

14 September 2006

ELECTRONIC TRANSMISSION

The Manager
Company Announcements Office
Australian Stock Exchange Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

AMMENDMENT TO APPENDIX 4E

Attached is an amended Appendix 4E lodged in substitution for the Appendix 4E lodged on 13 September 2006.

An arithmetic correction in the attached Appendix 4E results in an increase of \$101,073 in depreciation charges, with an increase in the reported net loss by the same amount.

The attached document also corrects a typographical error in the balance sheet and incorporates an expanded note on significant accounting policies for general information.

Yours sincerely
MARINE PRODUCE AUSTRALIA LIMITED



John Hutton
DIRECTOR

Appendix 4E

Preliminary final report Period ended 30 June 2006

This report relates to the financial year ended 30 June 2006, with comparative data related to the year ended 30 June 2005.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Name of entity	ABN
Marine Produce Australia Limited	70 091 805 480

	30 June 2006	30 June 2005	% Change
	\$	\$	\$
Revenue from ordinary activities	1,009,877	265,037	Up 281%
(loss) from ordinary activities after tax attributable to members	(5,306,519)	(2,462,331)	Up (116%)
Net (loss) for the period attributable to members	(5,306,519)	(2,462,331)	Up (116%)
Amount per security and franked amount per security of interim and final dividend	No interim or final dividends have been paid or provided for during the period		
Record date for determining entitlements to the dividends and payment date	Not applicable		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood	Refer note 1 for commentary		

Consolidated Income Statement
For the year ended 30 June 2006

	Note	Consolidated 2006	2005
Revenue from sales		331,341	8,300
Cost of sales		(1,907,853)	(813,426)
Gross loss		(1,567,512)	(805,116)
Other income		574,134	165,796
Depreciation and amortisation expenses		(737,840)	(302,191)
Impairment charge	10	(1,700,323)	-
Administrative employee expenses		(417,130)	(475,000)
Professional fees		(448,380)	(480,217)
Other administration expenses		(863,600)	(471,544)
Selling and marketing costs		(241,270)	(184,950)
Loss before financial income		(5,410,921)	(2,719,068)
Financial income	2	104,402	90,941
Loss before tax		(5,306,519)	(2,462,331)
Income tax expense	3	-	-
Loss after tax		(5,306,519)	2,462,331
Attributable to:			
Equity holders of the parent entity		(5,306,519)	(2,462,331)
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share from continuing operations (cents)	4	(3.25)	(2.48)

The above statement of financial performance should be read in conjunction with the accompanying notes, and are in the process of being audited.

Consolidated Balance Sheet As at 30 June 2006

	Note	Consolidated	
		2006	2005
Assets			
Cash and cash equivalents	5	1,417,742	3,932,041
Trade and other receivables	6	400,215	115,942
Inventories	7	340,618	-
Biological assets	8	581,683	-
Bond		17,853	17,853
Total current assets		2,758,111	4,065,836
Property plant and equipment	9	4,530,542	4,200,870
Intangible assets	10	404,738	1,155,142
Total non-current assets		4,935,280	5,356,012
Total assets		7,693,391	9,421,848
Liabilities			
Trade and other payables	11	773,579	461,625
Interest-bearing loans and borrowings		11,456	-
Employee benefits	12a	40,088	45,273
Total current liabilities		825,123	506,898
Interest-bearing loans and borrowings		28,959	-
Total non-current liabilities		28,959	-
Total liabilities		854,082	506,898
Net assets		6,839,309	8,914,950
Equity			
Issued capital		19,325,119	16,195,314
Retained losses		(12,485,810)	(7,280,364)
Total equity attributable to equity		6,839,309	8,914,950
Holders of the parent		6,839,309	8,914,950
Total equity	13	6,839,309	8,914,950

The above statement of financial position should be read in conjunction with the accompanying notes, and are in the process of being audited.

