TASFOODS LTD

2017 ANNUAL REPORT

Work put into developing business operations during the year and an investment of resources has laid the foundation for future profitability.

Jane Bennett

TASFOODS LIMITED CORPORATE DIRECTORY

Board of Directors

Shane Noble
(Executive Chair)

Roger McBain
(Non-Executive Director)

Antony Robinson
(Non-Executive Director)

Jane Bennett
(Managing Director and CEO)

Company Secretary
Janelle O'Reilly

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Southbank Boulevard
Southbank, VICTORIA 3006 AUSTRALIA

Solicitors
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Level 1, 47 Sandy Bay Road
Hobart, TASMANIA 7000 AUSTRALIA

Piper Alderman (formerly Norton Gledhill)
Level 23, 459 Collins Street
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Bankers
Australia and New Zealand Banking Group Limited
Bendigo and Adelaide Bank Limited

Stock Exchange Listing
TasFoods Limited shares are listed on the Australian Securities Exchange, code TFL.

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TasFoods' revenue for the 2017 financial year was $31.112 million compared to $16.139 million in 2016, representing a 93 per cent growth in revenue year on year.

CHAIR'S REPORT

I feel privileged to have recently been appointed as Executive Chairman of TasFoods Limited and I'm excited by the opportunity to participate in the creation of a truly unique premium Tasmanian food business. 2017 was an important foundation year for Tasfoods as we integrated the operation of our dairy, chicken, wasabi and goat businesses into a common corporate structure with a comprehensive suite of systems and processes.

Towards the end of 2017, TasFoods also made the strategic acquisition of Pyengana Dairy and has successfully integrated the business into its dairy operations, unlocking synergies and adding a further premium Tasmanian brand to our stable of food products.

The other key focus for the business during 2017 has been the rebranding of our product range under The Tasmanian Food Co. brand umbrella. This utilises a range of common design and branding elements to reinforce the essence of premium Tasmanian foods whilst maintaining the unique identity of the individual brands within the portfolio.

Although 2017 was a year of significant activity and growth within the business, our financial performance was disappointing. The Company's bottom line performance resulted in a net loss after income tax of $6.81 million, which included an impairment charge of $2.1 million against the goodwill of Shima Wasabi. The trading net loss before tax from continuing operations was $4.52 million for 2017 compared to a trading net loss from continuing operations of $2.61 million in 2016.

TasFoods' revenue for the 2017 financial year was $31.112 million compared to $16.139 million in 2016, representing a 93 per cent growth in revenue year on year. This high growth percentage is impacted by the fact that only 6 months of trading results for Nichols Poultry and Shima Wasabi are included in the 2016 revenue number. The pleasing result is that the Company's second half 2017 revenue grew by 13% compared to the second half 2016 on a like for like basis.

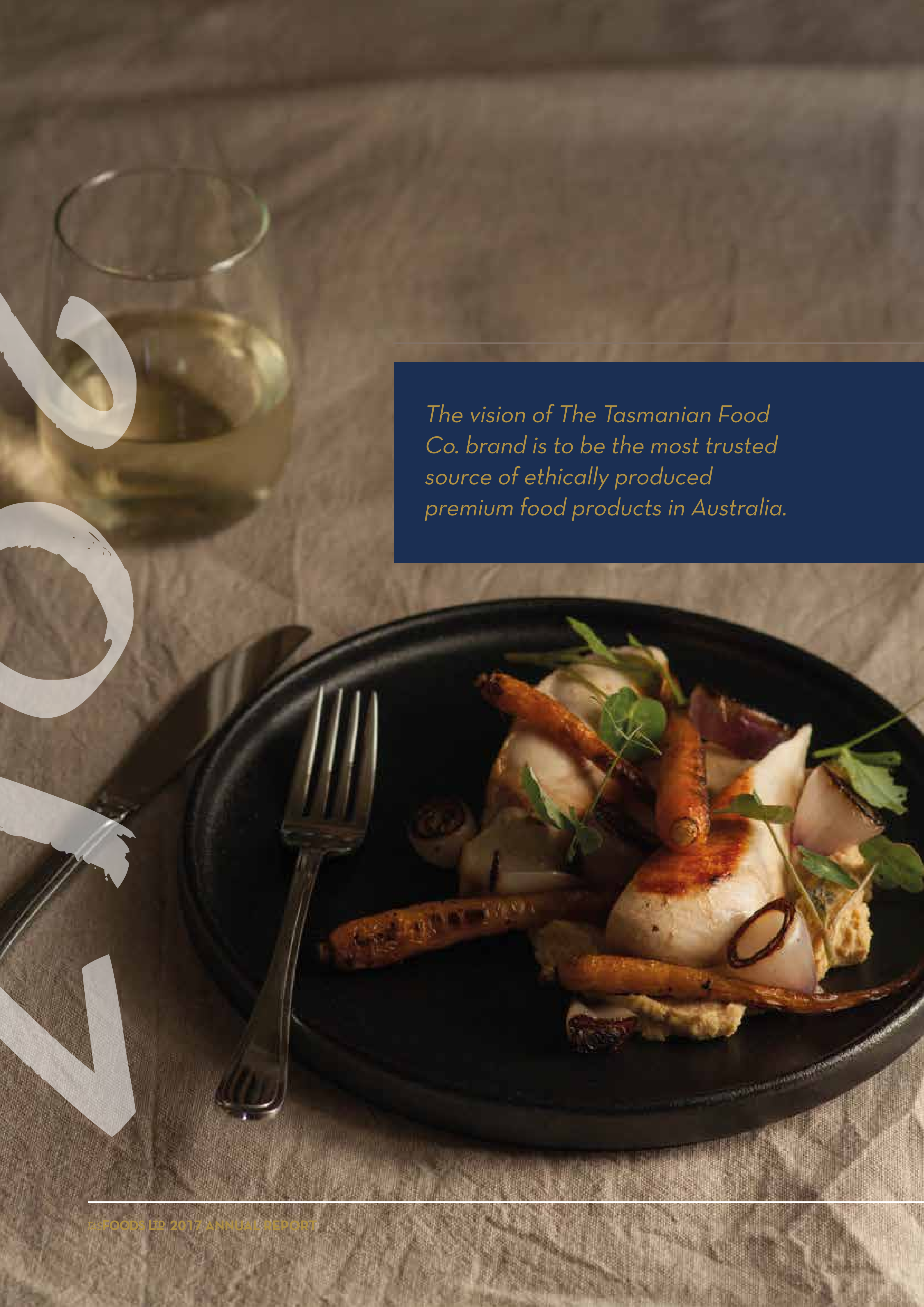
During 2017 the company invested $3.005 million in capital expenditure. This investment reflects the plant and equipment included in the Pyengana acquisition, the construction of a second wasabi greenhouse and investment in equipment to improve operational efficiencies at Nichols Poultry and Meander Valley Dairy. All of the 2017 investments will contribute to improved financial performance in the coming years.

To help us achieve our strategic goals, late last year TasFoods conducted a capital raising through an initial share placement raising $2.99 million (before costs). A further $4 million was raised in the first quarter of 2018 from a Share Purchase Plan (SPP) and a second tranche of the placement, as well as the sale of shortfall shares resulting from an under subscription in the SPP.

I would like to extend a thank you to TasFoods' founding chairman, Rob Woolley, for establishing a vision for a premium Tasmanian food company and for acquiring the initial portfolio of food businesses. Thanks also to Tony Robinson for taking on the interim chairman's role for much of 2017 and to Hugh Robertson who was a founding director. To my fellow existing directors and the broader Tasfoods team, I thank you for your hard work and commitment during the year.

Whilst 2017 was a year of significant activity and progress, there is still much to do and I look forward to working closely with the Tasfoods team to deliver a much improved financial result in 2018.

