Tassal Board response to recommendation 10.1.		

CORPORATE GOVERNANCE STATEMENT (cont.)

		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. The Company's Chief Risk Officer also provides a letter of assurance confirming that: <ul style="list-style-type: none"> the Company's risk management system is supported by a well-structured framework and policy, which is established based on the guidelines from AS/NZS 4360:2004 Risk Management and ASX Corporate Governance Principles and Recommendations; appropriate and adequate risk management and control monitoring and reporting mechanisms are in place; and the Company's risk management and internal compliance and risk related control systems are operating efficiently in all material respects. 	<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 roles, responsibilities, membership, meeting process and performance evaluation 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"> Refer sections 16, 17 and 18 of the Directors' Report 	
Tassal Board Response	<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. <p>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. The Audit and Risk Committee has developed the following guidelines to assist it in these areas:</p> <ul style="list-style-type: none"> Guidelines on External Auditor Selection, Evaluation and Rotation (this document is not publicly available); and Guidelines on Provision of Audit and Other (Non-Audit) Services by the External Auditor (this document is not publicly available). <p>No Director has any association, past or present, with Tassal's external auditor.</p>	<ul style="list-style-type: none"> Audit and Risk Committee Charter 	



		Reference material	Compliance
Principle 5	Make timely and balanced disclosure Promote timely and balanced disclosure of all material matters concerning the Company.		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 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 effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with its Listing Rule disclosure requirements. The procedures relating to the notification of price sensitive matters to the ASX and the subsequent posting of them on the Company's website are detailed in policy documentation.</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 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.		

CORPORATE GOVERNANCE STATEMENT (cont.)

		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 has adopted a Communications Policy which 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 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 2008 Annual General Meeting 	



		Reference material	Compliance
Principle 7	Recognise and manage risk <i>Establish a sound system of risk oversight and management and internal control.</i>		Yes
Recommendation 7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.		Yes
Tassal Board Response	<p>The Board has established an Audit and Risk Committee with a formally adopted Charter. The Charter sets out its roles, responsibilities, membership, meeting process and performance evaluation 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. The Audit and Risk Committee Charter outlines the principle risk related functions of the Committee which, in accordance with the Company's Procedures on Oversight and Management of Material Business Risks, is to ensure that Management has established and operates a business risk management system which is designed to:</p> <ul style="list-style-type: none"> • identify, assess, monitor and manage material business risk; and • inform investors of material changes to Tassal's risk profile. <p>The Company is exposed to a range of risks categories encompassing credit, market, liquidity, operational, compliance and regulatory, reputation and other risks. The Committee's oversight responsibilities with respect to these business risks encompass, but are not restricted to, the following:</p> <ul style="list-style-type: none"> • reviewing and monitoring the risk management framework; • ensuring there is, and evaluating the effectiveness of, a satisfactory system for monitoring the relevant risk profile, mitigation and management practices; and • ensuring the development and ongoing review of appropriate risk management policies. 	<ul style="list-style-type: none"> • Audit and Risk Committee Charter • Procedures for the Oversight and Management of Material Business Risks 	

CORPORATE GOVERNANCE STATEMENT (cont.)

	Reference material	Compliance
Principle 7 (cont.)	Recognise and manage risk <i>Establish a sound system of risk oversight and management and internal control.</i>	Yes
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. The Company's Chief Risk Officer also provides a letter of assurance confirming that: <ul style="list-style-type: none"> the Company's risk management system is supported by a well-structured framework and policy, which is established based on the guidelines from AS/NZS 4360:2004 Risk Management and ASX Corporate Governance Principles and Recommendations; appropriate and adequate risk management and control monitoring and reporting mechanisms are in place; and the Company's risk management and internal compliance and risk related control systems are operating efficiently and effectively in all material respects. 	
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 Board and 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 • Audit and Risk 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 2008 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"> Remuneration Report – section 20 of the Directors' Report 	
Tassal Board Response	<ul style="list-style-type: none"> The names of the members of the Remuneration Committee and their attendance at meetings of the Committee. This information is provided in the Directors' Report.	<ul style="list-style-type: none"> Refer sections 16 and 18 of the Directors' Report 	
Tassal Board Response	<ul style="list-style-type: none"> The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors. Non-executive Directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations.	<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 to provide clear guidelines for the ethical behavioural standards expected of the Company's Directors and employees.</p> <p>The Code of Conduct sets ethical standards for Tassal's Directors and Employees, all of whom are expected to pursue the highest standards of ethical conduct in the interests of shareholders, customers, suppliers, the wider community and the environment.</p> <p>Ethical conduct relates to standards of behaviour characterised not only by complying with the law and the various policies of the Company which are referred to in the Code of Conduct, but also by acting fairly, honestly and with integrity.</p> <p>The Code addresses, among other things:</p> <ul style="list-style-type: none"> • ethical conduct and expected behaviours based on the principles of fairness, honesty and integrity; • compliance with the law; • confidentiality and inside information; • disclosure of interests; • trading in Tassal securities; • integrity of records; • protection of Tassal assets; • personal transactions; • improper payments, gifts, entertainment and travel; • political contributions; and • whistleblower protection. 	<ul style="list-style-type: none"> • 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 2008 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:

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
(Director since 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)

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 2.75 cents per ordinary share in respect of the year ended 30 June 2007 was declared on 27 August 2007 and paid on 30 October 2007 amounting to \$3.179 million. The dividend payment was unfranked.
- an interim dividend of 3.00 cents per ordinary share in respect of the year ended 30 June 2008 was declared on 27 February 2008 and paid on 24 April 2008 amounting to \$4.017 million. The dividend payment was unfranked.
- on 27 August 2008, the Directors declared a final unfranked dividend of 3.50 cents per ordinary share amounting to \$4.715 million in respect of the financial year ended 30 June 2008. The record date for determining entitlements to this dividend is 2 October 2008. The final dividend will be paid on 24 October 2008. 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 2008 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2008.

4. Review of Operations

Net profit determined in accordance with Australian Accounting Standards and Interpretations was \$20.467 million for the year ended 30 June 2008 (2007: \$20.145 million).

The following commentary refers to the consolidated entity's underlying operating results. The underlying operating results reflect the consolidated entity's statutory reported results adjusted for the impacts of AASB141 "Agriculture" and non-recurring items. Refer to the Chairman's and CEO's Report on pages 4 to 7 of the Annual Financial Report for a reconciliation of the consolidated entity's underlying operating results and the statutory reported results.

The consolidated underlying operational net profit after tax for the financial year was \$21.200 million. (For the financial year ended 30 June 2007: \$15.988 million).

The Directors of Tassal Group Limited have declared an unfranked final dividend of 3.50 cents per ordinary share. The consolidated entity's underlying operational revenue was reported at \$167.266 million compared with \$144.001 million for the financial year to 30 June 2007.

Underlying operational earnings before interest and tax ("EBIT") was \$32.204 million compared with the financial year to 30 June 2007 underlying operational EBIT of \$26.808 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.

Underlying operational earnings per share ("EPS") on a weighted average basis was recorded at 17.10 cents per share compared with the financial year to 30 June 2007 of 14.00 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 4 to 7 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 Commonwealth and State regulations of general application governing marine and hatchery operations, processing, land tenure and use, environmental requirements, including site specific environmental licences, permits, and statutory authorisations, workplace health and safety and trade and export.

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 consolidated entity has well established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The consolidated entity has employed an Environmental and Sustainability Advisor whose role is to ensure compliance with the regulatory framework and implement processes of continuous improvement with respect to environmental management.

The Board notes that the National Greenhouse and Energy Reporting Act (Commonwealth) has come into force and the Company is not required to register under that Act. The Board is monitoring the developments of the Federal Government's Carbon Pollution Reduction Scheme which is proposed to come into operation in 2010.

Further details with respect to the consolidated entity's environmental policy, climate change policy and carbon footprint are outlined in the Chairman's and CEO's Report on pages 4 to 7 of this Annual Financial Report.

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.

DIRECTORS' REPORT (cont.)

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 8 to 19 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.

The Company's Chief Risk Officer has also provided a letter of assurance confirming that:

- the Company's risk management system is supported by a well-structured framework and policy, which is established based on the guidelines from AS/NZS 4360:2004 Risk Management and ASX Corporate Governance Principles and Recommendations;
- appropriate and adequate risk management and control monitoring and reporting mechanisms are in place; and
- the Company's risk management and internal compliance and risk related control systems are operating efficiently and effectively in all material respects.

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 32 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 has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, 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 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 161,895 (2007:449,521) 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.



