

2004

ANNUAL REPORT

Letter to our shareholders
Proxy statement
IOK





DEAR SHAREHOLDERS

IT IS WITH PLEASURE THAT I REPORT TO YOU ON THE COMPANY'S PROGRESS DURING FY 2004, ENDING SEPTEMBER 2004. FY 2004 WAS A YEAR OF TRANSFORMATION FOR THE COMPANY...

Our new management team embarked on a mission to reposition Tarantella on a global basis as a growing entity with excellent products, customers, distribution relationships and exceptional value proposition.

I am proud to report we made excellent progress during the year. As a result, we were able to improve the company's financial position by raising a substantial investment of 19 million dollars in the company and made other major company and operating practices modifications to include: complete reorganization of the management team, restructure of the company's distribution channel, reviewed and refined policies and procedures, improved the financial reporting and reduced the breakeven point to enable the company to achieve profitability in the future.

In addition, we spent the year focused on improving the company's ability to deliver value to its customers and its investors. Our financial team completed all the steps necessary to help the company achieve compliance with the SEC. As a result, Tarantella obtained a closed-case letter on the previous issues surrounding the company's restatement.

Our development team spent the year focused on developing and delivering products that established Tarantella as the leader in the Linux-based secure application access solution market and a key player in the heterogeneous application access environment. Our sales and marketing teams developed relationships with large OEM partners and new distribution partners to improve our ability to increase global sales, resulting in several large purchases from enterprise customers. This has solidified our foundation and created a world-class set of reference accounts that serve as models for other large enterprise customers working comfortably with Tarantella. Our sales and marketing teams have also created a new program resulting in a geometric increase in our recurring revenue stream from our customer base that renews maintenance and support agreements annually.

FY 2004 was a very challenging year for the team. Many surprises that had to be dealt with forced us to focus on other areas than growing our customer base and improving top-line revenue growth. We are comfortable the major problem areas are behind us and that FY 2005 will be a year focused on executing a growth strategy resulting in positive momentum for the company.

LETTER TO OUR SHAREHOLDERS

On behalf of our team I want to thank each of you for the support you have given us in FY 2004. This was a challenging, but rewarding year, as we now know we were able to reestablish Tarantella as a company with credible products, an excellent team to support customers and a strategy for growth into the future with an outstanding group of partners around the world.

Our plans for FY 2005 include capitalizing on the progress we made during FY 2004 and leveraging the relationships established worldwide to achieve progress in selling customers large-scale deployments of Tarantella solutions. We fully expect to assist our global partners in learning how to effectively implement large-scale deployments so they can assist us in reaching profitability during the year. In addition, we plan to implement a program to leverage our OEM relationships to insure as many partners as possible can sell Tarantella, enabling us to leverage our cost of sale. We also plan to review other strategic partnerships to help us leverage our market position, distribution relationships and growth strategy.

All the best for success in FY 2005!



Francis E. Wilde
CEO & President
Tarantella Inc.

TRADING SYMBOL: **ttla.ob**

WEB SITE: www.tarantella.com



TARANTELLA, INC. (OTC: TTLA.OB) is a leading provider of secure application access software. Tarantella's Secure Global Desktop family of products enables organizations to access and manage information, data and applications across virtually all platforms, networks and devices. Secure Global Desktop allows Enterprise customers to web-enable any enterprise application without costly rewrites, bridging the gap between vendors and ensuring that customers have complete access to business-critical information. Using Tarantella's software, customers realize the benefits of secure corporate data, maximizing return on existing IT assets and improved productivity. The company markets its products through the Internet, key industry partners and a worldwide distribution network.

Tarantella is headquartered in Santa Cruz, California.

For more information, please visit the Tarantella web site at:
www.tarantella.com

TARANTELLA, INC.	831.427.7222 Tel
425 ENCINAL STREET	831.427.5400 Fax
SANTA CRUZ, CA	888.831.9700 Toll Free US
95060	www.tarantella.com
UNITED STATES	

Tarantella, the Tarantella logo and Secure Global Desktop are trademarks or registered trademarks of Tarantella, Inc. in the United States and other countries. All other brand and product names are or may be trademarks of, and are used to identify products or services of, their respective owners. This document is for information only. Tarantella makes no express or implied representations or warranties in this document. ©2005 Tarantella, Inc. All Rights Reserved. 0010105