Shane Noble
Executive Chair

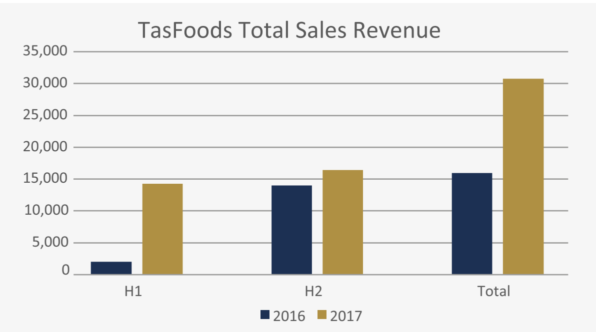


The vision of The Tasmanian Food Co. brand is to be the most trusted source of ethically produced premium food products in Australia.

MANAGING DIRECTOR /CEO REPORT

2017 was the first full year of operation for TasFoods since the purchase of the largest business unit of the group, Nichols Poultry, in June 2016. Significant change was implemented across the business portfolio during 2017 to put a structure in place to support the operational teams and position the company brands for future growth.

The group's 2017 sales revenue grew 92% from 2016 revenue of $15.98 million to $30.74 million.



Tasfoods purchased Nichols Poultry and Shima Wasabi on 15 June 2016, meaning that the 2016 results reflect slightly more than six months' of trading for these entities. Comparative sales revenue for the second half of 2017 compared to the second half 2016 for the business units of Nichols Poultry, Meander Valley Dairy and Shima Wasabi (excluding sales revenue of Pyengana Dairy, which was purchased in October 2017) show a 13% growth from $13.98 million to $15.82 million.

The Company's bottom line performance resulted in a net loss after income tax of $6.81 million, which included an impairment charge of $2.1 million against the goodwill of Shima Wasabi. The trading result was a net loss before tax from continuing operations of $4.52 million for 2017 compared to a trading net loss from continuing operations of $2.61 million in 2016.

The extent of the trading loss reflected the challenging environment in which we operate, with the outcomes for both the poultry and dairy divisions delivering below expected results. Poultry results were impacted by below target live weights and bird numbers that impacted revenue and gross margins. Work undertaken in 2017 to improve chicken live weights and investment planned in 2018 in new growing shed infrastructure will result in greater consistency in live weight and increased bird numbers available for processing.

The dairy division result was impacted by commodity pricing for cream which impacted revenue and gross margins. Work undertaken in 2017 to respond to a 43% increase in cream pricing has begun to improve revenue and gross margins while an increase in productivity and throughput of milk from March 2018 in the Meander Valley Dairy processing facility will improve the scale of the site and leverage its operational costs.

Work put into developing business operations during the year and an investment of resources has laid the foundation for future profitability.

In October 2017 TasFoods Ltd purchased the assets of Pyengana Dairy for $1.62 million. Pyengana Dairy produces a range of fresh milk and award-winning Cloth Matured Cheddar cheese using traditional methods handed down from farmhouse cheese makers in the Pyengana valley in North East Tasmania since 1885. The Pyengana products are high-quality artisan foods with a strong regional heritage that fit well in the TasFoods strategy to build a portfolio of premium Tasmanian food brands that leverage unique provenance attributes. This acquisition will provide increased scale and efficiency for the existing dairy operations of the business. Expansion of the bottled milk range and cheese production under the Pyengana brand is scheduled for 2018, with an extended range of milk products accepted for sale through Woolworth's Tasmanian stores from April 2018.

A major outcome in 2017 for the group was the rebranding of Nichols Poultry, Meander Valley Dairy and Shima Wasabi under the unifying endorser brand The Tasmanian Food Co. A new brand for the goat dairy business, Robur Farm, was also launched under The Tasmanian Food Co. endorser brand.

The rebranding exercise required significant investment in new labels and packaging along with point of sale and marketing material to support the brands. A total of 37 products were rebranded under The Tasmanian Food Co. endorser brand structure, with a further 70 new products created across the group and released in 2017. A number of marketing strategies were utilised to launch these rebranded and new products into the Tasmanian market and, for relevant products, into markets across Australia. A new website was created for The Tasmanian Food Co., under which each business brand retains an identity. Various social media streams were also established under The Tasmanian Food Co. umbrella.

A key focus for 2017 was to establish the cultural values of the business and embed them in the operational teams to ensure the actions of our workforce reflect the values of the business and the brands we are developing. The aim of The Tasmanian Food Co. brand is to be the most trusted source of ethically produced premium food products in Australia. To achieve this, we need to maintain the highest standards of animal welfare and animal husbandry across the business. Food production needs to meet premium quality standards and interactions with stakeholders must reinforce the brand values.

To underpin the brand values, we have established animal welfare standards for the Nichols Ethical Free Range Chicken rearing system. These were independently audited and certified in August 2017 by an external party, PROOF (Pasture Reared on Open Fields). Animal welfare standards were also developed for the dairy goat herd, including the management of horned animals (the business does not permit dehorning of goats) and standards for rearing male dairy kids for meat.

The entire workforce engaged in a training program called Success Circle with the first stage of the program concluding in March 2017. Success Circle aims to build a business culture focused on workplace safety, food safety and customer service. The initial training program is being followed up by ongoing Success Circle conversations and tool box talks within the business along with the establishment of champions who are tasked with establishing a culture of continuous improvement.

In consultation with all management teams, we developed a set of values and beliefs to help drive cultural change throughout the group. These are used to guide behaviours and set acceptable standards for operations and engagement with stakeholders. To embed the new systems and processes that underpin the values and beliefs within the business all existing and new employees have undergone an induction training process.

The company-wide investment in developing a values base for the business and driving cultural change in operations has made a significant contribution to an 86% reduction in the lost time injury (LTIFR)[1] frequency rate from 34 to 4.5.

2017 has been a foundation year of growth and development for TasFoods and the brands now marketed under the Tasmanian Food Co. endorsement. The business will continue to drive revenue growth by opening new sales channels for the existing product range across Australia and through the development of new product offerings for existing and new customers.

Growth through acquisition will continue to be a strategic focus for the business in 2018 to build business scale and strengthen bottom line performance.

Jane Bennett

Managing Director and CEO

[1] A Lost Time Injury is a work-related injury that causes a person to be unable to work in any capacity for a work shift. The Lost Time Injury Frequency Rate is the number of Lost Time Injuries incurred per million work hours.

OPERATING & FINANCIAL REVIEW

NICHOLS
POULTRY

Nichols Poultry sales revenue grew from $13.85 million in 2016 to $27.98 million in 2018. The business was purchased in June 2016 and as such sales revenue for 2016 represents six months of ownership. Sales revenue for the second half of the 2017 year grew by 14% compared to the second half of 2016 as a result of the roll-out of new products across the range and an expanded customer base. Rebranding of the Nichols Poultry business under the Tasmanian Food Co. endorser brand was achieved in early 2017 with two new sub-brands created. Nichols Kitchen is a brand for ready to eat convenience foods and Nichols Ethical Free Range Chicken is the premium chicken brand. 40 new products were launched under the Nichols Poultry, Ethical Free Range Chicken and Nichols Kitchen sub-brands in the second half of 2017.

A whole-of-enterprise planning system was implemented for Nichols Poultry in 2017 to improve management of supply and demand for chicken, taking the business from a production-driven operation to a sales and customer demand-driven business.

An unanticipated drop in live weight during the winter period impacted on both sales revenue and gross margins for a 3 month period. In response to this drop in live weight the agricultural division of Nichols Poultry implemented a number of activities designed to improve feed conversion ratios (FCR), and this has resulted in an increase in bird live weights being processed in the last quarter of the year.

Throughout the year a series of upgrades to processes and systems used in the chicken processing facility were completed to ensure compliance with customer requirements and to improve product quality. A range of equipment was installed in late 2017 to automate processes in the cutting and boning operations. Labour savings from this upgrade will be realised in 2018. The business is considering a number of capital investments which would increase production capacity and improve processing efficiency within the Nichols Poultry business.

It's the ethics and good provenance that is the Nichols difference

"I choose Nichols Ethical Free Range chicken because they share the same beliefs as we do at Pure South in regards to sustainability and the ethical treatment of animals raised for food. I think the extra care taken and methods of rearing their chickens results in superior flavour, texture and overall quality."