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, FAICD	<p>Allan is a Non-executive Director of Incitec Pivot Limited, Director of Medical Developments International Limited and Chairman of CRF 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>	207,006 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 Chairman of Australian Agriculture Company Limited and of the Supervisory Board of Bremer Woll-Kammerei AG, and a Director of Futuris Corporation Limited, Integrated Tree Cropping Limited, Australian Plantation Timber Limited and Webster Limited.</p>	<p>Non-executive Director</p> <p>Member of the Remuneration and Nominations Committee</p>	<p>35,139,372 Ordinary Shares</p> <p>Mr Bright is a Director of Webster Limited which holds 35,139,372 Ordinary Shares</p>
DAVID GROVES B.Com, M.Com, CA, FAICD	<p>David is a Director of Equity Trustees Limited and Graincorp Limited, he is a Member of the MIR Management Limited Advisory Council and an Executive Officer of a number of private companies. David also serves on the Corporate Committee of the Intensive Care Foundation of Australia and New Zealand and is a Director of Kambala, a leading Australian girl's school in Sydney. He is 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 30 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>	146,425 Ordinary Shares
RÓDERICK ROBERTS B.Ec, MBA, FAICD	<p>Rod is presently a Non-executive Director of Webster Limited, Deputy Chancellor of the University of Tasmania Council and a Director of a number of proprietary companies. Rod has previously held senior roles in manufacturing and investment banking, including Head of Corporate Finance Bain & Co, Director County NatWest Australia Limited, Chairman Ossa Limited and Chairman Harris and Company Limited.</p>	<p>Non-executive Director</p> <p>Member of the Audit and Risk Committee</p>	<p>35,139,372 Ordinary Shares</p> <p>Mr Roberts is a Director of Webster Limited which holds 35,139,372 Ordinary Shares</p>

DIRECTORS' REPORT (cont.)

16. Information on Current Directors (cont.)

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
JOHN WATSON AM, MAICD	John is Non-executive Chairman of Incitec Pivot Limited and Tasman Farms Limited, Director of Wool Partners International Limited (NZ), 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	104,193 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), Juicy Isle Pty Limited, National Aquaculture Council and the Food Industry Council of Tasmania as well as a number of other industry related associations. Mark has over 20 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	407,246 Ordinary Shares 256,035 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.

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	1997 to August 2005
	Incitec Pivot Limited	Throughout
C. Bright	Webster Limited	Since August 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, 2 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	*	*	2	2
D. Groves	12	8	7	6	*	*
A. McCallum	12	12	*	*	2	2
J. Monk	12	12	*	*	2	2
R. Roberts	12	11	7	6	*	*
M. Ryan	12	12	*	*	*	*
J. Watson	12	12	7	7	*	*

(* not a committee member)

19. Company Secretary

Nicholas Jon Burrows
[B.Com, FCIS, CA, F Fin, CFTP (Snr), MAICD, FTIA].

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 20 years. Mr Burrows also acts as Chief Financial Officer and is a member of the Company's senior Executive team.

20. Remuneration Report – Audited

(a) Introduction

This Remuneration Report outlines Tassal Group Limited's ("Tassal's") overall reward strategy for the year ending 30 June 2008 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 2008.

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.

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 2009.

(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 primary objectives of the remuneration policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice, is tailored to the specific circumstances of the Company and which reflects the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

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 may 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 below.

(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.

DIRECTORS' REPORT (cont.)

20. Remuneration Report – Audited (cont.)

(d) Relationship Between the Remuneration Policy and Company Performance

The Consolidated entity's key underlying operational performance indicators in the period since initial listing (10 November 2003) and the financial year ended 30 June 2008 are summarised below:

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue (from all sources)	167,266	144,001	127,068	96,667	59,671
Net profit before tax	28,090	22,218	15,723	7,435	3,076
Net profit after tax	21,200	15,988	11,188	5,325	3,904
Share price:					
Share price at the start of the year	\$3.32	\$1.13	\$0.89	\$0.88	N/A
Share price at the end of the year	\$2.60	\$3.32	\$1.13	\$0.89	\$0.88
Dividend per share:					
Interim dividend (unfranked)	\$0.0300	\$0.0250	\$0.0225	N/A	N/A
Final dividend (unfranked) ⁽ⁱ⁾	\$0.0350	\$0.0275	\$0.0250	\$0.0250	\$0.0200
	\$0.0650	\$0.0525	\$0.0475	\$0.0250	\$0.0200
Earnings per share:					
Basic	\$0.1705	\$0.1400	\$0.0997	\$0.0587	\$0.0476
Diluted	\$0.1697	\$0.1394	\$0.0997	\$0.0587	\$0.0474

Note: The underlying operating results in the above tables reflect the consolidated entity's reported results adjusted for the impacts of AASB141 "Agriculture" and non-recurring items.

(i) Declared after balance date and not reflected in the financial statements.

The consolidated entity ultimately assesses its performance from increases in earnings and shareholder value. The performance measures for both the Company's Short-term Incentive Plan and Long-term Incentive Plan have been tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of financial and operational objectives and sustained shareholder value growth.

Over the past 5 years the consolidated entity has achieved the following compound annual growth rates from underlying operations:

• Revenue (from all sources)	-	29.4%
• Net profit after tax	-	52.7%
• Basic earnings per share	-	37.6%

(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 \$600,000 as approved by shareholders at the AGM on 2 November 2007.

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



Non-executive Directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the Non-executive Directors, which is to provide oversight and guide strategy, and of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are not subject to a minimum shareholding requirement. However, they may hold shares in Tassal subject to the Tassal Securities Trading Policy.

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 2008 financial year were as follows:

	Base	Committee
The Chairman	\$111,826	-
Each other Non-executive Director	\$49,613	\$5,250

The Chairman of the Audit and Risk Committee received an additional \$5,250 for chairing that Committee.

(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 by the Board and for each senior Executive by the Board following recommendations from the Chief Executive Officer and 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.

DIRECTORS' REPORT (cont.)

20. Remuneration Report – Audited (cont.)

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 in respect of the financial year ended 30 June 2008 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	50%	35%	15%
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 may be 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.

Performance rights granted during the financial year ended 30 June 2008:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and senior Executives in the financial year ended 30 June 2008 is based on Tassal Group Limited's EPS growth over the Performance Period of the three years from 30 June 2007 (being the "Base Year") to 30 June 2010 and are summarised as follows:

Earnings Per Share Hurdle ('EPS') (Applies to 100% of performance rights granted in the financial year ended 30 June 2008)

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.

Performance rights granted during the financial year ended 30 June 2007:

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
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
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 – Audited (cont.)

(g) Key Management Personnel Compensation (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 \$	Perfor- mance Rights ⁵ \$	Termin- ation ⁶ \$	
C. Bright	2008	54,863	-	-	4,938	-	-	-	-	59,801
	2007	51,042	-	-	4,594	-	-	-	-	55,636
D. Groves	2008	54,863	-	-	4,938	-	-	-	-	59,801
	2007	17,259	-	-	1,553	-	-	-	-	18,812
A. McCallum (Chairman)	2008	111,826	-	-	10,064	-	-	-	-	121,890
	2007	93,750	-	-	8,438	-	-	-	-	102,188
J. Monk	2008	54,863	-	-	4,938	-	-	-	-	59,801
	2007	51,042	-	-	4,594	-	-	-	-	55,636
R. Roberts	2008	54,863	-	-	2,881	-	-	-	-	57,744
	2007	51,042	-	-	-	-	-	-	-	51,042
M. Ryan (Chief Executive Officer)	2008	432,769	148,252	8,737	36,605	-	-	129,809	-	756,172
	2007	398,186	235,260	4,125	33,444	-	-	83,686	-	754,701
M. Van Ryn (Retired 23 May 2007)	2008	-	-	-	-	-	-	-	-	-
	2007	50,438	-	-	4,539	-	-	-	-	54,977
J. Watson	2008	60,113	-	-	5,410	-	-	-	-	65,523
	2007	52,292	-	-	4,706	-	-	-	-	56,998
Other Key Management Personnel:										
M. Asman	2008	201,033	61,183	-	16,998	-	-	40,856	-	320,070
	2007	196,480	77,673	-	15,989	-	-	24,867	-	315,009
N. J. Burrows	2008	207,721	48,947	4,051	17,890	-	-	38,572	-	317,181
	2007	187,915	77,673	3,016	16,840	-	-	24,867	-	310,311
D. Williams	2008	196,642	48,947	14,146	16,998	-	-	38,572	-	315,305
	2007	187,470	77,673	10,881	16,075	-	-	24,867	-	316,966
N. Petracca	2008	191,664	44,375	3,598	15,327	-	-	34,969	-	289,933
	2007	180,515	70,419	4,458	14,383	-	-	22,544	-	292,319
K. Little	2008	144,464	35,298	-	11,994	-	-	27,816	-	219,572
	2007	137,239	56,014	4,089	11,270	-	-	17,933	-	226,545
Total	2008	1,765,684	387,002	30,532	148,981	-	-	310,594	-	2,642,793
Total	2007	1,654,670	594,712	26,569	136,425	-	-	198,764	-	2,611,140

(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 85% (2007: 100%) of their respective STI entitlement 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:

Performance rights granted during the financial year ended 30 June 2008

	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	66,771	2 Nov 2007	-	-	30 June 2010	Nil	236,528
Other Key Management Personnel:							
N. Burrows	19,841	2 Nov 2007	-	-	30 June 2010	Nil	70,284
M. Asman	23,147	2 Nov 2007	-	-	30 June 2010	Nil	81,995
K. Little	14,308	2 Nov 2007	-	-	30 June 2010	Nil	50,684
N. Petracca	17,987	2 Nov 2007	-	-	30 June 2010	Nil	63,717
D. Williams	19,841	2 Nov 2007	-	-	30 June 2010	Nil	70,284

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 \$3.5424.

