



# **Tassal Group Limited**

**and Controlled Entities**

**ABN 15 106 067 270**

## **Appendix 4E: Preliminary Final Report**

Financial Report for the Year Ended 30  
June 2004

N. J. Burrows  
Company Secretary  
31<sup>st</sup> August 2004

**Appendix 4E: Preliminary Final Report  
For the Year Ended  
30 June 2004**

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## Commentary on Results for the Period

### Results and Performance Overview

The Board of Tassal Group Limited is pleased to report a net profit after tax of \$11.4 million for the period from the commencement of trading, 10 November 2003 to 30 June 2004. A pre SGARA [Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA)] and Discount on Acquisition ("DOA") net profit after tax of \$3.9 million was reported, as compared with a net profit after tax of \$3.5 million projected in the Prospectus dated 9 October 2003.

The directors of Tassal Group Limited have declared a final dividend of 2 cents per share.

The Company's consolidated revenue from ordinary activities was reported at \$102.8 million. This was translated to a "pre SGARA and DOA" trading revenue of \$59.7 million, which was in line with the Prospectus projection at \$57.8 million.

Earnings before interest and tax ("EBIT") on a pre SGARA and DOA basis was \$4.4 million as compared with a Prospectus EBIT value of \$6.0 million. During the financial period, Tassal incurred restructuring and redundancy costs and other abnormal items totalling \$0.6 million in rationalising processing facilities improve operating efficiencies and profitability. Adjusting for the above, the net difference in EBIT from forecast was \$1 million, with this difference due in the main, as previously advised, to reduced margins on products.

Cash flow from operating activities was significantly utilised to underpin the growth of fish biomass. An earnings per share ("EPS") was recorded at 13.95 cents per share. Pre SGARA and DOA EPS was recorded at 4.76 cents per share for this trading period.

### Key Financial Performance Indicators

For clarity, the table below reports the key financial performance indicators for the period before and after accounting for SGARA and DOA.

	Pre SGARA and DOA <sup>1</sup> \$'000	Post SGARA and DOA \$'000
Revenue from ordinary activities	59,671	102,789 <sup>3</sup>
EBITDA	6,375	13,912
EBIT	4,413	11,951
Profit before income tax expense	3,076	10,614
Less income tax expense <sup>2</sup>	(828)	(828)
Net profit after income tax expense	3,905	11,442
Basic earnings per share (cents)	\$0.0476	\$0.1395

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

# Tassal Group Limited and Controlled Entities

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2. Income tax benefit principally relates to permanent differences arising from accounting for the business acquisition from Tassal Limited (Receivers and Managers Appointed).
3. Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA) requires any increment in the net market value of SGARA to be included in revenue. The impact of this line is an uplift of \$35.5 million in revenue from ordinary activities.

Further, a DOA of \$14.1 million arose on the acquisition of the business of Tassal Limited (Receivers and Managers Appointed). Under current Australian Accounting Standards this discount must be written off immediately to non-monetary assets (being inventory, property plant and equipment and investments) on a pro-rata basis.

Following the allocation of the DOA to the non-monetary assets acquired, and the application of the Australian Accounting Standard AASB 1037 "Self-generating and Regenerating Assets" (SGARA), which requires SGARA inventory to be revalued back to its net market value, a revaluation of \$7.6 million has been reflected in the Statement of Financial Performance as an uplift in the net profit.

## Overview

The Board of Tassal Group Limited is pleased with the Company's result in its first 7.5 months of operations following the acquisition of the business from the Receiver of Tassal Limited.

As previously advised, the Company expects to achieve a substantial increase in the salmon biomass to be harvested in the coming financial year, some 30% up on the previous year class of fish. Tassal Group Limited has also significantly reduced both its growing and processing costs. Tassal is positioning itself to generate scale benefits, which is essential for optimising both operational and financial resources. Tassal will continue to reduce its costs of growing and processing to reposition to be globally cost competitive.

While Tassal is firmly focussed on driving costs to world's best practice, it is also focussed on finding profitable markets to sell the fish, both domestically and in export markets. To help grow the domestic market incrementally and expand to absorb additional biomass, the Tasmanian Salmon Industry is launching a "Trust Tasmanian Salmon" marketing campaign which will commence in mid-September 2004. This campaign will focus on the quality aspects of Tasmanian Salmon and encourage "new" and "light users" to eat Salmon. Tassal has also been active in export markets, with around 1,300 tonnes committed to premium export markets in the coming year.

## Financial Review

Cash flow from operating activities was significantly utilised to underpin the growth of the fish biomass which, in turn, will underpin future profitability. The Company has maintained a conservative gearing position with net interest bearing debt at 30 June 2004 of \$24.8 million and a debt to equity ratio of 59.5%.