David Hall (Executive Chef Pure South)

OPERATING & FINANCIAL REVIEW Continued

MEANDER VALLEY
DAIRY

A range of luxurious premium milk, creams and butters

Dairy Division

The dairy division includes the milk and cream processing operations at Kings Meadows near Launceston, goat farming operations located at the Nichols Poultry farm at Sassafras, and the operations of Pyengana Dairy, which was purchased in October 2017. The total sales revenue for the dairy operations in 2017 was $2.48 million, up 25% from $1.98 million in 2016. The division recorded a segment net loss of $1.52 million driven by commodity pricing and one-off costs associated with the commissioning of a waste water treatment system at the Kings Meadows site.

The performance of the Dairy Division operations was impacted in 2017 by a reduction in gross margins for cream products sold under the Meander Valley Dairy brand and private label contracts that resulted from a 43% increase in commodity cream pricing over a six month period. The business responded quickly to the raw material price increase by reconfiguring product sizing for retail markets, however the new ranging did cause some short term loss of distribution due to the transition. The commodity price increase for cream also resulted in the business exiting some private label contracts owing to a loss of margins.

Resizing the products helped to reduce the on-shelf price-point and secured new customers for cream and goat products. This resulted in a 43% growth in sales revenue from these products for the second half of the year compared to the first half of 2017.

Revised branding for Meander Valley Dairy and a new goat dairy brand, Robur Farm, were launched under the endorser brand of The Tasmanian Food Co. in 2017. A total of 26 products were rebranded and 26 new products were launched during the second half of the year under the Robur Farm or Meander Valley Dairy brands.

"I absolutely love using Meander Valley Dairy Double Cream in my cooking. Silky and thick it is such an easy and luxurious finish to a dessert. It's our preferred cream to use on Food Lab"

Ben Milbourne (Food Lab, SBS)

OPERATING & FINANCIAL REVIEW Continued

ROBUR FARM
DAIRY

The high quality of products manufactured in the Meander Valley Dairy facility were recognised at the Royal Hobart Fine Food Awards 2017 where Meander Valley Dairy Double Cream was named Supreme Champion Food Product of the Show and Champion Dairy Product, with Robur Farm Goat Fetta named Champion Goat or Sheep product.

Investment in preparing the Kings Meadows site for export accreditation in 2017 led to TasFoods gaining an export licence for the dairy products made in the facility.

TasFoods invested in the goat farming operation in 2017 to increase animal welfare and improve biosecurity. A new kid rearing facility was developed

to enable rearing of all male as well as female kids. Facilities were developed for the rearing of young bucks to enable male kids to be grown out for meat. The first sale of meat goats occurred in early 2018.

A new goat milking parlour for Robur Farm was installed in 2017 to reduce labour and improve milk quality.

Pyengana Dairy was purchased in October 2017. Sales for the Pyengana operations for the year were in line with expectations. The three months of ownership in 2017 resulted in an increase in cheese stock levels to enable growth in cheese sales anticipated for late 2018, after the cheese has matured for 12 months. Work has commenced on rebranding the Pyengana Dairy range and developing a suite of new fresh milk products to be released in 2018.

The milk bottling operations of Pyengana will be moved to the Kings Meadows dairy facility in early 2018 to improve supply chain logistics and achieve better operational efficiencies on the Kings Meadows site. Removal of the milk bottling equipment from the Pyengana site will provide increased space for expansion of the cheese making operation.

Consolidation of Pyengana Dairy's milk bottling operations with the existing Kings Meadows dairy processing activities will provide improved utilisation of equipment and labour efficiencies to the Kings Meadows site, which will continue to improve the bottom-line performance of the dairy division.

PYENGANA
DAIRY

OPERATING & FINANCIAL REVIEW Continued

Shima Wasabi

Shima Wasabi's operations are located at Port Sorell on Tasmania's North West Coast. Sales revenue from wasabi products was $0.261 million in 2017 which was a 74% growth on 2016 sales of $0.15 million. The market for fresh wasabi stems was expanded to include fresh produce wholesalers in Sydney and Melbourne, improving access to fresh wasabi stems for restaurants and other food service customers.

As a result of our annual intangible asset impairment testing required by Australian Accounting Standards the Tasfoods Board has adopted a prudent approach and written off $2.1 million in regard to the carrying value of goodwill held within the Shima wasabi business unit. The Board and Management remain confident in the long-term prospects and future opportunities that exist within the Australian market for Wasabi and our focus over the next 12 months will be very much on market development and continuing to develop selling opportunities for both the fresh product and freeze dried wasabi powder.

New packaging was developed for fresh stems in late 2017 to provide an extended shelf life and increased convenience for customers. New packaging was also developed for a retail powdered wasabi product to provide a more convenient package for consumer usage.

The business has engaged a consultant food technologist to assist in the development of a range of value-added wasabi products that will be trialled in 2018. These products will focus on utilising components of the plant that are currently not fully utilised.

SHIMA WASABI

The business has engaged the CSIRO to undertake a nutritional compositional analysis of various components of the wasabi plant in a fresh and dried form. The key components measured were fibre and bioactives such as phenolics and allyl isothiocyanates. A literature review is being undertaken to assess the value of nutrition and health claims that can be attributed to the wasabi components. The final report is due in early 2018.

A second wasabi greenhouse was completed and planted-out during 2017. This greenhouse is larger than the original greenhouse and has capacity for a total of 6,000 plants (current numbers 5,922). Fresh wasabi stems from this greenhouse will be ready to harvest in 2018.

The investment in the new greenhouse included increased automation to control atmosphere and environment within the greenhouse and doubled the infrastructure used for fertilisation and irrigation.

"I love using Shima Wasabi in my sushi. As Australia's exclusive commercial wasabi producer I am so glad it is grown here in Tasmania where I can combine it with fresh fish and other Tasmanian ingredients. It has the fragrance, sweetness and pepperiness you can only get from real wasabi. Customers are always fascinated to see the actual plant and I believe this is an important part of the Masaaki's Sushi culinary experience."

Masaaki Koyama,
Masaaki's Sushi, Tasmania.

OPERATING & FINANCIAL REVIEW Continued

OUTLOOK

The Group will continue to progress its strategy of growth through organic means in addition to acquisitive growth. Organic growth will be generated from leveraging work undertaken in 2017 to enter new markets and channels, including the launch of new products and expanding off-island markets for our dairy, wasabi and Ethical Free Range chicken products. Acquisitive growth will continue to be a strategic focus to build business scale and strengthen bottom line performance.

TasFoods will be focused on improving productivity from our existing asset base and investments in new infrastructure and equipment. Improved yield, feed conversion ratios, sales mix and cost reductions continue to be a priority. Emphasis will also be placed on harnessing production efficiencies from automation of processing lines commissioned in late 2017.

The medium and long term fundamentals of TasFoods' industry and business are strong, with continued increasing demand expected for premium food, specifically in the free range chicken and high-fat dairy segments. TasFoods strategy will continue to be one of growth with a focus on maintaining premium provenance of its brands, minimising risk, investing in productive assets and effective cost management.

RISK

TasFoods is committed to successfully delivering its strategic objectives including delivering high quality, safe food products to its customers. This requires the management of all types of uncertainties and risks.

TasFoods has a formalised Risk Management Policy and Framework which operates across the Group. The Policy provides high level direction, establishes key principles and allocates responsibilities to ensure TasFoods has an effective and efficient system and process that will facilitate the identification, assessment, evaluation and treatment of risks in order to achieve strategic and performance objectives.

A copy of the Risk Management Policy can be located on the Company's website at http://www.tasfoods.com.au/corporate-governance/

During 2017 the Group complied with its Risk Management Policy and Framework, ensuring all risks were regularly reviewed and risk registers were updated for new risks and changes to existing risk profiles. Risks identified remain relatively stable, with no expectation of increases or decreases in the foreseeable future unless specifically noted in the following. The material business risks faced by TasFoods which may have an effect on the financial performance of the Group are:

The new wasabi greenhouse was installed August 2017 with improved environmental controls.

Supply Risk

Ensuring our input supply is secure, stable and reliable.