Performance rights granted during the financial year ended 30 June 2007

	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 98/0100 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 29th day of September 2008

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

The Board of Directors
Tassal Group Limited
2 Salamanca Square
Hobart
Tasmania, 7000

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29 September 2008

Dear Board Members

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 2008, 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

Deloitte Touche Tohmatsu



D Harradine
Partner
Chartered Accountants

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		\$'000	\$'000	\$'000	\$'000
Revenue	3(a)	285,745	243,634	7,916	6,259
Other income	3(b)	2,138	1,972	-	-
Share of profits of associates and jointly controlled entities accounted for using the equity method	12	428	313	-	-
Changes in inventories of finished goods and work in progress		4,129	21,840	-	-
Raw materials and consumables used		(219,327)	(198,493)	-	-
Employee benefits expense	3(c)	(26,933)	(24,699)	-	-
Depreciation and amortisation expense	3(c)	(2,457)	(1,623)	-	-
Finance costs	3(c)	(4,114)	(4,590)	-	-
Other expenses		(12,566)	(10,197)	-	-
Profit before income tax expense		27,043	28,157	7,916	6,259
Income tax expense	4	(6,576)	(8,012)	-	-
Net profit for the period attributable to members of the Company		20,467	20,145	7,916	6,259

	Note	Cents per share	Cents per share
		2008	2007
Earnings per ordinary share:			
Basic (cents per share)	29	16.46	17.64
Diluted (cents per share)	29	16.39	17.57

Notes to the financial statements are included on pages 39 to 82.

BALANCE SHEET

AS AT 30 JUNE 2008



Tassal Group Limited and Controlled Entities

	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash and cash equivalents		7,093	1,654	-	-
Trade and other receivables	7	19,391	9,811	105,216	31,681
Inventories	8	37,239	33,110	-	-
Biological assets	9	83,289	66,660	-	-
Other financial assets	10	847	998	-	-
Other	11	906	892	-	-
Total Current Assets		148,765	113,125	105,216	31,681
Non-Current Assets					
Investments accounted for using the equity method	12	7,439	6,370	-	-
Other financial assets	13	135	143	28,119	28,119
Property, plant and equipment	14	85,095	63,892	-	-
Deferred tax assets	4	-	-	5,464	7,102
Goodwill	15	14,851	14,851	-	-
Other intangible assets	16	23,118	-	-	-
Other	17	467	489	-	-
Total Non-Current Assets		131,105	85,745	33,583	35,221
Total Assets		279,870	198,870	138,799	66,902
Current Liabilities					
Trade and other payables	19	29,133	24,356	-	-
Borrowings	20	16,119	7,739	-	-
Provisions	21	2,932	2,617	-	-
Other	22	306	338	-	-
Total Current Liabilities		48,490	35,050	-	-
Non-Current Liabilities					
Borrowings	23	23,567	46,091	-	-
Deferred tax liabilities	4	18,052	12,167	-	-
Provisions	24	646	602	-	-
Other	25	27	-	-	-
Total Non-Current Liabilities		42,292	58,860	-	-
Total Liabilities		90,782	93,910	-	-
Net Assets		189,088	104,960	138,799	66,902
Equity					
Issued capital	26	136,272	65,560	136,272	65,560
Reserves	27	5,286	5,141	625	160
Retained earnings	28	47,530	34,259	1,902	1,182
Total Equity		189,088	104,960	138,799	66,902

Notes to the financial statements are included on pages 39 to 82.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

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 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
Balance as at 1 July 2007	65,560	4,632	349	160	34,259	104,960
Loss on cash flow hedge	-	-	(26)	-	-	(26)
Related income tax	-	-	8	-	-	8
Net income recognised directly in equity	-	-	(18)	-	-	(18)
Transfers (net of any related tax)						
Transfer to profit or loss on cash flow hedge	-	-	(302)	-	-	(302)
Profit for the period	-	-	-	-	20,467	20,467
Total recognised income and expense for the period	-	-	(320)	-	20,467	20,147
Issue of shares pursuant to Dividend Reinvestment Plan	4,611	-	-	-	-	4,611
Issue of shares pursuant to share placement	67,235	-	-	-	-	67,235
Share placement costs	(1,620)	-	-	-	-	(1,620)
Recognition of share-based payments	-	-	-	397	-	397
Payment of dividends	-	-	-	-	(7,196)	(7,196)
Related income tax	486	-	-	68	-	554
Balance as at 30 June 2008	136,272	4,632	29	625	47,530	189,088

Notes to the financial statements are included on pages 39 to 82.



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 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
Balance as at 1 July 2007	65,560	-	-	160	1,182	66,902
Profit for the period	-	-	-	-	7,916	7,916
Total recognised income and expense for the period	-	-	-	-	7,916	7,916
Issue of shares pursuant to Dividend Reinvestment Plan	4,611	-	-	-	-	4,611
Issue of shares pursuant to share placement	67,235	-	-	-	-	67,235
Share placement costs	(1,620)	-	-	-	-	(1,620)
Recognition of share-based payments	-	-	-	397	-	397
Payment of dividends	-	-	-	-	(7,196)	(7,196)
Related income tax	486	-	-	68	-	554
Balance as at 30 June 2008	136,272	-	-	625	1,902	138,799

Notes to the financial statements are included on pages 39 to 82.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities					
Receipts from customers		175,063	163,402	-	-
Payments to suppliers and employees		(162,307)	(149,658)	-	-
Interest received		385	156	-	-
Interest and other costs of finance paid		(4,114)	(4,514)	-	-
Net cash provided by operating activities	38(b)	9,027	9,386	-	-
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(29,067)	(15,726)	-	-
Proceeds from sale of property, plant and equipment		352	314	-	-
Advance from/(to) controlled entities		-	-	(63,030)	1,303
Payment for investments		(641)	(15)	-	-
Payment for intangible assets		(23,118)	-	-	-
Other		-	(38)	-	-
Net cash (used in)/provided by investing activities		(52,474)	(15,465)	(63,030)	1,303
Cash Flows from Financing Activities					
Dividend paid – members of parent entity		(2,585)	(1,303)	(2,585)	(1,303)
Proceeds from borrowings		17,428	40,203	-	-
Repayment of borrowings		(30,862)	(30,667)	-	-
Proceeds from issue of equity securities		67,235	-	67,235	-
Payment for share issue costs		(1,620)	-	(1,620)	-
Net cash (used in)/ provided by financing activities		49,596	8,233	63,030	(1,303)
Net increase in cash and cash equivalents held		6,149	2,154	-	-
Cash and cash equivalents at the beginning of the financial year		944	(1,210)	-	-
Cash and cash equivalents at the end of the financial year	38(a)	7,093	944	-	-

Notes to the financial statements are included on pages 39 to 82.



Tassal Group Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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1. Summary of Accounting Policies

Statement of Compliance

The Annual Financial Report is a general purpose financial report and has been prepared in accordance with the Corporations Act 2001, Accounting Standards and 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 includes separate financial statements of the Company and the consolidated entity.

The Annual Financial Report was authorised for issue by the Directors on 29 September 2008.

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.

All amounts are presented in Australian Dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Annual Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

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, including expectations of future events, that are believed to be reasonable under the circumstances, 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. They include the following:

- Goodwill (refer to note 15)
- Brand names (refer to note 16)
- Biological assets (refer to note 9)

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 2008, and the comparative information presented in these financial statements.

Adoption of new and revised Accounting Standards

In the current financial year, the consolidated entity 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 the current annual reporting period. The Group has adopted the following Standards as listed below which will only impact on the consolidated entity's financial statements with respect to disclosure and this Annual Financial Report:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'.
• AASB 7 'Financial Instruments: Disclosures'.

Standards and Interpretations issued not yet effective

At the date of authorisation of the Annual Financial Report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the Annual Financial Report, but will change the disclosures presently made in relation to the consolidated entity's Annual Financial Report:

- AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8', effective for annual reporting periods beginning on or after 1 January 2009.

Initial application of the following Standards is not expected to have any material impact on the Annual Financial Report of the consolidated entity:

- AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123', effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'. AASB 3 is effective for business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009, and AASB 127 and AASB 2008-3 are effective for annual reporting periods beginning on or after 1 July 2009.



- AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations', effective for annual reporting periods beginning on or after 1 January 2009.