## Outlook for the full year to 30 June 2005

- Global Atlantic salmon supply and demand is forecast to be around an equilibrium level in the coming year.
- Tassal is satisfied that the improved operational performance is sustainable and therefore, has set in place a capital expenditure program for the next year that accommodates both the growth in the biomass for salmon and trout and drives further efficiencies and profitability.
- Accordingly, Tassal is on track for both a higher operating result and net profit after tax result for the full year.

## **Priorities for the year ahead**

Tassal Group is proactively pursuing a number of priorities and initiatives to underpin and improve business performance:

- Continual improvement in fish management techniques and practices to increase biomass and lower the costs of growing.
- Continued efficiency gains in processing through an improved biomass and further automation.
- A search for new markets both domestically and in export markets.

## **Final Dividend**

The directors have declared a final dividend of 2 cents per share, payable on 1 November 2004. The "Record Date" for determining entitlements to the dividend is 8th October 2004. The final dividend is unfranked.

## **Dividend Reinvestment Plan**

The Company's Dividend Reinvestment Plan (offering shares in lieu of a cash dividend) will apply to the final dividend, and the Directors have resolved that a discount rate of 5% will be applicable.

Plan documentation will be sent to all shareholders in early September. The last date for receipt of election notices under the Dividend Reinvestment Plan is 8 October 2004.

## **Annual General Meeting**

The Annual General Meeting of the Company will be held on 4 November 2004 commencing at 9.00am at the "Sir Stamford Lounge", Stamford Plaza, 111 Little Collins Street, Melbourne.

## **Annual Report**

The approximate date of despatch of the Company's Annual Report to shareholders will be 5 October 2004.

**Consolidated Statement of Financial Performance  
For the Year Ended 30 June 2004**

	<b>Note</b>	<b>Year Ended 30 June 2004 \$'000</b>
Revenue from ordinary activities	3	102,789
Raw materials and consumables used		(71,029)
Employee expenses		(14,420)
Other expenses from ordinary activities		(3,427)
Depreciation and amortisation expenses	4	(1,962)
Borrowing costs	5	(1,337)
<b>Profit from ordinary activities before related income tax benefit / (expense)</b>		<b>10,614</b>
Income tax benefit / (expense) relating to ordinary activities	6	828
<b>Profit from ordinary activities after related income tax benefit / (expense)</b>		<b>11,442</b>
Non-owner transaction changes in equity		-
<b>Total changes in equity from non-owner related transactions</b>		<b>11,442</b>
		<b>cps</b>
<b>Earnings per ordinary share</b>		
Basic (cents per share)		13.95 cps
Diluted (cents per share)		13.95 cps
<b>Net tangible asset backing per ordinary share</b> (cents per share)		50.91 cps
		Number
<b>Weighted average numbers of ordinary shares on issue used in the calculation of basic earnings per share</b>		82,000,000

Notes to the financial statements are included on pages 9 to 18.

**Consolidated Statement of Financial Position**  
**As at 30 June 2004**

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

Notes to the financial statement are included on pages 9 to 18.

**Consolidated Statement of Cash Flows**  
**For the Year Ended 30 June 2004**

	<u>Note</u>	<u>Year Ended 30 June 2004 \$'000 Inflows (Outflows)</u>
<b><i>Cash Flows from Operating Activities</i></b>		
Receipts from customers		59,054
Payments to suppliers and employees		(60,286)
Interest and bill discounts received		49
Interest and other costs of finance paid		(1,494)
<b>Net cash provided by/(used in) operating activities</b>	10 (b)	<b><u>(2,677)</u></b>
<b><i>Cash Flows From Investing Activities</i></b>		
Payment for property, plant and equipment		(2,610)
Proceeds from sale of property, plant and equipment		596
Payment for business	10 (e)	(49,144)
<b>Net cash provided by/(used in) investing activities</b>		<b><u>(51,158)</u></b>
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issues of equity securities	8	32,001
Payment for share issue costs		(1,694)
Proceeds from borrowings		25,256
Repayment of borrowings		(4,510)
<b>Net cash provided by/(used in) financing activities</b>		<b><u>51,053</u></b>
<b><i>Net increase/(decrease) in Cash Held</i></b>		<b><u>(2,782)</u></b>
<b><i>Cash at the Beginning of the Financial Year</i></b>		<b><u>5</u></b>
<b><i>Cash at the end of the Financial Year</i></b>	10 (a)	<b><u>(2,777)</u></b>

Notes to the financial statements are included on pages 9 to 18.