TasFoods is reliant on a number of key suppliers for inputs such as hatchlings, milk, cream and feed. We have strong relationships and contracts, where possible, with our suppliers to ensure that quality, quantity and price are stable. Where appropriate and able, TasFoods is diversifying supply channels to reduce risk levels and dependence on key suppliers.

Although supply risk impacted the dairy segment's financial performance in 2017, actions taken in response are anticipated to reduce this risk in future periods.

Market Risk

Delivering on our customer promises and growing our customer base.

TasFoods has a number of large key customers and the loss of one or more would have a detrimental impact on the Group. TasFoods mitigates this risk by investing in our relationships, ensuring we deliver product in accordance with our customer's specifications, growing our customer base and entering into contracts for supply. In addition, TasFoods responds to changing customer compliance requirements via upgrading facilities and processes. TasFoods has also developed a point of difference in our products which reduces the risk of substitution.

Biosecurity Risk

Minimising the risk of disease and infection impacting our animals, plants and inputs.

Careful site management, biosecurity measures and good husbandry and agricultural management are used to manage TasFoods' risk of exposure to disease, infection and contamination. Significant disease outbreaks may result in mass mortality of livestock or loss of plants, having a significant impact on saleable goods. Suppliers undergo an approval process to ensure inputs comply with product specifications. These are internally and, where appropriate, externally audited and monitored for compliance.

Safety Risk

Ensuring our products are safe for customers and our staff are safe at work.

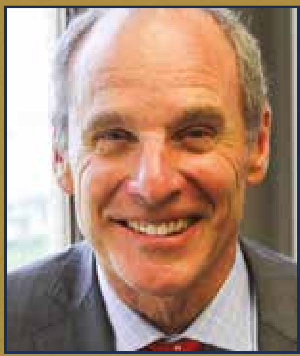
Food safety and workplace health and safety are risks that must be managed by TasFoods at all times. We have built strong quality and safety assurance systems which are externally audited against relevant standards, are overseen by highly skilled staff and within a culture committed to food and people safety. In addition, TasFoods holds relevant insurances to further mitigate food safety and workplace health and safety risks.

BOARD OF DIRECTORS

SHANE NOBLE
Executive Chair

Shane has over 20 years experience operating at either the CEO or Executive Chair level in a diverse range of businesses across the consumer foods and agribusiness sectors.

In his most recent role Shane was Executive Chairman and CEO of Green Foods Holding for 8 years.



ANTONY ROBINSON
Non-Executive Director

Tony has held a number of senior management positions in a variety of service industries, including stockbroking, financial services, telecommunications and transport. Tony is a very experienced Director across diverse industries including consumer foods and financial services.

ROGER McBAIN
Non-Executive Director

Roger was a partner for 6 years with Deloitte and prior to this was a partner in a privately owned accounting firm for 25 years. Roger holds a Bachelor of Business degree and is a member of the Institute of Chartered Accountants, the Australian Reconstruction, Insolvency & Turnaround Association and is a member of the Taxation Institute of Australia.

JANE BENNETT
Executive Director & *CEO*

Jane has 20 years experience as a senior executive in vertically integrated dairy operations in Tasmania and UK. Jane is a director of Food Innovation Australia Ltd.

She has previously served on the boards of Australian Broadcasting Corporation, CSIRO and the Brand Tasmania Council.

Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Radio Rural Woman of the Year.

JANELLE O'REILLY
Company Secretary & General Counsel

Janelle is an experienced corporate lawyer and chartered company secretary having worked for ASX listed entities Crane Group Limited and Ruralco Holdings Limited and as General Manager Governance with Aurora Energy.

EXECUTIVE TEAM

JANE BENNETT
Managing Director/CEO

With over 20 years experience in agricultural production management, Jane brings a depth of experience and leadership to the TasFoods Executive Management Team. As the visionary for TasFoods' commitment to agricultural sustainability and redefining industry standards to meet consumer expectations, Jane is driven to protect and expand Tasmanian employment opportunities and attract new investment to the State.

Jane was formerly founder and Managing Director of Ashgrove Cheese, one of Australia's leading premium dairy brands.

TOM WOOLLEY
Chief Operating Officer

Tom is an experienced executive who for the past 3 years has worked in key operational and business development roles within TasFoods' fast moving consumer goods operations.

Tom has extensive investment management, acquisition and business development experience. He worked at Credit Suisse for 3 years followed by 8 years as a Director at Ironbridge Capital, an Australian private equity company focused on growth investments. Tom holds a Bachelor of Science and Bachelor of Commerce (Honours) and recently graduated from the Tasmanian Leaders Program.

DONNA WILSON
Chief Financial Officer

Donna is a qualified finance executive with over 16 years of experience working within public practice at KPMG, an ASX listed company and statutory government authorities.

Prior to joining TasFoods Donna worked at the executive level as the Director of Finance within a complex healthcare organisation.

Donna holds a Masters of Business Administration and a Bachelor of Commerce and is a member of the Institute of Chartered Accountants Australia and New Zealand.

DAVID BENNETT
Chief Sales & Marketing Officer

David has extensive experience in national sales distribution and marketing fast moving consumer goods, specialising in premium dairy products. David holds a Bachelor of Laws and Bachelor of Commerce.

DIRECTORS' REPORT

The Directors of TasFoods Limited (the Company) present the financial report on the Company and its controlled entities (the Group) for the year ended 31 December 2017.

In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

Shane Noble	Executive Chair
	Shane joined the Board on 30 November 2017 and became Chair of the Board on 1 February 2018. Shane is a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications	Shane has extensive experience in the consumer foods and agribusiness industries. Most recently, Shane was the Executive Chair and Chief Executive Officer of Green's Foods Holdings which he successfully transformed through an integrated plan of profit improvement initiatives and strategic acquisitions.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	3,000,000 Ordinary Shares
	5,000,000 Share Options exercisable at $0.20 before 30 November 2021
Jane Bennett	Chief Executive Officer (CEO) and Managing Director
	Jane was promoted to the position of CEO and Director on 18 February 2016, having previously been the Company's Head of Strategic Development and General Manager of Dairy.
	Jane was appointed to build TasFoods into a successful branded food business based on the unique attributes of Tasmania and its produce.
Experience and qualifications	Jane has extensive experience in the premium branded food industry in Tasmania, including as the former Managing Director of Ashgrove Cheese, one of Australia's leading premium dairy brands. Jane also chaired the Tasmanian Food Industry Council for 8 years and was a board member of the Brand Tasmania Council for 10 years. Jane has spent 4 years working as a non-executive director in a diverse portfolio of companies including the CSIRO, Australian Broadcasting Corporation and Tasmanian Ports Corporation.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,175,472 Ordinary Shares
	1,250,000 Share Options exercisable at $0.21 before 3 September 2019
	1,250,000 Share Options exercisable at $0.42 before 3 September 2019
Roger McBain	Non-Executive Director *BBus, ACA*
	Roger was appointed to the Board as an Executive Director on 3 September 2015 and transitioned to a Non-Executive Director role on 1 July 2016. Roger is the Chair of the Nomination and Remuneration Committee and Audit and Risk Committee.
Experience and qualifications	Roger is a chartered accountant and brings broad commercial and financial skills to the board. Roger is a former partner of Deloitte, based in Launceston.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,199,000 Ordinary Shares
	1,250,000 Share Options exercisable at $0.21 before 3 September 2019
	1,250,000 Share Options exercisable at $0.42 before 3 September 2019