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the Annual Financial Report of the consolidated entity:

- Improvements to IFRSs (2008), effective for annual reporting periods beginning on or after 1 January 2009.
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate', effective for annual reporting periods beginning on or after 1 January 2009.

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' (the "Group"). Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entities. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Borrowings

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

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

(c) Borrowing Costs

Borrowing costs directly attributable to 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

1. Summary of Accounting Policies (cont.)

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 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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

1. Summary of Accounting Policies (cont.)

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.

(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 Long-lived Assets Excluding Goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its 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. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.



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.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

1. Summary of Accounting Policies (cont.)

Brand names

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1 (m).

Intangible assets acquired in a business combination

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 values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(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.

(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.

On 5 June 2007, 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) AAPI] 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.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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) (i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

1. Summary of Accounting Policies (cont.)

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.

At each reporting date, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

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.

(aa) *Investments in Associates*

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.



Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. Subsequent Events

Final Dividend Declared

On 27 August 2008, the Directors declared a final unfranked dividend of \$4.715 million (3.50 cents per ordinary share) in respect of the financial year ended 30 June 2008. The record date for determining entitlements to this final dividend is 2 October 2008. The final dividend will be paid on 24 October 2008. 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 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

3. Profit for the Year Before Tax

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

	Note	Consolidated 2008 \$'000	Consolidated 2007 \$'000	Company 2008 \$'000	Company 2007 \$'000
(a) Revenue					
Revenue from the sale of goods		164,303	141,539	-	-
Net market value of non-living produce extracted	(i)	112,034	100,551	-	-
Increment in net market value of biological assets	(ii)	9,011	1,367	-	-
Dividends received from controlled entities		-	-	7,916	6,259
Rental revenue		12	21	-	-
Interest revenue		385	156	-	-
Total revenue		285,745	243,634	7,916	6,259
(b) Other income					
Gain on disposal of property, plant and equipment		-	30	-	-
Government grants received		1,154	1,006	-	-
Other		984	936	-	-
Total other income		2,138	1,972	-	-

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 \$0.963 million [2007: an increase of \$7.150 million].



	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
(c) Expenses				
Depreciation of non-current assets	2,435	1,601	-	-
Amortisation of non-current assets	22	22	-	-
Total depreciation and amortisation	2,457	1,623	-	-
Interest - other entities	2,609	3,504	-	-
Finance lease charges	1,505	1,086	-	-
Total finance costs⁽ⁱ⁾	4,114	4,590	-	-
Notes:				
(i) Finance costs of \$0.453 million were included in the cost of qualifying assets during the current year (2007: \$0.118 million).				
(ii) The weighted average capitalisation rate on funds borrowed generally is 7.89% (2007: 7.05%)				
Cost of sales	162,558	141,584	-	-
Employee benefit expense:				
Share-based payments:				
Equity settled share-based payments	397	228	-	-
Post employment benefits	1,947	1,682	-	-
Other employee benefits	24,589	22,789	-	-
Total employee benefit expense	26,933	24,699	-	-
Net bad and doubtful debts – other entities	370	(10)	-	-
Write-downs of inventories to net realisable value	331	94	-	-
Operating lease rental expenses	3,532	3,397	-	-
Research and development costs immediately expensed	30	24	-	-
Loss on disposal of property, plant and equipment	15	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

4. Income Taxes

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
<i>(a) Income tax recognised in profit or loss:</i>				
Tax (expense)/income comprises:				
Current tax (expense)/income	(1,910)	(4,489)	214	116
Adjustment recognised in the current year in relation to the current tax of prior years	(69)	(18)	-	-
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(4,597)	(3,505)	(214)	(116)
Total tax (expense)/income	(6,576)	(8,012)	-	-
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	27,043	28,157	7,916	6,259
Income tax (expense)/benefit calculated at 30%	(8,113)	(8,447)	(2,375)	(1,878)
Non-tax deductible items	(134)	(13)	-	-
Dividends from wholly-owned subsidiaries	-	-	2,375	1,878
Research and development concession	1,740	430	-	-
Adjustment recognised in the current year in relation to the current tax of prior years	(69)	18	-	-
Income tax (expense)/benefit	(6,576)	(8,012)	-	-
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.				
<i>(b) Income tax recognised directly in equity</i>				
Deferred tax:				
Property revaluations	-	1,985	-	-
Revaluation of financial instruments treated as cash flow hedges	(136)	149	-	-
Share issue expenses	(486)	-	(486)	-
	(622)	2,134	(486)	-
<i>(c) Deferred tax balances:</i>				
Deferred tax assets comprise:				
Tax losses – revenue	5,061	6,971	5,061	6,971
Temporary differences	1,822	1,321	403	131
	6,883	8,292	5,464	7,102
Deferred tax liabilities comprise:				
Temporary differences	(24,935)	(20,459)	-	-
	(24,935)	(20,459)	-	-
Net deferred tax asset/(liability)	(18,052)	(12,167)	5,464	7,102



(c) *Deferred tax balances: (cont.)*

Taxable and deductible temporary differences arise from the following:

Consolidated	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
2008				
Gross deferred tax liabilities:				
Biological assets	(16,723)	(4,484)	-	(21,207)
Inventories	(634)	8	-	(626)
Trade and other receivables	-	(58)	-	(58)
Property, plant and equipment	(2,612)	85	-	(2,527)
Investment in associates and jointly controlled entities	(340)	(149)	-	(489)
Other intangible assets	-	(14)	-	(14)
Cash flow hedges	(149)	-	136	(13)
Other financial assets	(1)	-	-	(1)
	(20,459)	(4,612)	136	(24,935)
Gross deferred tax assets:				
Provisions	1,040	198	-	1,238
Accruals	35	5	-	40
Deferred income	101	(1)	-	100
Share issue expenses deductible over 5 years	131	(214)	486	403
Other	14	27	-	41
	1,321	15	486	1,822
	(19,138)	(4,597)	622	(23,113)
Reduction arising from:				
Tax losses – revenue	6,971	(1,910)	-	5,061
Net deferred tax asset/(liability)	(12,167)	(6,507)	622	(18,052)
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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

4. Income Taxes (cont.)

(c) Deferred tax balances: (cont.)

Taxable and deductible temporary differences arise from the following:

Company	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2008				
Gross deferred tax assets:				
Share issue expenses deductible over 5 years	131	(214)	486	403
	131	(214)	486	403
Addition arising from:				
Tax losses – revenue (members of the tax-consolidated group)	6,971	(1,910)	-	5,061
Net deferred tax asset	7,102	(2,124)	486	5,464
2007				
Gross deferred tax assets:				
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

(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 34.

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
J. Monk	Non-executive Director
R. Roberts	Non-executive Director
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

(b) Key Management Personnel Compensation

The aggregate compensation of Key Management Personnel of the consolidated entity and the Company is set out below:

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$	\$	\$	\$
Short-term employee benefits	2,183,218	2,275,951	-	-
Post-employment benefits	148,981	136,425	-	-
Share-based payment	310,594	198,764	-	-
	2,642,793	2,611,140	-	-

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 FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

5. Key Management Personnel Compensation (cont.)

(c) Share-based Remuneration

(i) Long-term Incentive Plan

The Company established a Long-term Incentive Plan during the financial year ended 30 June 2007. 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
2 Nov 2007	30 June 2010	-	161,895	-	-	161,895
		449,521	161,895	-	-	611,416

None of the performance rights granted under the Plan vested or became exercisable during the year.

Details of the performance rights holdings of respective Key Management Personnel are disclosed in note 37 (a).

The independently assessed fair value at grant date of performance rights granted under the Long-term Incentive Plan during the financial year ended 30 June 2007 and financial year ended 30 June 2008 and applicable to Key Management Personnel was:

Performance condition	Value at grant date
	\$
Performance rights issued during the financial year ended 30 June 2007:	
Earnings per share ('EPS')	329,165
Total shareholder return ('TSR')	267,127
	596,292
Performance rights issued during the financial year ended 30 June 2008:	
Earnings per share ('EPS')	335,494
	335,494
	931,786

The above performance rights valuations have 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.



(c) Share-based Remuneration (cont.)

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

The expense recognised in relation to performance rights applicable to the financial year ended 30 June 2008 is \$310,594 (2007:\$198,764).

100% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2008 attach to the EPS performance Hurdle. 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 has been 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 of \$3.810 (2007:\$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 (only applicable to performance rights issued during the financial year ended 30 June 2007) 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.

(ii) 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 2008	Consolidated 2007	Company 2008	Company 2007
	\$	\$	\$	\$
Audit or review of the financial reports	163,581	161,250	-	-
Non-audit services ⁽ⁱ⁾	112,166	92,950	-	-
	275,747	254,200	-	-

Notes:

(i) The "non-audit services" principally refers to the provision of taxation services and professional services in relation to the acquisition of the Superior Gold Brand and business developments. 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 FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

7. Current Trade and Other Receivables

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Trade receivables ⁽ⁱ⁾	17,900	8,106	-	-
Allowance for doubtful debts	(262)	(23)	-	-
	17,638	8,083	-	-
Goods and services tax (GST) receivable	1,055	1,123	-	-
Amount receivable from wholly-owned controlled entities ⁽ⁱⁱ⁾	-	-	105,216	31,681
Other receivables	698	605	-	-
	19,391	9,811	105,216	31,681

Notes:

- (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 increased \$0.239 million (2007: decreased by \$0.225 million). This movement was recognised in the profit or loss for the current financial year.
- Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.405 million (2007: \$0.525 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.
- (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).