## Notes to the Financial Statements For the Year Ended 30 June 2004

### 1. Basis of Preparation

The accounting standards, policies, estimation methods and measurement bases used in this financial report are the same as those used in the preparation of the half-year report, and have been consistently applied throughout the reporting period by each entity in the consolidated entity, unless otherwise stated. This report is prepared in accordance with ASX Listing Rule 4.3A, the requirements of the Corporations Act, other applicable accounting standards and urgent issues group consensus views, and complies with other requirements of the law and the Listing Rules of Australian Stock Exchange Limited.

The financial report has been prepared on the basis of historical cost convention, except for non-living produce and self-generating and regenerating assets (SGARA) which is measured at net market value, and except where stated, does not take into account changing money values or current valuations of non-current assets. The financial report should be read in conjunction with announcements to the market made by the company during the year in accordance with the company's continuous disclosure obligations arising under the Corporations Act 2001 and Listing Rule 3.1. This report does not include all the notes of the type normally included in an annual financial report.

#### Other Notes:

##### *(a) Principles of Consolidation*

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

##### *(b) Date of Incorporation and Comparatives*

The company was incorporated on 3 September 2003 under the name Natamy Limited, and changed its name to Tassal Group Limited on 23 September 2003.

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

##### *(c) Impacts of adopting the Australian equivalents to International Financial Reporting Standards*

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

## Notes to the Financial Statements For the Year Ended 30 June 2004

prepared under A-IFRS will be for the year ended 30 June 2006. Tassal Group Limited has allocated internal resources and utilised external assistance to isolate key areas that will be impacted by the transition to IFRS. At the date of this report, the directors of Tassal Group Limited have not yet finalised a high-level assessment of the impact of A-IFRS on the consolidated entity, and consequently have not yet quantified the impact of the transition to A-IFRS on the consolidated entity's financial position and reported results. However, the directors are monitoring the development in A-IFRS and the potential impact it will have on the consolidated entity, and expect to complete an impact study for relevant disclosure in the annual financial report and commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

### *(d) Rounding of amounts*

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 financial report are rounded off to the nearest thousand dollars, unless specifically stated to be otherwise.

## **2. Significant Transactions**

### **2(a) Acquisition of Business**

The Company listed on the Australian Stock Exchange on 12 November 2003. As part of the Initial Public Offering (IPO), the Company issued 62,000,000 ordinary shares at an issue price of \$0.50 per ordinary share pursuant to a Prospectus dated 9 October 2003 and lodged with Australian Securities and Investments Commission on that date. A summary of the proceeds raised from the share issue is provided in Note 8.

During the period, and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its controlled entities acquired the business of Tassal Limited (Receivers and Managers Appointed). A summary of the consideration paid and fair value of net assets acquired is provided at Note 10(e). The acquisition was funded with the proceeds from the IPO and bank debt.

### **2(b) Application of Discount on Acquisition (DOA) and consequent SGARA restatement.**

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

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

	<b>Note</b>	<b>Year Ended 30 June 2004 \$'000</b>
<b>3. Revenue From Ordinary Activities</b>		
Revenue from ordinary activities:		
Revenue from sale of goods		58,686
Increment in net market value of SGARAs		35,497
SGARA restatement after application of DOA	2(b)	7,621
Interest revenue		49
Proceeds from sale of property, plant and equipment		595
Other		341
Total revenue from ordinary activities		<u>102,789</u>
<b>4. Depreciation and Amortisation</b>		
Depreciation of non-current assets		1,955
Amortisation		7
Total depreciation and amortisation		<u>1,962</u>
<b>5. Borrowing Costs</b>		
Interest – other entities		1,293
Finance lease charges		44
Total borrowing costs		<u>1,337</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

	<b>Year Ended 30 June 2004 \$'000</b>
<b>6. Income Tax Benefit / (Expense)</b>	
Profit from ordinary operations before income tax benefit / (expense)	10,614
Income tax benefit / (expense) calculated at 30% of profit from ordinary activities	3,184
Permanent differences:	
- Share issue cost amortisation	(102)
- SGARA and inventory restatement after application of DOA	(2,286)
- Restatement of trading stock to tax cost	(1,589)
- Other	(35)
Income tax benefit / (expense) attributable to profit from ordinary activities	828
<b>7. Dividends</b>	
Final Dividend	1,640

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

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

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

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

**Year Ended  
30 June 2004  
\$'000**

**8. Contributed Equity**

	<b>Note</b>	<b>Number</b>	<b>\$'000</b>
Issued ordinary share capital (fully paid):			
Initial share capital subscribed		1,000	1
Issued to financiers		308	-
Share split	(i)	16,998,692	-
Financier shares	(ii)	2,000,000	1,000
Issued to underwriter	(iii)	1,000,000	500
Issued pursuant to Prospectus **	(iv)	62,000,000	31,000
		<u>82,000,000</u>	<u>32,501</u>
Share issue costs pursuant to Prospectus ** - non-cash	(v)		(500)
			<u>32,001</u>
Share issue costs pursuant to Prospectus ** - cash	(v)		(1,694)
			<u>30,307</u>