DIRECTORS' REPORT Continued

Antony Robinson	Former Chair and Non-Executive Director *BCom, ASA, MBA*.
	Antony joined the Board on 29 May 2014 and became a Non-Executive Director in September 2015 and Chair of the Board on 3 March 2017. Antony resigned from the role of Chair of the Board on 1 February 2018.
	Antony was the Chair of the Audit and Risk Committee until he became Chair of the Board and is a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications	Antony has extensive experience in senior roles in the financial services, insurance and telecommunications sectors. He is currently a Director of Bendigo & Adelaide Bank Limited and was previously Managing Director of Centrepoint Alliance Limited. Prior to that he held a number of senior executive roles including Executive Director and CEO of IOOF Holdings Ltd, Managing Director and CEO of OAMPS Limited.
Other Directorships in listed entities:	Bendigo & Adelaide Bank Limited (since April 2006), Pacific Current Group Limited (since August 2015), Longtable Group Limited (previously known as Primary Opinion Limited, since October 2015).
Former Directorships in listed entities in the last 3 years:	Centrepoint Alliance Limited (until April 2014)
Interest in shares and options:	800,000 Ordinary Shares
	1,500,000 Share Options exercisable at $0.21 before 3 September 2019
Rob Woolley	Former Chair and Non-Executive Director. *BEc, FCA*.
	Rob resigned from the Board on 3 March 2017.
	Rob was appointed to the Board as a Director and Chair of the Board on 3 September 2015. Rob was a member of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.
Experience and qualifications:	Rob is the former Chair of Bellamy's Australia Limited, Tandou Limited and a former board member of Forestry Tasmania and the not-for-profit Tasmanian Leaders Inc. Rob was previously managing director of Webster Limited following over 20 years as a partner at Deloitte.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Tandou Limited (until July 2015) and Bellamy's Australia Limited (until 28 February 2017)
Interest in shares and options:	4,223,000 Ordinary Shares (as at 3 March 2017)
	4,750,000 Share Options exercisable at $0.21 before 3 September 2019
	4,750,000 Share Options exercisable at $0.42 before 3 September 2019
Hugh Robertson	Former Non-Executive Director
	Hugh resigned from the Board on 10 February 2017.
	Hugh Joined the Board as a Director on 21 February 2014. Hugh was a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications:	Hugh has over 25 years' experience in the financial services industry, commencing his stockbroking career in 1983. During that time, he has been involved in a number of successful stockbroking and equity capital markets businesses including Falkiners Stockbroking and Bell Potter Securities.
Other Directorships in listed entities:	Longtable Group Limited (previously Primary Opinion Limited, since October 2015), AMA Limited (since June 2015)
Former Directorships in listed entities in the last 3 years:	Hub24 Limited (from April 2011 – October 2016).
Interest in shares and options:	1,014,000 Ordinary Shares (as at 10 February 2017)
Company Secretary	
Janelle O'Reilly	Company Secretary and General Counsel BEcLLB, GAICD, FGIA
	Janelle joined TasFoods on 9 September 2016.
Experience and qualifications	Janelle was previously Company Secretary & General Counsel for ASX listed companies Crane Group Limited and Ruralco Holdings Limited. She is an expert in commercial law and corporate governance and was the General Manager of Governance for State owned Aurora Energy Pty Ltd where she was responsible for legal services, company secretariat, risk, compliance and information management. She is a Director of Tasmanian not for profit Colony 47.

DIRECTORS' REPORT

Meeting of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2017 and the number of meetings attended by each Director.

During the financial year. Board Meetings were held in addition to the Company's Annual General Meeting held on 22 May 2017. #

DIRECTOR	BOARD MEETING		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	Held during time on Board	Attended	Held during time on Board	Attended	Held during time on Board	Attended
S Noble	2	2	1	1	-	-
J Bennett *	16	16	5	5	3	3
R McBain	16	15	5	5	3	3
A Robinson	16	14	5	4	3	3
R Woolley	2	2	2	1	-	-
H Robertson	-	-	-	-	-	-

Only Ms Bennett, Mr McBain and Mr Robinson were Directors for the full financial year

*Ms Bennett is not a member of the Audit and Risk Committee or the Nomination and Remuneration Committee but attends the meetings as an invitee.

Principal Activities

The principal activities of the Group are the processing, manufacture and sale of premium Tasmanian-made produce.

Operating Results and Financial Position

A comprehensive review of operations is set out in the front section of this Annual Report under Operating and Financial Review.

Significant Change in State of Affairs

Acquisition of Pyengana Dairy

In October 2017, TasFoods Limited acquired the assets of Pyengana Dairy via its new subsidiary Tasmanian Food Co Dairy Pty Ltd for cash consideration of $1.623 million.

Pyengana Dairy is a leading Australian producer of traditional cloth-matured cow cheddar cheese. It also produces fresh bottled milk under the Real Milk brand, which is supplied to major retail chains, independent retail outlets and cafes across Tasmania.

Capital Raising

On 21 December 2017 the Company announced it would undertake a capital raising for approximately $7 million via a Placement to sophisticated and professional investors and a Share Purchase Plan (SPP). The Placement was to raise up to $5 million and the SPP $2 million, with shareholder approval being required for the last $2 million (second tranche) of the Placement.

On 29 December 2017 the Company issued 16,616,076 ordinary shares at $0.18 per share to sophisticated and professional investors raising $2.99 million (before costs). Following this all shareholders were invited to participate in the SPP for up to $15,000 at $0.17 per share.

The funds raised (after costs) are intended to be used for the continuing development of the Company's business, in particular to expand production capacity, and for general working capital purposes.

There were no other significant changes in the state of affairs of the Group during the financial year.

After Balance Date Events

The SPP noted above, resulted in 7,794,180 shares valued at $1.325 million being issued to shareholders on 2 February 2018.

At a General Meeting of the Company on 15 February 2018 Shareholders approved the remainder of the Placement (second tranche) to sophisticated and professional investors and also approved such persons taking up the shortfall in the Company's SPP offer (due to eligible shareholders not applying for their full entitlement of shares under the offer) under a placement of new and fully paid ordinary shares in the Company. The General Meeting also refreshed the Company's ability to raise up to 15% of its capital without shareholder approval by approving the previous placement with sophisticated and professional investors and the issue to the Executive Chair, Shane Noble.

Other than the matter noted above, there are no matters or circumstances have arisen since 31 December 2017, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

DIRECTORS' REPORT Continued

Remuneration Report (Audited)

Message from the Chair of the Nomination and Remuneration Committee

Shareholders,

The Board of TasFoods presents the Remuneration Report for the financial year ended 31 December 2017.

This year there have been changes to the composition of the Board due to the resignation of the following Directors:

- Rob Woolley – Chair; and
- Hugh Robertson – Non-executive Director.

On 30 November 2017, Shane Noble was appointed to the Board as a Non-Executive Director and subsequently appointed to the position of Executive Chair on 1 February 2018. Shane brings to the Company extensive experience in the consumer foods and agribusiness industries, with his role including finding suitable acquisition opportunities for the Company.

As advised to shareholders in the 2016 remuneration report, the Board was committed to reviewing TasFoods remuneration strategy and framework. This review was undertaken, and the following changes were implemented for 2017:

- the introduction of a short-term incentive plan; and
- the introduction of a long-term incentive plan.

The Board believes that the remuneration strategy and framework ensure it:

- attracts, motivates and retains top talent executives;
- aligns reward with the creation of sustainable value for shareholders including through long-term equity-based incentives and performance metrics linked to total shareholder value;
- aligns rewards with strategic objectives and the Board's high-performance expectations;
- drives behaviours that align with the interests of our shareholders;
- implements a robust and transparent remuneration decision making process and performance review system; and
- targets stretch for critical talent and rewards exceptional performance.

On behalf of the Board, we recommend the Report to you and we look forward to welcoming you to the 2017 Annual General Meeting.

Roger McBain

Chair - Nomination and Remuneration Committee

The Directors of TasFoods Limited present the Remuneration Report for the Company and its controlled entities for the financial year ended 31 December 2017, prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

This report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group, which comprises all Directors (executive and non-executive) and those other members of the TasFoods Executive who have authority and responsibility for planning, directing and controlling the activities of the Group.

In 2017 the Company's main activity related to developing Tasmanian premium branded food businesses (including, Nichols Poultry, Meander Valley Dairy and Shima Wasabi) and acquiring Pyengana Dairy, therefore, the details of KMP remuneration for 2017 relate to those activities and the current remuneration structure.

This report has been prepared in accordance with section 300A of the *Corporations Act 2001*.