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Ageing of past due but not impaired				
90 – 120 days	1,092	500	-	-
120+ days	313	25	-	-
Total	1,405	525	-	-

Movement in allowance for doubtful debts

Balance at the beginning of the year	(23)	(248)	-	-
Doubtful debts recognised	(370)	10	-	-
Amounts written off as uncollectible	131	215	-	-
Balance at the end of the year	(262)	(23)	-	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts is an individually impaired trade receivable of \$0.211 million (2007:nil) which has been placed under liquidation. The impairment recognised represents the difference between the carrying amount of the trade receivable and the present value of the expected liquidation proceeds. The Group does not hold any collateral over this balance.

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Ageing of impaired receivables				
120+ days	211	-	-	-
	211	-	-	-



8. Current Inventories

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Raw materials				
At cost	3,659	3,618	-	-
Finished goods				
At cost	33,580	29,492	-	-
	37,239	33,110	-	-

9. Biological Assets

Livestock at fair value⁽ⁱ⁾				
Opening balance	66,660	58,362	-	-
Gain or loss arising from changes in fair value less estimated point of sale costs	121,044	101,918	-	-
Increases due to purchases	7,619	6,931	-	-
Decreases due to harvest	(112,034)	(100,551)	-	-
Closing balance	83,289	66,660	-	-

(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 11,993,011 kilograms (2007: 10,003,795 kilograms).

10. Other Current Financial Assets

Derivatives that are designated and effective as hedging instruments carried at fair value:				
Foreign currency forward contracts	42	498	-	-
Interest rate swaps	195	-	-	-
	237	498	-	-
Loans carried at amortised cost:				
Loans to other related parties	510	500	-	-
Loans to other entities	100	-	-	-
	610	500	-	-
	847	998	-	-

11. Other Current Assets

Prepayments	906	892	-	-
	906	892	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

12. Investments Accounted for Using the Equity Method

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Investments in associates	6,472	5,764	-	-
Investments in jointly controlled entities	967	606	-	-
	7,439	6,370	-	-
Reconciliation of movement in investments accounted for using the equity method				
Balance at the beginning of the financial year	6,370	6,042	-	-
Share of profit for the year	428	313	-	-
Additions	641	15	-	-
Balance at the end of the financial year	7,439	6,370	-	-

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2008	2007
			%	%
Associates:				
Salmon Enterprises of Tasmania Pty Ltd ⁽ⁱ⁾	Atlantic salmon hatchery	Australia	68.78	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	50.00

Notes:

- (i) The Consolidated entity owns 68.78% (2007: 68.55%) of the issued capital and 61.22% (2007: 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 \$0.142 million. Pink Restaurant Pty Ltd commenced trading activities during September 2007.



Summarised financial information of associates: ⁽ⁱ⁾	Consolidated 2008	Consolidated 2007
	\$'000	\$'000
Current assets	5,038	3,312
Non-current assets	8,946	8,768
	13,984	12,080
Current liabilities	(960)	(799)
Non-current liabilities	(1,243)	(1,359)
	(2,203)	(2,158)
Net assets	11,781	9,922
Revenue	6,450	6,206
Net profit	1,006	272
Share of associates' profit:		
Share of profit before income tax	267	29
Income tax (expense)/benefit	(70)	4
Share of associates' profit – current period	197	33

Summarised financial information of jointly controlled entities: ⁽ⁱ⁾	Consolidated 2008	Consolidated 2007
	\$'000	\$'000
Current assets	3,554	3,162
Non-current assets	7,103	5,815
	10,657	8,977
Current liabilities	(2,506)	(2,430)
Non-current liabilities	(5,878)	(5,253)
	(8,384)	(7,683)
Net assets	2,273	1,294
Revenue	5,421	3,390
Net profit	747	813
Share of jointly controlled entities' profit:		
Share of profit before income tax	358	389
Income tax expense	(127)	(109)
Share of jointly controlled entities' profit – current period	231	280
Total share of associates' and jointly controlled entities' profit	428	313

(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 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Shares in other entities	43	43	-	-
Shares in controlled entities at cost	-	-	28,119	28,119
Loans to other related parties	92	-	-	-
Loans to other entities	-	100	-	-
	135	143	28,119	28,119

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

14. Property, Plant and Equipment

Consolidated: 2008	Freehold land at fair value \$'000	Buildings at fair value \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Capital works in progress at cost \$'000	Total \$'000
Gross carrying amount						
Balance at 30 June 2007	3,050	15,255	35,769	23,739	3,206	81,019
Additions	27	1,417	1,450	8,438	19,150	30,482
Disposals	-	-	(623)	-	-	(623)
Transfers to asset categories	23	410	288	2,485	(3,206)	-
Balance at 30 June 2008	3,100	17,082	36,884	34,662	19,150	110,878
Accumulated depreciation						
Balance at 30 June 2007	-	-	(13,133)	(3,994)	-	(17,127)
Depreciation expense	-	(516)	(4,449)	(3,947)	-	(8,912)
Disposals	-	-	256	-	-	256
Balance at 30 June 2008	-	(516)	(17,326)	(7,941)	-	(25,783)
Net book value						
Balance at 30 June 2007	3,050	15,255	22,636	19,745	3,206	63,892
Balance at 30 June 2008	3,100	16,566	19,558	26,721	19,150	85,095

Consolidated: 2007	Freehold land at fair value \$'000	Building at fair value \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Capital works in progress at cost \$'000	Total \$'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

An independent valuation of the Group's freehold land and freehold and leasehold buildings was performed by Mr M.J.Page [B.Bus. (Property) AAPI] 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 and remains current.

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:

	Consolidated 2008 \$'000	Consolidated 2007 \$'000	Company 2008 \$'000	Company 2007 \$'000
Freehold land	2,217	2,177	-	-
Freehold and leasehold buildings	10,971	9,522	-	-
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	516	292	-	-
Plant and equipment	4,449	4,654	-	-
Equipment under finance lease	3,947	2,499	-	-
	8,912	7,445	-	-



15. Goodwill

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at the beginning of financial year	14,851	14,851	-	-
Additional amounts recognised from business combinations occurring during the period	-	-	-	-
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	14,851	-	-
Balance at the end of the financial year	14,851	14,851	-	-

Impairment test for goodwill

Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entity, Aquatas Pty Ltd. The recoverable amount of goodwill is determined based on the value-in-use calculation. This calculation uses a discounted cash flow projection using a discount rate of 11.20% (2007: 10.40%). 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.

16. Other Intangible Assets

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at the beginning of financial year	-	-	-	-
Additional amounts recognised from acquisition of Superior Gold Brand	23,118	-	-	-
Balance at the end of financial year	23,118	-	-	-
Accumulated impairment losses				
Balance at the beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at the end of financial year	-	-	-	-
Net book value				
Balance at the beginning of financial year	-	-	-	-
Balance at the end of financial year	23,118	-	-	-

Impairment test and useful life assessment for other intangible assets

The carrying value of other intangible assets relating to the Superior Gold brand acquired during the financial year ended 30 June 2008 is \$23.118 million. Management have assessed that the brand has an indefinite useful life. There is no foreseeable limited life for the brand and management has no intentions of ceasing use of the brand such that the life would be limited. The Brand will continue to be actively promoted and supported in the markets where Superior Gold branded products are sold.

The recoverable amount of other intangible assets is determined based on the value-in-use calculation. This calculation uses a discounted cash flow projection using a discount rate of 11.20%. The calculation is based on management approved cash flows and financial projections expected to be derived from the contribution of Superior Gold branded product sales for the financial year ended 30 June 2009, and projections over a further forecast period to 2018. The forecast period has been selected as this approximates a sufficient number of sales cycles for the projected cash flows to be generated and over which the benefits of continued marketing and brand support initiatives are expected to be derived.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

17. Other Non-current Assets

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Marine farming lease – at cost	548	548	-	-
Accumulated amortisation ⁽ⁱ⁾	(81)	(59)	-	-
	467	489	-	-

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

18. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in notes 20 and 23 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.

19. Current Trade and Other Payables

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Trade payables ⁽ⁱ⁾	25,952	21,310	-	-
Other creditors and accruals	3,151	3,030	-	-
Goods and services tax (GST) payable	30	16	-	-
	29,133	24,356	-	-

(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.