Notes:

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

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

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

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

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

\*\* During the period, and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its controlled entities acquired the business of Tassal Limited (Receivers and Managers Appointed. (see Note 2(a))

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

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

**Year Ended  
30 June 2004  
\$'000**

**8. Contributed Equity** (continued)

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

**9. Retained Profits**

Retained profits at the beginning of the year	-
Current period net operating profit	11,442
Retained profits at the end of the year	<u>11,442</u>

**10. Notes to the Statement of Cash Flows**

**10 (a) Reconciliation of Cash**

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

Cash	5
Bank	(2,782)
	<u>(2,777)</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

**Year Ended  
30 June 2004  
\$'000**

**10. Notes to the Statement of Cash Flows**  
(continued)

**10 (b) Reconciliation of Profit from Ordinary Activities  
after Income Tax Benefit / (Expense) to Net  
Cash from Operating Activities**

Profit from ordinary activities after related income tax benefit / (expense)	11,442
Depreciation and amortisation of non-current assets	1,962
SGARA restatement after application of DOA	(7,621)
Net (increment) / decrement in SGARA	83
(Profit) / loss on sale of fixed assets	(346)
Amounts set aside to provisions	90
(Increase) / decrease in deferred tax balances	(829)
(Increase) / decrease in assets:	
Inventories	(1,669)
Self-generating and regenerating assets	70
Trade and other debtors	(1,021)
Prepayments	(129)
Other	(41)
Increase / (decrease) in liabilities:	
Current payables	(4,175)
Current Provisions	(366)
Non-current Provisions	(127)
Net Cash from Operating Activities	<u>(2,677)</u>

**10 (c) Non-cash Financing and Investing Activities**

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

**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

**Year Ended  
30 June 2004  
\$'000**

**10. Notes to the Statement of Cash Flows**  
(continued)

**10 (d) Financing Facilities**

Secured bank overdraft facilities subject to annual review and payable at call

- Amount used	2,782
- Amount unused	218
	<u>3,000</u>

Secured bank loan facilities and invoice financing facilities subject to annual review and payable at call

- Amount used	20,235
- Amount unused	9,265
	<u>29,500</u>

Lease finance facilities subject to annual review and payable at call

- Amount used	1,092
- Amount unused	1,408
	<u>2,500</u>



**Notes to the Financial Statements  
For the Year Ended 30 June 2004**

**Year Ended  
30 June 2004  
\$'000**

**10. Notes to the Statement of Cash Flows**  
(continued)

**10 (e) Business Acquired**

During the period, and pursuant to a Business Sale and Purchase Deed dated 8 October 2003, the Company and its controlled entities acquired the business of Tassal Limited (Receivers and Managers Appointed).

**Fair value of assets acquired:**

Current assets:

Cash	5
Receivables	13,386
Inventories	4,611
Self generating and regenerating assets	33,464
Other	351

Non-Current assets:

Other financial assets	4,477
Property, plant and equipment	27,706
Deferred tax assets	985
Other	340

Current liabilities:

Payables	(18,378)
Interest-bearing liabilities	(32)
Provisions	(1,928)

Non-Current liabilities:

Interest-bearing liabilities	(1,138)
Deferred tax liabilities	(1,646)
Provisions	(582)

Net assets acquired

61,621

Discount on acquisition

(14,063)

47,558

**Consideration:**

Cash applied from proceeds of share issue

30,750

Cash applied from proceeds of borrowings

16,808

47,558

Add costs incidental to the acquisition

1,586

Total purchase cost

49,144

## Notes to the Financial Statements For the Year Ended 30 June 2004

### 11. Contingent Liabilities

	<b>Year Ended 30 June 2004 \$'000</b>
The consolidated entity has provided bank guarantees for purposes of securing supply of product and services from third parties.	<u>4,924</u>

### 12. Segment Information

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

### 13. Changes in the Composition of the Company

Name of business acquired:	Tassal Operations Pty Ltd
Principal activity:	The farming, processing and marketing of Atlantic salmon and trout.
Date of acquisition:	19 September 2003 (entered into Business Sale and Purchase Deed dated 8 October 2003)
Proportion of shares acquired:	100%
Cost of acquisition:	\$2.00

### 14. Audit

This report is based on accounts which are in the process of being audited.

### 15. Annual Meeting

The Annual General Meeting of the Company will be held on 4 November 2004 commencing at 9.00am at the "Sir Stamford Lounge", Stamford Plaza, 111 Little Collins Street, Melbourne.

### 16. Annual Report

The approximate date of despatch of the Company's Annual Report to shareholders will be 5 October 2004.