Consolidated Statement of Cash Flows For the year ended 30 June 2006

	Note	Consolidated	
		2006	2005
Cash flows from operating activities			
Cash receipts from customers		136,583	-
Cash paid to suppliers and employees		(4,502,965)	(2,195,735)
Cash deficit from operations		(4,366,382)	(2,195,735)
Interest received		104,572	82,358
Other income received		546,287	164,121
Net cash deficit from operating activities	14	(3,715,523)	(1,949,256)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,962	3,645
Acquisition of property, plant and equipment		(1,876,808)	(784,564)
Net cash deficit from investing activities		(1,872,846)	(780,919)
Cash flows from financing activities			
Proceeds from issue of share capital		3,336,194	6,682,830
Repayment of borrowings		(6,161)	-
Proceeds from equipment finance		45,635	-
Loans to controlled entities		-	-
Payment of transaction costs		(300,811)	(480,472)
Net cash deficit from financing activities		3,074,857	6,202,358
Net decrease in cash and cash equivalents		(2,514,299)	3,472,183
Cash and cash equivalents at 1 July		3,932,041	459,858
Cash and cash equivalents at 30 June		1,417,742	3,932,041

The above statement of cash flows should be read in conjunction with the accompanying notes, and are in the process of being audited.

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

1. Management commentary

Commentary on results is as follows:

The year ended 30 June 2006 was one of continued infrastructure and market development for the Marine Produce Australia Limited ("MPA" or "the Company") group of companies.

The successful implementation of commercialisation and development plans requires significant additional investment capital to be incurred. The consolidated entity put in place, during the financial year, a three part fundraising plan delivered via a non-renounceable rights issue with attaching free options. The initial fundraising was underwritten by Argonaut Capital who successfully completed raising \$3,016,194 for the company. The second instalment of this fundraising plan, via an attaching free one for two 4 cent option, is due to be delivered on 30 September 2006. The Company has commenced negotiations with Argonaut Capital and Argonaut have accepted a mandate, subject to fulfilment of certain conditions, to underwrite the exercise of the September 2006 Options. The directors are confident that the consolidated entity will achieve its fundraising objectives and requirements, and will therefore be able to achieve its business objectives.

Aussie Prawns

- Successful commissioning of 12 hectares of production ponds
- Successful growout and harvest of initial trial stocking of ponds in December '05
- Successful commissioning of the company's own hatchery
- Successful full year harvest of 40 tonne of prawns.

The directors have considered their obligations under the Australian International Financial Reporting Standards (AFRIS) and the Impairment of Assets Standard and have applied a further impairment charge of \$1,034,500 in relation to the assets of the Aussie Prawns farm. This change reflects the discounted cashflows at this point in time of the operations, currently covering 15 hectares, and only applies until the farm site reaches full production of 42.5 hectares.

Barramundi

- Successful commissioning of seacages for the growout of barramundi
- Successful commissioning of 165 tonne nursery facility
- Successful growout and harvest and sale of 10 tonne of Barramundi
- The operations currently carry approximately 120 tonne of fish stock with a target harvest in excess of 100 tonne this financial year with significant stock on hand at balance date.

The entity did not gain or lose control over any entities during the period. No member of the Group held an interest in, or participated in the results of an associate or joint venture.

No member of the group is a foreign entity.

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

2. Net financial income

	Note	Consolidated	
		2006	2005
Interest income		104,402	90,941
Financial income		104,402	90,941

3. Income tax expense

Recognised in the income statement

There is no income tax expense to be recognised in the income statement.

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of \$4,170,946 (2005: \$2,462,331) and weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 163,306,711 (2005: 99,433,920), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2006	2005
Loss for the period	(5,306,519)	(2,462,331)
Loss attributable to ordinary shareholders	(5,306,519)	(2,462,331)

Weighted average number of ordinary shares

	Consolidated	
	2006	2005
Issued ordinary shares at 1 July	142,809,692	77,464,249
Effect of shares issued in February 2005	2,936,986	14,912,583
Effect of shares issued in April 2005	17,560,033	7,037,088
Weighted average number of ordinary shares at 30 June	163,306,711	99,433,920

Diluted earnings per share

There is no dilution of shares due to options issued as the potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share.