20. Current Borrowings

Secured:

At amortised cost:

Bank overdrafts ⁽ⁱ⁾	-	710	-	-
Finance lease liabilities ⁽ⁱ⁾	6,474	4,552	-	-
Bank loans ⁽ⁱⁱⁱ⁾	9,642	2,472	-	-
	16,116	7,734	-	-

Unsecured:

At amortised cost:

Other loans	3	5	-	-
	16,119	7,739	-	-

(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.



21. Current Provisions

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Current provisions comprise:				
Employee benefits (refer to note 24)	2,932	2,617	-	-
	2,932	2,617	-	-

(i) The current provision for employee entitlements includes \$0.712 million (2007: \$0.744 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

22. Other Current Liabilities

Deferred government grants	297	338	-	-
Other	9	-	-	-
	306	338	-	-

23. Non-current Borrowings

Secured:

At amortised cost:

Cash advance (i)	7,415	32,882	-	-
Finance lease liabilities (ii)	16,128	13,179	-	-
	23,543	46,061	-	-

Unsecured:

At amortised cost:

Other loans	24	30	-	-
	23,567	46,091	-	-

(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.

24. Non-current Provisions

Employee benefits	646	602	-	-
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits				
Current (refer to note 21)	2,932	2,617	-	-
Non-current	646	602	-	-
	3,578	3,219	-	-

25. Other Non-current Liabilities

Other	27	-	-	-
	27	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

26. Issued Capital

	Consolidated and Company				
	Note	2008		2007	
		Number	\$'000	Number	\$'000
(a) Ordinary share capital (fully paid):					
Ordinary shares		134,737,933	136,272	115,600,194	65,560
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		115,600,194	65,560	112,893,432	60,907
Issued pursuant to Dividend Reinvestment Plan	(i)	1,673,958	4,611	2,306,762	4,388
Issued pursuant to share placement	(ii)	17,463,781	67,235	-	-
Issued pursuant to Chief Executive Officer's employment contract	(iii)	-	-	400,000	265
Share placement costs		-	(1,620)	-	-
Related income tax		-	486	-	-
Balance as at the end of the financial year		134,737,933	136,272	115,600,194	65,560

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Notes:

- (i) Share issued pursuant to Company's Dividend Reinvestment Plan:

Current financial year:

On 30 October 2007, 825,015 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$3.1069. A discount of 5% was applicable.

On 24 April 2008, 848,943 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$2.4078. A discount of 5% was applicable.

Previous 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.

- (ii) Shares issued pursuant to share placement:

On 15 January 2008, 17,463,781 ordinary shares were issued at an issue price of \$3.8500 for the purpose of the acquisition of the Superior Gold brand from The King Island Company Limited, (a wholly-owned subsidiary of National Foods Limited), reduction of debt, and to fund organic growth opportunities.

- (iii) 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 as determined by an independent valuation.

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

- (i) Current financial year:

In accordance with the provisions of the Company's Long-term Incentive Plan, 243,928 performance rights were granted on 2 November 2007 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 2007.

- (ii) Previous financial year:

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.

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 37 (a) to the financial statements.



27. Reserves

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Equity-settled employee benefits	625	160	625	160
Hedging	29	349	-	-
Asset revaluation	4,632	4,632	-	-
	5,286	5,141	625	160

(a) Equity-settled employee benefits reserve

Balance at the beginning of the financial year	160	265	160	265
Share-based payment	397	228	397	228
Issue of shares pursuant to Chief Executive Officer's employment contract	-	(265)	-	(265)
Related income tax	68	(68)	68	(68)
Balance at the end of the financial year	625	160	625	160

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 and in respect of performance rights issued to the Chief Executive Officer and senior Executives pursuant to the Company's Long-term Incentive Plan. Amounts are transferred out of the reserve and into issued capital when the shares are issued.

(b) Hedging reserve

Balance as at the beginning of the financial year	349	-	-	-
Gain/(loss) recognised on cash flow hedges:				
Forward exchange contracts	(26)	498	-	-
Income tax related to gains/losses recognised in equity	8	(149)	-	-
Transfer to profit or loss:				
Forward exchange contracts	(430)	-	-	-
Income tax related to gains/losses transferred to profit or loss	128	-	-	-
Balance at the end of the financial year	29	349	-	-

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.

(c) Asset revaluation reserve

Balance as at the beginning of the financial year	4,632	-	-	-
Revaluation increments	-	6,617	-	-
Deferred tax liability arising on revaluation	-	(1,985)	-	-
Balance as at the end of the financial year	4,632	4,632	-	-

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

28. Retained Earnings

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	34,259	19,805	1,182	614
Net profit attributable to members of the parent entity	20,467	20,145	7,916	6,259
Dividends provided for or paid (refer to note 30)	(7,196)	(5,691)	(7,196)	(5,691)
Balance at the end of the financial year	47,530	34,259	1,902	1,182

29. Earnings Per Share (EPS)

	Consolidated 2008	Consolidated 2007
	(Cents per share)	(Cents per share)
Earnings per ordinary share		
Basic (cents per share) ⁽ⁱ⁾	16.46	17.64
Diluted (cents per share) ⁽ⁱⁱ⁾	16.39	17.57

(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.

	2008	2007
	No. '000	No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	124,326	114,230
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	587	444
Number for diluted EPS	124,913	114,674
	2008	2007
	\$'000	\$'000
Earnings used as the numerator in the calculation of EPS ⁽ⁱ⁾		
Earnings for basic EPS	20,467	20,145
Earnings for diluted EPS	20,467	20,145

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



30. Dividends

	Year Ended 30 June 2008		Year Ended 30 June 2007	
	Cents per share	\$'000	Cents per share	\$'000
(a) Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year				
Unfranked	3.00	4,017	2.50	2,869
Final dividend paid in respect of prior financial year				
Unfranked	2.75	3,179	2.50	2,822
	5.75	7,196	5.00	5,691

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	3.50	4,715	2.75	3,179
---	------	-------	------	-------

On 27 August 2008, the Directors declared a final unfranked dividend of \$4.715 million (3.50 cents per ordinary share) in respect of the financial year ended 30 June 2008. The record date for determining entitlements to this dividend is 2 October 2008. The final dividend will be paid on 24 October 2008. The Company's Dividend Re-investment Plan will apply to the final dividend, with a discount rate of 5% applicable.

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 2008 has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2008.

No portion of the unfranked final dividend declared for the financial year ended 30 June 2008 constitutes Conduit Foreign Income.

31. Commitments for Expenditure⁽ⁱ⁾

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Capital expenditure commitments				
Plant and equipment				
Not longer than 1 year	6,399	1,360	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	6,399	1,360	-	-

(i) Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

32. Leases

(a) Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	8,004	5,720	-	-	6,474	4,552	-	-
Later than 1 year and not later than 5 years	17,666	14,676	-	-	15,677	13,179	-	-
Later than 5 years	541	-	-	-	451	-	-	-
Minimum lease payments*	26,211	20,396	-	-	22,602	17,731	-	-
Less future finance charges	(3,609)	(2,665)	-	-	-	-	-	-
Present value of minimum lease payments	22,602	17,731	-	-	22,602	17,731	-	-
Included in the financial statements as:								
Current borrowings (refer to note 20)					6,474	4,552	-	-
Non-current borrowings (refer to note 23)					16,128	13,179	-	-
					22,602	17,731	-	-

* 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 ten years.

(b) Non-cancellable operating leases

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	2,154	1,641	-	-
Longer than 1 year and not longer than 5 years	5,350	5,230	-	-
Longer than 5 years	4,422	4,764	-	-
	11,926	11,635	-	-

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.

33. Contingent Liabilities and Contingent Assets

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



34. Investments in Controlled Entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2008	2007
Parent entity:			
Tassal Group Limited ⁽ⁱ⁾	Australia		
Controlled entities: ⁽ⁱⁱ⁾			
Tassal Operations Pty Ltd ⁽ⁱⁱⁱ⁾ ^(v)	Australia	100%	100%
Aquatas Pty Ltd ^(iv) ^(v)	Australia	100%	100%

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) Aquatas 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.

35. Segment Information

The following is an analysis of the consolidated revenue and consolidated results for the period, analysed by geographical segment, the consolidated entity's primary basis of segmentation.

	Segment revenue ⁽ⁱ⁾		Segment profit	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Australia	257,566	222,206	32,256	33,194
Export	29,932	23,244	534	782
	287,498	245,450	32,790	33,976
Unallocated			(5,747)	(5,819)
Profit before income tax expense			27,043	28,157
Income tax expense			(6,576)	(8,012)
Profit for the year			20,467	20,145

(i) Consolidated segment revenues excludes interest and equity accounted profits

(a) Segment assets and liabilities

All assets and liabilities as shown in the Balance Sheet relate to Australia except for accounts receivable of \$0.702 million (2007: \$1.23 million) which related to the Export geographical segment.

(b) Other segment information

There is no other information relating to the Export segment. Other segment information related to the Australian segment comprises 100% of the disclosures for depreciation as set out in note 3 (c), 100% of the amount of acquisition of assets disclosed in note 14 and note 16 and 100% of the carrying value of investments accounted for using the equity method as disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

36. 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.