The Report has been set out as follows:

1. Key management personnel
2. Role of the Nomination and Remuneration Committee
3. Engagement of remuneration consultants

DIRECTORS' REPORT

4. Remuneration strategy and framework
    4.1. Review of remuneration strategy and framework
    4.2. Executive remuneration schedule
    4.3. Remuneration mix and linking pay to performance
    4.4. 2017 fixed remuneration
    4.5. 2017 short-term incentive arrangements
    4.6. 2017 long-term incentive arrangements
    4.7. KMPs 2017 short-term incentive arrangement results
    4.8. Summary of 2017 short-term incentive payments to KMP
    4.9. Company financial performance
5. Executive contracts
6. Non-executive directors' and Executive Chair's remuneration structure
    6.1. Current fee levels and fee pool
7. Restrictions on long-term incentive plan shares prior to vesting
8. Remuneration tables – Directors and KMP executives

1. Key management personnel

The term Key Management Personnel refers to those persons having the authority and responsibility for planning, directing and controlling the activities of the Consolidated entity, directly or indirectly, and includes any director of the Group (whether executive or otherwise).

The KMP of TasFoods for the year ended 31 December 2017 were:

Current Executive and Non-executive Directors	Role	Appointment Date
Shane Noble[1]	Executive Chair	30 November 2017
Roger McBain	Non-executive Director	3 September 2015
Antony Robinson[2]	Non-executive Director	29 May 2014
Current KMP Executives	**Role**	**Appointment Date**
Jane Bennett	Chief Executive Officer	3 September 2015
Tom Woolley	Chief Operating Officer	3 September 2015
Donna Wilson	Chief Financial Officer	27 June 2016
Former Non- Executive Directors	**Role**	**End Date**
Rob Woolley[3]	Chairman	3 March 2017
Hugh Robertson[4]	Non-executive Director	10 February 2017

1. Shane Noble was appointed initially as a Non-Executive Director on 30 November 2017 and became Executive Chair as of 1 February 2018.
2. Antony Robinson was appointed as the Chair of the Board on 3 March 2017 and subsequently resigned from this position on 31 January 2018 at which time he transitioned to a Non-Executive Director role.
3. Rob Woolley resigned from the Board and position of Chair on 3 March 2017.
4. Hugh Robertson resigned from the position of Non-Executive Director on 10 February 2017.

2. Role of the Nomination and Remuneration Committee

The Committee has the responsibility for proposing candidates for consideration by the Board to fill casual vacancies or additions to the Board and for devising criteria for Board membership and for reviewing membership of the Board, including:

- Assessment of necessary and desirable competencies of Board members;
- Review of Board succession plans to maintain an appropriate balance of skills, experience and expertise;
- As requested by the Board, evaluation of the Board's performance and, as appropriate, developing and implementing a plan for identifying, assessing and enhancing Director competencies; and
- Recommendations for the appointment or replacement of Directors.

Additional responsibilities of the Committee include reviewing and reporting to the Board on:

- Remuneration arrangements for the directors and senior executives of the Company (including, without limitation, incentive, equity and other benefit plans and service contracts) to ensure remuneration suitably motivates executives to pursue the success of the Company through the identification and profitable integration of growth opportunities;

DIRECTORS' REPORT Continued

- The review of the Audited Remuneration Report to be included in the annual report;
- Remuneration policies and practices for the Company generally;
- Superannuation arrangements;
- Board remuneration; and
- Such other matters as the Board may refer to the Committee from time to time.

3. Engagement of remuneration consultants

The Nomination and Remuneration Committee periodically engages independent external consultants to advise and assess the remuneration of the Chair, Directors, CEO and those executives reporting to the CEO.

In selecting the remuneration consultant, the Nomination and Remuneration Committee considered potential conflicts of interest and required the consultant's independence from management as part of their terms of engagement.

During 2017, Kurt Elder, an independent remuneration consultant and Godfreys Remuneration, were engaged by the Nomination and Remuneration Committee to advise on Short Term Incentives and Long-Term Incentives. The engagement was in accordance with the TasFoods' governance processes. The fees incurred were $56,000.

4. Remuneration strategy and framework

The remuneration strategy sets the direction for the remuneration framework and drives the design and application of remuneration policies for executives of TasFoods (including KMP).

TasFoods remuneration strategy and framework aims to attract and retain the best available people to run and manage TasFoods and align their interests with our shareholders. The Board is committed to having a remuneration strategy and framework that rewards, motivates, and retains executives, to achieve our business objectives and deliver shareholder returns.

TasFoods seeks to create alignment between the interests of its executives and shareholders in the case of executives, by providing a fixed remuneration component together with specific short-term and long-term incentives based on key performance areas affecting TasFoods financial results.

In the case of Non-executive directors and Executive Chair, their remuneration does not contain performance-based or 'at risk' components. Non-executive directors and the Executive Chair are paid fees and are encouraged to hold shares in TasFoods.

4.1. Review of remuneration strategy and framework

As advised to shareholders in the 2016 remuneration report, the Board was committed to reviewing TasFoods remuneration strategy and framework. This review was undertaken, and the following changes were implemented for 2017:

1. The introduction of a short-term incentive plan (STI); and
2. The introduction of a long-term incentive plan (LTI).

4.2. Executive remuneration structure

The performance of the Company depends upon the quality of its executives. To prosper, the Company must attract, motivate and retain highly skilled executives. To that end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Focus on creating sustained shareholder value;
- Place a portion of executive remuneration at risk by linking reward with the strategic goals and performance of the Company;
- Differentiate individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential; and
- Ensure total remuneration is competitive by market standards.

Executives' total remuneration package may be comprised of the following elements:

- Total Fixed Remuneration (base salary + superannuation)
- At-Risk Remuneration:
  - Short-Term Incentive (STI)
  - Long-Term Incentive (LTI)

DIRECTORS' REPORT

	Performance Condition	Remuneration Strategy/ Performance Link
Total Fixed Remuneration (TFR) - salary - statutory superannuation	Executive remuneration levels are market-aligned by comparison to similar roles in ASX-listed companies that have comparable market capitalisation, revenues, and financial metrics relevant to the executive's role, executive's knowledge, skills and experience, and individual performance.	Fixed remuneration is set to, motivate and retain executives to ensure they can deliver on TasFoods business strategy and contribute to the TasFoods ongoing financial performance.
Short Term Incentive (STI) - Annual incentive opportunity delivered in cash	Performance is measured against: • Financial Group performance (i.e., sales revenue, and gross profit margin); and • Non-Financial KPIs (i.e., WH&S (LTIFR) and national brand awareness). The STI plan applies more broadly beyond the KMP and KPI's vary depending on the executive's level and role. Non-Financial KPIs also vary and depend on the executive's individual role and responsibilities. Details of the specific measures and results for 2017 can be found in Section 4.7	The STI plan is designed to encourage and reward high performance and for this reason it places a significant proportion of the executives' remuneration at-risk against targets linked to the Company's annual performance objectives and therefore supports the alignment between the interests of the executive, TasFoods and our shareholders. A combination of financial and non-financial KPIs are used because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support the growth of TasFoods. The Board believes the STI plan provides the right measures and appropriately challenging targets for participants.
Long Term Incentive (LTI) - An award of options with performance assessed over 3 years	LTI awards for the 2017 grants were provided under the LTIP approved by shareholders at the 2016 AGM. A three-year performance period provides a reasonable period to align reward with shareholder return and also acts as a vehicle to help retain the KMP, align the business planning cycle, and provide sufficient time for the longer-term performance to be achieved. Due to the importance that the Board places on an improvement in share price a single measure based on share price growth was chosen for the 2017 grant.	The purpose of the LTI is to focus the executives' efforts on the achievement of sustainable long-term shareholder value creation and the long term financial success of TasFoods. The provision of LTIP awards via performance rights for ordinary shares in TasFoods encourages long-term share exposure for the executives and, therefore, aligns the long-term interests of executives and shareholders.

4.3. Remuneration mix and linking pay to performance

The Board recognises that each executive needs a significant portion of their remuneration to be at-risk and be linked to TasFoods annual business objectives and actual performance.

Remuneration is linked to performance by:

- Requiring a proportion of the executives' remuneration to vary with the short-term and long-term performance of TasFoods;
- Setting clear expectations on target and stretch performance objectives required for STI payments to ensure quality results; and
- Assessment of long-term performance through multiple measures to provide a complete picture of TasFoods performance and the increase in shareholder value.