Loss per share for continuing operations

Basic loss per share

	Consolidated	
	2006	2005
From continuing operations (cents per share)	3.25	2.48

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

5. Cash and cash equivalents

	Consolidated	
	2006	2005
Bank balances	917,142	1,431,441
Call deposits	500,000	2,500,000
Cash and ash equivalents	1,417,142	3,931,441
Petty cash	600	600
Cash and cash equivalents in the statement cash flows	1,417,742	3,932,041

6. Trade and other receivables

	Consolidated	
	2006	2005
Current		
Trade receivables	200,599	23,257
Other debtors	15,738	40,795
GST receivable	183,878	51,890
	400,215	115,942
Non-current		
Loans to controlled entities	-	-
Provision for non recovery of loans	-	-
	-	-
	400,215	115,942

7. Inventories

	Consolidated	
	2006	2005
Stock of feed	134,981	-
Harvested fish stock in freezer	8,495	-
Harvested prawn stock in freezer	197,142	-
	340,618	-

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

8. Biological assets

At 30 June 2006, Barramundi stock comprised of approximately 369 kilos (2005: nil) of harvested Barramundi and 76,533 kilos of Barramundi in sea cages. During the financial year ended 30 June 2006, the consolidated entity harvested approximately 8.15 tonnes (2005:nil) of Barramundi, which had a fair value less estimated point-of-sale costs of \$68,867 (2005: nil) at the date of harvest.

At 30 June 2006, Prawn stock held for sale comprised of 20,118 kilos (2005: nil) and 1,640 kilos (2005: nil) prawns in ponds. During the financial year ended 30 June 2006, the consolidated entity sold 18,820 kilos of prawns (2005: nil). The significant assumptions made in determining the net market value of prawns and barramundi in the current reporting period are:

- (a) The lower of cost or net realisable value was used to value closing stocks. For prawns, this price is the sale value achieved at the Sydney Fish Market less the cost of transport to Sydney. And for barramundi, this price is the lowest sale price achieved.
- (b) The prawns will reach maturity after 6 months in ponds.
- (c) The expected prices of prawns and barramundi fluctuate in real terms, based on prices throughout the current financial year.
- (d) Inflation will match quantity discounts during future periods and so costs should remain static going forward or reduce with efficiencies.

	Consolidated		
	Barramundi	Prawns	Total
Balance at 1 July 2004	-	-	
Balance at 1 July 2005	-	-	
Increase due to livestock acquisitions	639,881	459,129	1,099,010
Decrease due to sales & Harvest	(74,303)	(443,024)	(517,327)
Value in ponds and cages	565,578	16,105	581,683
Balance at 30 June 2006	<u>565,578</u>	<u>16,105</u>	<u>581,683</u>

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

9. Property, plant and equipment

	Consolidated			
	Land and buildings	Plant and equipment	Infra-structure	Total
Cost				
Balance at 1 July 2004	1,709,000	417,916	1,511,794	3,638,710
Acquisitions	-	399,481	385,085	784,566
Disposals	-	(6,523)	-	(6,523)
Balance at 30 June 2005	1,709,000	810,874	1,896,879	4,416,753
Balance at 1 July 2005	1,709,000	810,874	1,896,879	4,416,753
Acquisitions	-	1,946,055	282,273	2,228,328
Transfer to subsidiary	-	-	-	-
Disposals	(43,000)	(637,097)	-	(680,097)
Balance at 30 June 2006	1,666,000	2,119,832	2,179,152	5,964,984
Depreciation and impairment losses				
Balance at 1 July 2004	20,244	36,710	18,667	75,621
Depreciation charge for the year	40,600	64,857	37,683	143,140
Impairment losses	-	-	-	-
Disposals	-	(2,878)	-	(2,878)
Balance at 30 June 2005	60,844	98,689	56,350	215,883
Balance at 1 July 2005	60,844	98,689	56,350	215,883
Depreciation charge for the year	40,585	514,821	53,054	608,460
Impairment loss	202,027	150,927	681,546	1,034,500
Disposals	(7,800)	(416,601)	-	(424,401)
Balance at 30 June 2006	295,656	347,836	790,950	1,434,442
Carrying amounts				
At 1 July 2004	1,688,756	381,206	1,493,127	3,563,089
At 30 June 2005	1,648,156	712,185	1,840,529	4,200,870
At 1 July 2005	1,648,156	712,185	1,840,529	4,200,870
At 30 June 2006	1,370,344	1,771,996	1,388,202	4,530,542