37. Related Party Disclosures

Identity of related parties

The following persons and entities are regarded as related parties:

(a) Controlled entities:

Tassal Operations Pty Ltd

Aquatat Pty Ltd

(Refer to note 34 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 following disclosures, 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.



(a) Key Management Personnel (cont.)

(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:

2008:	Balance as at 1/7/07	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 30/06/08	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
C. Bright*	32,611,753	-	-	-	2,527,619	-	35,139,372	-
D. Groves	-	-	-	-	-	-	-	-
A. McCallum	180,366	-	-	-	26,640	-	207,006	-
J. Monk	110,449	-	-	-	35,976	-	146,425	-
R. Roberts*	32,611,753	-	-	-	2,527,619	-	35,139,372	-
M. Ryan ¹	403,673	-	-	-	3,573	-	407,246	-
J. Watson	85,437	-	-	-	18,756	-	104,193	-
Other Key Management Personnel:								
M. Asman	-	-	-	-	2,622	-	2,622	-
N. Burrows	10,000	-	-	-	-	-	10,000	-
K. Little	-	-	-	-	-	-	-	-
N. Petracca	-	-	-	-	-	-	-	-
D. Williams	-	-	-	-	-	-	-	-
Total	66,013,431	-	-	-	5,142,805	-	71,156,236	-

* 35,139,372 ordinary shares are held by Webster Limited. Both Mr Bright and Mr Roberts were Directors of Webster Limited throughout the financial year ended 30 June 2008.

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

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	-	-	-	4,747	-	180,366	-
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	-	1,747,104	125,000	66,013,431	-

* 32,611,753 ordinary shares 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 share-based remuneration arrangements are separately disclosed in the Remuneration Report and note 5 (c).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

37. Related Party Disclosures (cont.)

(a) Key Management Personnel (cont.)

(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:

2008:	Balance as at 1/7/07	Balance at appointment date (if applicable)	Granted	Net Change Other	Balance as at 30/6/08	Balance held nominally
	No.	No.	No.	No.	No.	No.
Directors:						
C. Bright	-	-	-	-	-	-
D. Groves	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-
J. Monk	-	-	-	-	-	-
R. Roberts	-	-	-	-	-	-
M. Ryan ⁽¹⁾	189,264	-	66,771	-	256,035	-
J. Watson	-	-	-	-	-	-
Other Key Management Personnel:						
M. Asman	56,238	-	23,147	-	79,385	-
N. Burrows	56,238	-	19,841	-	76,079	-
K. Little	40,557	-	14,308	-	54,865	-
N. Petracca	50,986	-	17,987	-	68,973	-
D. Williams	56,238	-	19,841	-	76,079	-
Total	449,521	-	161,895	-	611,416	-

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

2007:	Balance as at 1/7/06	Balance at appointment date (if applicable)	Granted	Net Change Other	Balance as at 30/6/07	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)



(a) Key Management Personnel (cont.)

(iv) Other transactions

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

(b) Controlled entities

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

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

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

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

- 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

(i) Purchase (sales) of goods and services

The Company and the consolidated entity entered into transactions with the following associate and jointly controlled entities 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.

Entity	Consolidated	Consolidated	Company	Company
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Salmon Enterprises of Tasmania Pty Ltd	5,167	5,286	-	-
Springfield Hatcheries Pty Ltd	1,643	1,222	-	-
Pink Restaurant Pty Ltd	(12)	-	-	-
	6,798	6,508	-	-

(ii) Loans due from

During the financial year the consolidated entity advanced funds to Pink Restaurant Pty Ltd for the purposes of assisting the associated entity to purchase mechanical services infrastructure. Interest is charged and paid monthly at an interest rate of 9%. Funds advanced are secured by the assets, the value of which exceeds the loan receivable.

Entity	Consolidated	Consolidated	Company	Company
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Pink Restaurant Pty Ltd	102	-	-	-
	102	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

38. Notes to the Cash Flow Statement

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'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	7,093	1,654	-	-
Bank overdraft	-	(710)	-	-
	7,093	944	-	-
(b) Reconciliation of profit for the period to net cash flows from operating activities:				
Profit for the period	20,467	20,145	7,916	6,259
Depreciation and amortisation of non-current assets	2,457	1,623	-	-
Depreciation – impact of allocation to cost of live and processed fish inventories	6,478	5,842	-	-
Net increment in biological assets	(983)	(7,150)	-	-
(Gain)/loss on sale of fixed assets	15	(30)	-	-
(Increase)/decrease in deferred tax balances	6,576	8,012	1,638	4,692
Share of associates' and jointly controlled entities' profits	(428)	(313)	-	-
Equity settled share-based payment	397	228	397	228
Other	-	6	-	-
Changes in net assets and liabilities net of effects from acquisition of businesses				
(Increase)/decrease in assets:				
Inventories ⁽ⁱ⁾ ⁽ⁱⁱ⁾	(3,434)	(17,884)	-	-
Biological assets ⁽ⁱ⁾	(16,341)	(5,104)	-	-
Current trade and other receivables	(9,580)	(1,702)	(9,951)	(11,179)
Prepayments	(14)	(474)	-	-
Current other financial assets	(305)	-	-	-
Non-current other financial assets	8	-	-	-
Increase/(decrease) in liabilities:				
Current trade and other payables	3,360	6,091	-	-
Other current liabilities	(32)	-	-	-
Current provisions	315	30	-	-
Other non-current liabilities	27	-	-	-
Non-current provisions	44	66	-	-
Net cash provided by operating activities	9,027	9,386	-	-

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

(ii) Includes \$2.336 million relating to inventory purchased in conjunction with the acquisition of the Superior Gold trademark.



	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	\$'000	\$'000	\$'000	\$'000
(c) Financing facilities				
Secured revolving bank overdraft facility subject to annual review and payable at call				
– Amount used	-	710	-	-
– Amount unused	5,500	4,790	-	-
	5,500	5,500	-	-
Secured facilities with various maturity dates through to 2009 and payable at call				
– Amount used	7,415	32,882	-	-
– Amount unused	30,585	5,118	-	-
	38,000	38,000	-	-
Revolving lease finance facilities subject to annual review and payable at call with individual lease terms no greater than 10 years				
– Amount used	32,243	20,203	-	-
– Amount unused	5,757	13,797	-	-
	38,000	34,000	-	-

(d) Non-cash financing and investing activities

- (i) Share issued pursuant to Company's Dividend Reinvestment Plan:

Current financial year:

On 30 October 2007, 825,015 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$3.1069. A discount of 5% was applicable.

On 24 April 2008, 848,943 ordinary shares were issued pursuant to the Company's Dividend Reinvestment Plan at an issue price of \$2.4078. A discount of 5% was applicable.

Previous 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.

- (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 as determined by an independent valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

39. 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 and derivative financial instruments

The Group's activities expose it to a variety of financial risks which include operational control risk, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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 purchase and sale of imported and exported supply of salmon.
- interest rate swaps to mitigate the risk of rising interest rates.

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.

The consolidated entity does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The Group uses different methods to mitigate different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and aging analysis for credit risk.

There has not been any material change to the objectives, policies and processes for managing financial risk during the year or in the prior year.

(c) Capital risk management

The consolidated entity manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in notes 20 and 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26, 27 and 28 respectively.

Operating cash flows are significantly used to maintain and expand the consolidated entity's biological asset and property plant and equipment asset base, as well as to make the routine outflows of tax, dividends and timely repayment of maturing debt. The consolidated entity's policy is to use a mixture of equity and debt funded instruments in order to meet anticipated requirements.

Gearing ratio

The Board of Directors review the capital structure on a regular basis and in conjunction with the Group's formulation of its annual operating plan and strategic plan updates. The Group has a target gearing ratio of 30% - 35% that is determined as the proportion of net debt to equity. The Group balances its overall capital structure through the payment of dividends, new shares and borrowings.

The gearing ratio at year end was as follows:

	Net debt to equity ratio			
	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Debt ⁽ⁱ⁾	39,686	53,830	-	-
Cash and cash equivalents	(7,093)	(1,654)	-	-
Net debt	32,593	52,176	-	-
Equity ⁽ⁱⁱ⁾	189,088	104,960	138,799	66,902
Net debt to equity ratio	17.24%	49.71%	0.00%	0.00%

(i) Debt is defined as long and short term borrowings as detailed in notes 20 and 23.

(ii) Equity includes all capital and reserves.

(d) Market risk management

Market risk is the risk of loss arising from adverse movements in observable market instruments such as foreign exchange and interest rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rates and foreign currency risk, including

- forward foreign exchange contracts to hedge the exchange risk arising from purchases and sales in foreign currencies [refer note 39 (e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer note 39 (f)].



(e) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

It is the policy of the consolidated entity to enter into forward exchange contracts where it agrees to buy and sell specified amounts of foreign currencies in the future at a pre-determined exchange rate. The objective is to match the contracts with anticipated future cash flows from purchases and sales 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 purchase in excess of 50,000 Australian Dollars and to hedge a proportion (up to 100%) of foreign exchange sales expected over a two year timeframe.