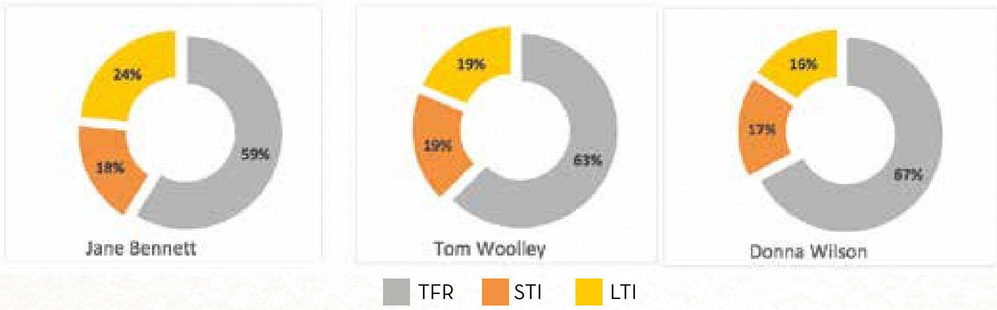
In addition, STI and LTI outcomes are not driven by a purely formulaic approach. The Nomination and Remuneration Committee holds discretion to determine that awards are not to be provided or vested in circumstances where it would be inappropriate or would provide unintended outcomes.

The relative weighting of fixed and variable components for target performance is set according to the scope of the executive's role. For the KMP the 'at risk' components are as follows:

	TFR	Short Term Incentive (At-Target)[1]	Short Term Incentive (Stretch)[2]	Long Term Incentive (Target Opportunity)[3]	Long Term Incentive (Maximum Opportunity)
Current KMP Executives					
Jane Bennett	$262,800	30%	45%	40%	80%
Tom Woolley	$219,000	30%	45%	30%	60%
Donna Wilson	$186,150	25%	37.5%	25%	50%

1. The short-term incentive is the total payment at-target as a % of TFR
2. KMP executives' STIs have a stretch component that is designed to encourage above at-target performance as a % of TFR.
3. The long-term incentive refers to the value, of any grant as a % of TFR.

DIRECTORS' REPORT Continued



4.4. 2017 fixed remuneration

TasFoods uses a total fixed remuneration (base salary + superannuation) for the purposes of calculating STI and/or LTI amounts.

Changes to fixed remuneration of current KMP executives

The TFR of the CFO was reviewed in light of the increased responsibilities and accountabilities and the challenges the role faced as TasFoods continued to acquire businesses and integrate businesses previously acquired. The increase was 6.25%.

In approving this increase the Nomination and Remuneration Committee and the Board were satisfied that the increase was necessary to ensure that the Company's remuneration levels were aligned with the market and the accountabilities and responsibilities of the roles.

Details of KMP executives' total fixed remuneration for the year ended 31 December 2017 (and 31 December 2016) can be found in the 'Remuneration Tables' section of this report.

4.5. 2017 short-term incentive arrangements

The TasFoods Short Term Incentive Plan (STIP) rewards the CEO and those executives reporting to her (including the KMP executives) for performance against a pre-determined scorecard of measures linked to TasFoods short-term business performance (12 months) and individual performance. The specific performance measures may vary from year to year depending on the business's objectives but are chosen on the basis that they will increase financial performance, market share and shareholder returns.

The relative weighting of fixed and variable components for target performance is set according to the scope of the executive's role.

The key performance indicators and other targets against which performance can be measured for determining the proportion of 'at-risk' remuneration, are generally as follows:

- **Financial** – actual results compared to budgeted results for items including EBITDA, Sales Revenue, and Gross Profit Margin.
- **Business growth** – NPAT, earnings per share, price earnings ratio, new order value, acquisitions and new customers.
- **Business management** – cash generation, capital management, number of days sales outstanding in debtors, inventory turnover, cost/revenue ratios, and staff utilisation.
- **Strategy** – development, approval, implementation, and achievement.
- **People** – Workplace Health and Safety (LTIFR).

Performance for each measure is assessed on a range from Target to Stretch. Stretch is set by the Board for each measure at a level that ensures maximum STI is payable only where performance has truly and substantially exceeded expectations.

Details of the STI performance measures and targets for 2017 are set out in Section 4.7.

4.6. 2017 long-term incentive arrangements

Executive remuneration is determined by the Board, having consideration to relevant market practices and the circumstances of the Company on an annual basis. It is the view of the Board that it is in the interests of Shareholders for selected Executives (the Participants) to receive part of their total remuneration package (TRP) in the form of at-risk equity that will vest based on performance against indicators that are linked to Shareholder benefit (refer to details in respect of the Vesting Conditions following) during a defined Measurement Period. This is also considered best practice with regards to evident market practices. It should therefore be considered appropriate to provide some equity-based remuneration to Executives of the Company instead of cash only.

The TasFoods Limited Rights Plan (TFLRP) was designed to form a significant component of at-risk remuneration and to create alignment between Shareholder value creation and the remuneration of selected Executives. Grants under the TFLRP will facilitate the Company providing appropriate, competitive and performance-linked remuneration to its Executives. The Board seeks to ensure that grants to Executives are made at a level that will appropriately position their TRPs in the market, in accordance with the Company's remuneration policies.

The key elements of the LTI plan are:

Participants: the CEO, 2 executive KMP, and provision for additional participants but noting that the terms of their grants may be varied as considered appropriate by the Board.

DIRECTORS' REPORT

Instrument: The TFLRP uses Rights which are an entitlement to the value of a Share which may be settled either in the form of cash or a Share/ Restricted Share (a Share which is subject to disposal restrictions). Generally, it is expected that vested Rights will be satisfied in Restricted Shares.

Maximum number of Performance Rights: The maximum number of Performance Rights is calculated by multiplying the total fixed remuneration (TFR) of the Participant at the beginning of the financial year by the maximum LTI % and then dividing that figure by a 10-day volume weighted average share price (VWAP) related to the time of calculation. The VWAP used to calculate the maximum number of performance rights for 2017 was $0.15 cents based on the share price over a 10-day period, being 5 days prior to the Company's 2016 end of year announcement date (24 February 2017), and the subsequent 5 days.

Measurement Period: The Measurement Period will be the three financial years from 1 January 2017 to 31 December 2019.

Vesting Conditions: In order for Performance Rights to vest, the Participant must remain employed by the Company during the Measurement Period (except in the case of a "Good Leaver") and the performance conditions must be satisfied. The performance condition in relation to this proposed grant of Performance Rights is Share Price growth, with the vesting percentages (of the grant/stretch/maximum level of LTI) to be determined by the following scale:

Performance Level	TFL Share Price	% of the Grant/Stretch/Maximum Vesting
>Stretch	>$0.40	100%
Stretch	$0.40	100%
Between Target and Stretch	>$0.33, < $0.40	Pro-rata
Target	$0.33	50%

The targets for share price growth are based on a starting share price of $0.25 (being the share price at which investors acquired their shares at the 2016 capital raising) which is a Compound Annual Growth Rate (CAGR) of 10% to achieve 'target' share price and a CAGR of 17% to achieve 'stretch' share price; noting the share price at 1st January 2017 was $0.18 which is a CAGR of 23% to achieve 'target' share price and a CAGR of 31% to achieve 'stretch' share price.

Share Price will be determined by a ten trading day VWAP ending on the date that is the end of the Measurement Period (see above). Details of the performance rights allocated to KMP can be found in Table D of Section 8 below.

Retesting: Retesting is not permitted under the proposed terms of the 2017 Invitations.

Exercise Price: No amount will be payable by the Participant to exercise a Performance Right that has vested.

Cessation of Employment: Unless the Board determines otherwise, if a TFLRP Participant ceases employment and is classified as a "Bad Leaver" (dismissal for cause, termination for poor performance or otherwise as determined by the Board), all unvested Performance Rights held by the Participant will lapse. Unless the Board determines otherwise, if a Participant ceases employment for any other reason, including by reason of death, disability, redundancy or retirement ("Good Leaver"), Performance Rights that were granted to the Participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Performance Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain "on foot", subject to the original Vesting Conditions. In the circumstances of any termination, any Restricted Shares that flow from the exercising of the Rights would cease to be subject to disposal restrictions unless otherwise specified in the Invitation.