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

10. Intangible assets

	Consolidated				Total
	BGIP ¹	MMIP ²	TIIP ³	CBAL ⁴	
<i>In thousands of AUD</i>					
Cost					
Balance at 1 July 2004	-	331,870	361,873	-	693,743
Acquisitions through business combinations		200,000			200,000
Other acquisitions	400,000	-	-	-	400,000
Balance at 30 June 2005	400,000	531,870	361,873	-	1,293,743
Balance at 1 July 2005	400,000	531,870	361,873	-	1,293,743
Other acquisitions	-	-	-	44,378	44,378
Balance at 30 June 2006	400,000	531,870	361,873	44,378	1,338,481
Amortisation and impairment losses					
Balance at 1 July 2004	-	23,549	25,678	-	49,227
Amortisation for the year	-	53,181	36,193	-	89,374
Impairment charge	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-
Balance at 30 June 2005	-	76,730	61,871	-	138,601
Balance at 1 July 2005	-	76,730	61,871	-	138,601
Amortisation for the year	40,000	53,187	36,193	-	129,380
Impairment charge	-	401,953	263,870	-	665,823
Reversal of impairment losses	-	-	-	-	-
Balance at 30 June 2006	360,000	531,870	361,934	-	933,804
Carrying amounts					
At 1 July 2004	-	308,321	336,195	-	644,516
At 30 June 2005	400,000	455,140	300,002	-	1,155,142
At 1 July 2005	400,000	455,140	300,002	-	1,155,142
At 30 June 2006	360,000	-	-	44,738	404,738

- 1 Barramundi growout intellectual property
 2 MPA Marketing Pty Ltd intellectual property
 3 Tiger international hatchery intellectual property
 4 Crawford bay aquaculture license

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

10. Intangible assets (continued)

Impairment charge

During the year the consolidated entity suspended the research and development activities of Tiger International Farms Pty Ltd [TIF] [Now MPA Marketing Pty Ltd] [MMP]. These activities included the investigation and analysis of suitable growout farmsites. As the consolidated entity is currently focusing on its two active properties in Cone Bay and Darwin it is appropriate that the recoverable amount in the intellectual property in identifying suitable sites be written down by \$401,953 to Nil. During the year the consolidated entity suspended the activities of Tiger International Hatchery Pty Ltd as its work was taken over by Aussie Prawns Pty Ltd. As a result its recoverable amount in the intellectual property in respect of finding ripe broodstock was written down by \$283,870 to Nil.

The directors have considered their obligations under the Australian International Financial Reporting Standards (AFRIS) and the Impairment of Assets Standard and have applied a further impairment charge of \$1,034,500 in relation to the assets of the Aussie Prawns farm

Total impairment charge	Balance
Impairment in relation to MPA Marketing Pty Ltd intellectual property	401,953
Impairment in relation to Tiger International Hatchery Pty Ltd intellectual property	263,870
Impairment in relation to Aussie Prawns Pty Ltd Infrastructure, plant & equipment and Land/buildings	1,034,500
Total impairment charge	1,700,323

11. Trade and other payables

	Consolidated	
	2006	2005
Trade payables	594,597	268,956
Other trade payables and accrued expenses	178,982	192,669
	773,579	461,625

12a. Employee benefits

Current

	Consolidated	
	2006	2005
Liability for annual leave	40,088	45,273

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

12b. Other transactions with the Company or its consolidated entities

During the year the following payments were made to directors or their associated entities:

- (i) Alison Hutton, wife of John Hutton (director) was paid amounts totaling \$15,000 for accounting consulting services rendered to the Company.
- (ii) RDC, a company related to Mr K Simich and Mr M Kennedy (directors) was paid a final rental and services payment of \$12,618 dating back to the previous year when the Company occupied RDC premises.
- (iii) Broome office rent and expenses of \$32,781 was paid to Maxima Pearling Co Pty Ltd, a company associated with Mr J Hutton and Mr N Miller (directors).
- (iv) Amounts totaling \$1,697,036 were paid to Maxima Fish Farms Pty Ltd, a company associated with Mr J Hutton and Mr N Miller (directors) for services rendered and materials supplied as the manager of our Barramundi Fish Farm in Cone Bay in the Kimberley region of Western Australia.

13. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated	Share capital \$	Retained losses \$	Total equity \$
Balance at 1 July 2004	9,392,956	(4,818,033)	4,574,923
Total recognised income and expense	(480,472)	(2,462,331)	(2,942,803)
Shares issued	7,282,830	-	7,282,830
Balance at 30 June 2005	16,195,314	(7,280,364)	8,914,950
Balance at 1 July 2005	16,195,314	(7,280,364)	8,914,950
Total recognised income and expense	(206,475)	(5,205,446)	(5,411,921)
Shares issued	3,336,280	-	3,336,280
Balance at 30 June 2006	19,325,119	(12,485,810)	6,839,309

Share capital	2004	2005	2006
Reconciliation of equity issued			
Balance at 1 July	49,277,449	77,464,249	142,809,692
Shares issued	28,186,800	65,345,443	83,404,846
Balance at 30 June	77,464,249	142,809,692	226,214,538

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

14. Reconciliation of cash flows from operating activities

	Consolidated	
	2006	2005
Cash flows from operating activities		
Loss for the period	(5,306,519)	(2,462,331)
<i>Adjustments for:</i>		
Depreciation and amortisation	737,840	302,191
Impairment	1,700,323	-
Gain on sale of property, plant and equipment	-	-
Operating profit before changes in working capital and provisions	(2,868,356)	(2,160,140)
(Increase)/decrease in biological assets	(787,326)	-
(Increase)/decrease in trade and other receivables	(284,273)	(18,558)
(increase)/decrease in inventories	(134,981)	-
(Increase)/decrease in other assets	-	(17,853)
increase/(decrease) in trade and other payables	364,598	211,328
Increase/(decrease) in provisions and employee benefits	(5,185)	35,967
Net deficit from operating activities	(3,715,523)	(1,949,256)

15. Significant accounting policies

For reporting periods on or after 1 January 2006, the consolidated entity must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. This preliminary financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2006.

(a) Statement of compliance

The foregoing financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied.

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

15. Significant accounting policies (*continued*)

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004)
Amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee benefits* (either July or December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange rates* (July 2004)
- UIG 4 *Determining whether an Arrangement contains a Lease*
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
- UIG 8 *Scope of AASB 2*

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

15. Significant accounting policies (*continued*)

Issue standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, arising from the release of AASB7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the consolidated entity to date. In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in the financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

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

15. Significant accounting policies (*continued*)

(c) Basis of consolidation (*continued*)

(ii) Associates

The consolidated entity has 100% control of its subsidiaries and has no associated entities.

(iii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement. There are no current joint ventures at 30 June 2006.

Jointly controlled entities

There are no jointly controlled entities as at 30 June 2006.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Property plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy n). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

There are no leased assets.

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

15. Significant accounting policies (*continued*)

(d) Property plant and equipment (*continued*)

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense incurred.

(iv) Depreciation

With the exception of freehold land and development assets, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

• buildings	40 years
• plant and equipment	5 - 12 years
• fixtures and fittings	5 – 10 years
• major components	3 – 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets

(i) Goodwill

Business combinations

Business combinations prior to 1 July 2003

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under the previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2003 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004 (see note TBA)

Business combinations since 1 July 2003

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see Accounting policy (n)).

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

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

15. Significant accounting policies (*continued*)

(e) Intangible assets (*continued*)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

(iii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy n).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of intangible assets in the current and comparative periods is 10 years.

(f) Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. As the fair value of the assets is based on its present location and condition, the costs necessary to get the assets to market is deducted from the market price in order to determine its fair value.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Biological assets related to agricultural activity and agricultural produce at the point of harvest are measured at fair value less the cost to sell. The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

15. Significant accounting policies (*continued*)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and call deposits.

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than biological assets (see accounting policy i), inventories (see accounting policy l) and deferred tax assets (see accounting policy w), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy n(i)).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an assets or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an assets has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRS, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial assets has been recognised directly in equity and there is objective evidence that the assets is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial assets has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(j) Calculation of recoverable amount

The recoverable amount of the consolidate entity's investments is held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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

15. Significant accounting policies (*continued*)

(j) Calculation of recoverable amount (*continued*)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables are individually that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles based on objective evidence from historical experience adjusted to for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their 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

an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed inly to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

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

15. Significant accounting policies (*continued*)

(j) Calculation of recoverable amount (*continued*)

(iii) Derecognition of financial assets and liabilities

Current accounting policy

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Comparative period policy

A financial asset is derecognised when the contractual right to receive or exchange cash no longer exists. A financial liability is derecognised when the contractual obligation to deliver or exchange cash no longer exists.