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

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007
			FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
Consolidated								
Buy Danish Krone								
Less than 3 months	4.4519	-	16,500	-	3,706	-	(73)	-
3 to 6 months	4.4396	-	23,000	-	5,181	-	(70)	-
Sell Japanese Yen								
Less than 3 months	95.78	96.99	248,000	115,558	2,589	1,191	138	74
3 to 6 months	-	96.99	-	331,454	-	3,417	-	176
Longer than 6 months	-	96.99	-	734,362	-	7,572	-	248
Sell US Dollars								
3 to 6 months	0.9106	-	500	-	549	-	18	-
Longer than 6 months	0.9106	-	1,500	-	1,647	-	29	-
					13,672	12,180	42	498

Foreign currency sensitivity analysis

The consolidated entity has exposure to US dollars (USD), Japanese Yen (JPY) and Danish Krone (DKK).

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit or loss and equity, and the balances below would be reversed.

	DKK impact				JPY impact				USD impact			
	Consolidated		Company		Consolidated		Company		Consolidated		Company	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) ⁽ⁱ⁾	205	-	-	-	(46)	(47)	-	-	(16)	(62)	-	-
Equity ⁽ⁱⁱ⁾	622	-	-	-	(181)	(853)	-	-	(154)	-	-	-

(i) This is mainly attributable to the pre-tax exposure outstanding on the relevant foreign currency denominated receivables and payables at year end in the Group.

(ii) This is mainly as a result of changes in the fair value of derivative instruments designated as cash flow hedges in the relevant foreign currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

39. Financial Instruments (cont.)

(f) Interest rate risk management

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 contract 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 in the following table. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amount 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	
	2008	2007	2008	2007	2008	2007
	%	%	\$'000	\$'000	\$'000	\$'000
Consolidated						
Less than 1 year	6.37%	6.13%	13,500	7,500	195	25
1 to 2 years	-	6.37%	-	13,500	-	62
			13,500	21,000	195	87

Interest rate sensitivity analysis

The sensitivity analyses in the following table have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The following table details the consolidated entity's sensitivity to a 1% increase and decrease in interest rates against the relevant exposures. A positive number indicates an increase in profit or loss where interest rates increase. For a reduction in interest rates against the respective exposures, there would be an equal and opposite impact on the profit or loss and the balances below would be reversed. The Group's sensitivity to interest rates has decreased during the current period due to the reduction in variable debt instruments.

	Interest rate risk			
	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	71	17	-	-
Total Profit/(Loss)	71	17	-	-



(g) Liquidity risk management

Liquidity risk refers to the risk that the consolidated entity or the Company will not be able to meet its financial obligations as they fall due. The consolidated entity and the Company undertake the following activities to ensure that there will be sufficient funds available to meet obligations:

- prepare budgeted annual and monthly cash flows;
- measurement and tracking of actual cash flows on a daily basis with comparison to budget on a monthly basis;
- matching the maturity profile of financial assets and liabilities; and
- delivering funding flexibility through maintenance of a committed borrowing facility in excess of budgeted usage levels.

Included in note 38 (c) is a summary of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest rate tables

The following tables detail the consolidated entity and Company's expected maturity for its non-derivative financial assets and contractual maturity for non-derivative financial liabilities.

Consolidated					
	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2008	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	17,638	-	-	17,638
Other receivables	-	1,753	-	-	1,753
Other financial assets	-	836	-	43	879
<i>Variable interest rate:</i>					
Cash and cash equivalents	6.60%	7,093	-	-	7,093
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	11	53	39	103
		27,331	53	82	27,466
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	25,952	-	-	25,952
Other payables	-	3,181	-	-	3,181
<i>Fixed interest rate maturity:</i>					
Cash advance	7.66%	-	7,415	-	7,415
Finance lease liabilities	7.75%	6,474	15,677	451	22,602
Bank loans	8.39%	9,642	-	-	9,642
Other loans	8.20%	3	24	-	27
		45,252	23,116	451	68,819
Company					
	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2008	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing:</i>					
Other receivables	-	105,216	-	-	105,216
		105,216	-	-	105,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

39. Financial Instruments (cont.)

(g) Liquidity risk management (cont.)

Liquidity and interest rate tables (cont.)

Consolidated					
	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2007	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	8,083	-	-	8,083
Other receivables	-	2,726	-	-	2,726
Other financial assets	-	-	100	43	143
<i>Variable interest rate:</i>					
Cash and cash equivalents	4.75%	1,654	-	-	1,654
		12,463	100	43	12,606
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	21,310	-	-	21,310
Other payables	-	3,046	-	-	3,046
<i>Variable interest rate:</i>					
Bank overdrafts	6.84%	710	-	-	710
<i>Fixed interest rate maturity:</i>					
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
		32,095	46,091	-	78,186
Company					
	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2007	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing</i>					
Other receivables	-	31,681	-	-	31,681
		31,681	-	-	31,681

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations or commitments resulting in financial loss to the consolidated entity. To help manage this risk, the consolidated entity has adopted the policy of only dealing with creditworthy counterparties in accordance with established credit limits and where appropriate obtaining sufficient collateral or other security generally via trade credit insurance arrangements. The overall financial strength of customers is also monitored through publicly available credit information.

The carrying amount of financial assets recorded in the financial statements, net of any allowance 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.

The consolidated entity maintains a provision account, described in the Annual Financial Report as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision is not maintained. Unallocated receivables are charged to the allowance for doubtful debts account.

(i) Fair value of financial instruments

Other than the interest rate swap contracts and forward foreign exchange contracts, 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.

DIRECTORS' DECLARATION



Tassal Group Limited and Controlled Entities

Directors' Declaration

The Director's declare that:

1. In the opinion of the Directors of Tassal Group Limited (the Company):
 - (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - (b) the attached financial statements and notes set out on pages 34 to 82, 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 2008 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Act 2001.
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 34 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 2008.

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 29th day of September 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
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Independent auditor's report to the members of Tassal Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Tassal Group Limited, which comprises the balance sheet as at 30 June 2008, 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 34 to 83.

Directors' Responsibility for the Financial 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. 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 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.

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

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 and consolidated entity's financial position as at 30 June 2008 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 31 of the Directors' Report for the year ended 30 June 2008. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Tassal Group Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu
Deloitte Touche Tohmatsu



D Harradine
Partner
Chartered Accountants
Hobart, 29 September 2008

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 4 September 2008.

Number of holder of equity securities

Ordinary share capital (quoted)

134,737,933 fully paid ordinary shares are held by 3,058 shareholders. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held.

Performance rights (unquoted)

759,692 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 12 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	926	-
1,001 – 5,000	1,336	-
5,001 – 10,000	415	-
10,001 – 100,000	341	11
100,001 and over	40	1
Total number of holders	3,058	12

The number of shareholders holding less than a marketable parcel of 211 fully paid ordinary shares on 4 September 2008 is 225 and they hold 19,616 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	35,139,372	26.08
The Capital Group Companies Inc	12,164,949	9.03
JF Capital Partners Limited	10,708,601	7.95
FMR LLC and FIL Limited	8,174,788	6.07
AMP Limited	8,137,837	6.04
Kinetic Investment Partners Limited	6,808,682	5.06

ADDITIONAL STOCK EXCHANGE INFORMATION (cont.)

Twenty largest holders of quoted ordinary shares

Name	Number of shares	% of issued capital
Webster Limited	35,139,372	26.08
National Nominees Limited	23,158,770	17.19
JP Morgan Nominees Australia Limited	21,217,354	15.75
HSBC Custody Nominees (Australia) Limited	13,468,172	10.00
Citicorp Nominees Pty Limited	3,086,649	2.29
Cogent Nominees Pty Ltd <SMP Accounts>	2,549,966	1.89
Cogent Nominees Pty Limited	2,544,052	1.89
Citicorp Nominees Pty Limited <CFSIL CFS WS Small Comp A/C>	2,247,988	1.67
ANZ Nominees Limited <Income Reinvest Plan A/C>	2,139,010	1.59
Mirrabooka Investments Limited	1,900,000	1.41
ANZ Nominees Limited <Cash Income A/C>	1,860,530	1.38
Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/C>	1,812,104	1.34
AMP Life Limited	1,570,027	1.17
HSBC Custody Nominees (Australia) Limited-GSCO ECA	951,393	0.71
Queensland Investment Corporation	909,355	0.67
Citicorp Nominees Pty Limited <Cwith Bank Off Super A/C>	719,223	0.53
The University of Melbourne	496,353	0.37
Mr Mark Ryan	407,246	0.30
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	361,849	0.27
Garmaral Pty Ltd	282,656	0.21
Total	116,822,069	86.71

On-market buy-back

There is no current on-market buy-back.



Tassal Group Limited and Controlled Entities

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