(k) Share capital

(i) Preference share capital

There is no preference share capital

(ii) Repurchase of share capital

No shares have been repurchased.

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(l) Employee benefits

(i) Defined contribution superannuation funds

There are no defined contribution superannuation funds in force for the consolidated entity or any of its subsidiaries.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

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

15. Significant accounting policies (*continued*)

(l) Calculation of recoverable amount (*continued*)

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation, insurance and payroll tax. Non-monetary benefits, such as medical care, housing, cars and free or subsidized goods and services, are expense based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(iv) Share-based payment transactions

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to options. The fair value of the options granted is measured using a binominal option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(m) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60 day terms.

(o) Revenue

(i) Goods and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

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

15. Significant accounting policies (*continued*)

(p) Expenses

(i) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested that are recognised in the income statement (see accounting policy f). Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(q) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Marine Produce Australia Limited.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

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

15. Significant accounting policies (*continued*)

(q) Income tax (*continued*)

Tax consolidation (*continued*)

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has not entered into a tax funding arrangement with members of the tax-consolidated group in respect of tax amounts.

The head entity in conjunction with other members of the tax-consolidated group, has also not entered into a tax sharing agreement.

(r) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

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

16. Explanation of transition to AIFRSs

Reconciliation of equity	Consolidated					
	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
<i>In thousands of AUD</i>	1 July 2004			30 June 2005		
Assets						
Cash and cash equivalents	460	-	460	3,932	-	3,932
Trade and other receivables	97	-	97	116	-	116
Inventories	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Bond	-	-	-	18	-	18
Assets held for resale	-	-	-	167	-	167
Total current assets	557	-	557	4,233	-	4,233
Receivables	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-
Property, plant and equipment	3,563	-	3,563	4,034	-	4,034
Intangible assets	714	-	714	1,155	-	1,155
Total non-current assets	4,277	-	4,277	5,189	-	5,189
Total assets	4,834	-	4,834	9,422	-	9,422

The consolidated entity has applied AASB 3 to all business combinations that have occurred since 1 July 2004 (the date of transition to AIFRSs). In addition, the consolidated entity has elected to apply AIFRSs retrospectively to all business combinations that occurred between 1 July 2003 and the date of transition to AIFRSs. Accordingly, the consolidated entity has revised the measurement of certain assets to fair value at the date of the business combination in which they were acquired. Additionally, from July 1 2003, goodwill is no longer amortised under AIFRSs, but is tested annually for impairment. The effect in the consolidated entity is to raise a deferred tax liability of \$16,000 at 1 July 2004 and \$42,000 at 30 June 2005. The net increase in deferred tax liability of \$16,000 at 1 July 2004, was recognised as a reduction in retained losses.

The effect on the income statement for the financial year ended 30 June 2005 was to decrease the previously reported retained losses for the period by \$42,000 in the consolidated entity and Nil in the Company.

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

16. Explanation of transition to AIFRSs (continued)

Reconciliation of equity (continued)	Consolidated					
	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
	1 July 2004			30 June 2005		
<i>In thousands of AUD</i>						
Liabilities						
Trade and other payables	250	-	250	462	-	462
Employee benefits	9	-	9	45	-	45
Total current liabilities	259	-	259	507	-	507
Deferred tax liabilities	-	16	16	-	42	42
Total non-current liabilities	-	16	16	-	42	42
Total liabilities	259	16	275	507	42	549
Net assets	4,575	(16)	4,559	8,915	(42)	8,873
Equity						
Issued Capital	9,393	-	9,393	16,195	-	16,195
Retained losses	(4,818)	(16)	(4,834)	(7,280)	(42)	(7,322)
Total equity attributable to equity holders of the parent	4,575	(16)	4,559	8,915	(42)	8,873

17. Events subsequent to balance date

Subsequent to the balance sheet date, two directors and the company secretary resigned in August 2006. Three Directors and Company Secretary were subsequently appointed.

Compliance statement

- 1 This report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to the ASX.
- 2 This report, and the accounts upon which the report is based, uses the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on accounts which are in the process of being audited.
- 5 It is not anticipated that the audit report will be qualified. If the audit report is qualified, that qualification will be lodged immediately when it is available.
- 6 The entity does not have a formally constituted audit committee.

J Hutton
DIRECTOR
13 September 2006