4.7. KMPs 2017 short-term incentive arrangement results

The measures and targets for the 2017 STI were set by the Board in early 2017 and were based on the priorities for 2017.

The financial measures and targets were the same for the CEO and her direct reports.

Key Performance Indicators	Weighting (At-Target %)	Achievement (As a % of FY17 Target)	Paid out
Financial			
Sales Revenue ($m)	50%	0%	0%
Gross Profit Margin	20%	0%	0%
Non-financial			
WH&S (LTIFR)	20%	150%	30%
National brand Awareness	10%	0%	0%
Total	**100%**	**150%**	**30%**

The key performance indicators for 2017 were set with stretch targets for the first full year of operations as a portfolio of premium food brands. The financial outcomes did not achieve the threshold level set for the financial KPI's therefore no payment was triggered.

Of the non-financial KPI's the WHS target was exceeded beyond the maximum whilst the National Brand Awareness target did not achieve the threshold level. The Board approved the payment to Executives of the short-term incentives based on these outcomes.

DIRECTORS' REPORT Continued

4.8. Summary of 2017 short-term incentive payments to KMP

Details of KMP executives' STI payments for the year ended 31 December 2017, the proportion to be received for at-target and stretch performance, achieved STI, and the amounts forfeited are shown in the table below.

FY17 STI Payment	STI $ At-Target	STI $ Stretch	STI $ Achieved	% At-Target STI Achieved	% Stretch STI Achieved	% Stretch STI Forfeited
Current KMP Executives	**$**	**$**	**$**	**%**	**%**	**%**
Jane Bennett	77,885	116,827	23,652	30%	20%	80%
Tom Woolley	65,700	98,550	19,710	30%	20%	80%
Donna Wilson	46,538	69,806	13,961	30%	20%	80%

4.9. Company financial performance

The following table shows the relationship between KMP executives' at-risk remuneration and TasFoods overall financial performance:

Financial Year Ended 31 December 2017	2017	2016
Revenue ($000)	**$31,112**	$16,139
Net (loss)/profit before tax	**($6,639)**	($2,611)
Net (loss)/profit after tax	**($6,808)**	($2,577)
Share price at start of year	**$0.18**	$0.41
Share price at end of year	**$0.19**	$0.18
Share price growth	**5.56%**	-56.10%
Dividends	**$0.00**	$0.00
Basic (loss)/earnings per share	**($0.0414)**	($0.0233)
Diluted (loss)/earnings per share	**($0.0414)**	($0.0233)
Average STI payout as a % at-target for eligible KMP executives	**20%**	**0%**

5. Executive Contracts

The remuneration and other terms of employment for the executives are covered in formal employment contracts that have no fixed terms. TasFoods may terminate an executive immediately for cause, in which case the executive is not entitled to any payment other than the value of total fixed remuneration (and accrued entitlements) up to the termination date.

Name	Notice Period by TasFoods	Notice Period by Executive	Termination / Redundancy Payment
KMP - Executive Director			
Jane Bennett	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. If the CEO's employment is terminated in circumstances where there has been a fundamental change to her role, or if she is made redundant then she is entitled to a severance payment equivalent to 12 months' salary.
KMP Executives			
Tom Woolley	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. If the COO's employment is terminated in circumstances where there has been a fundamental change to his role, or if he is made redundant then he is entitled to a severance payment equivalent to 12 months' salary.
Donna Wilson	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. If the CFO's employment is terminated in circumstances where there has been a fundamental change to her role, or if she is made redundant then she is entitled to a severance payment equivalent to 12 months' salary.

DIRECTORS' REPORT

6. Non-executive directors' and Executive Chair's remuneration structure

TasFoods remuneration policy for the Executive Chair and non-executive directors aims to ensure that TasFoods can attract and retain suitably qualified and experienced directors having regard to:

- the level of fees paid to the Executive Chair and non-executive directors of other comparable Australian listed companies;
- the growing size and complexity of TasFoods operations;
- the responsibilities and work requirements of Board members; and
- the skills and diversity of Board members.

6.1. Current fee levels and pool

TasFoods' remuneration policy for the Executive Chair and non-executive directors aims to ensure that TasFoods can attract and retain suitably qualified and experienced directors having regard to:

- the level of fees paid to non-executive directors of other comparable Australian listed companies;
- the growing size and complexity of TasFoods operations;
- the responsibilities and work requirements of Board members; and
- the skills and diversity of Board members.

Within the aggregate amount of $400,000, non-executive directors' and the Executive Chair's fees are reviewed periodically and determined by the Nomination and Remuneration Committee and the Board with reference to other ASX-listed companies that have comparable market capitalisation.

A review of fees was undertaken in 2016, based on the benchmark data of a market capitalisation comparator group. They were further reviewed by the Board when Rob Woolley resigned and later when Shane Noble joined the Board.

As a result of this review the fees, effective 1 January 2018 (inclusive of superannuation) were:

NED	Base Fee	Committee Chair Fee	Total
Shane Noble (Executive Chair)[1]	$250,000	$0	$250,000
Antony Robinson[2]	$75,000	$0	$75,000
Roger McBain	$45,000	$0	$45,000

1. Shane Noble as Executive Chair has a more significant role in the business than that of Non-Executive Chair and in particular spends approximately 2 days a week working with the CEO and Executive Team. Accordingly, the fee reflects the extra work that is provided by Shane Noble to TasFoods.
2. Antony Robinson was Chair of the Board for the period 3 March 2017 until 31 January 2018. On his transition to Non-Executive Director (1 February 2018) his fee was reduced from $75,000 to $45,000.

Directors may also be reimbursed for travel and other expenses incurred in attending to TasFoods affairs.

A non-executive director or the Executive Chair may be paid such additional or special remuneration as the Board decides is appropriate where a director performs extra work or services. No fees were paid during 2017 as additional or special remuneration.

There are no retirement benefit schemes for directors other than statutory superannuation contributions, and executive chair and non-executive directors' remuneration must not include a commission on, or a percentage of, the profits or income of TasFoods.

7. Restrictions on LTIP shares prior to vesting

The Company prohibits executives from entering into arrangements to protect the value of unvested Long-Term Incentive awards. This includes entering into contracts to hedge their exposure to performance rights over shares granted as part of their remuneration package. Adherence to this policy is monitored informally on an annual basis where such awards exist by the Nomination and Remuneration Committee requesting confirmation from each of the executives that no such activity has occurred.

The Company treats compliance with this policy as a serious issue and takes appropriate measures to ensure policy adherence.

8. Remuneration tables – Directors and KMP executives

Details of the nature and amount of each element of the remuneration and shareholdings of the KMP of the consolidated entity are set out in the following tables.

DIRECTORS' REPORT

Table A: Remuneration for KMP for the year ended 31 December 2017

		Short Term Employee Benefits				Post-employment Benefits		Share Based Payments		Total	Performance Related %
	Year	Salary/Fees	STI Payment	Non-monetary benefits	Movement in Employee Entitlements	Superannuation	Long term employment benefits	Shares	Performance Rights/ Options		
Current Non-executive Directors and Executive Chair		$	$	$	$	$	$	$	$	$	%
Shane Noble	**2017**	**19,026**	**-**	**-**	**-**	**1,807**	**-**	**-**	**6,901**	**27,734**	**0%**
Roger McBain	**2017**	**45,798**	**-**	**-**	**-**	**4,351**	**-**	**-**	**-**	**50,149**	**0%**
	2016	119,023	-	-	-	11,881	-	-	-	130,904	0%
Antony Robinson	**2017**	**60,504**	**-**	**-**	**-**	**5,748**	**-**	**-**	**-**	**66,251**	**0%**
	2016	45,662	-	-	-	4,338	-	-	-	50,000	0%
Current KMP Executives											
Jane Bennett	**2017**	**240,000**	**21,600**	**-**	**4,043**	**23,493**	**-**	**-**	**15,692**	**304,827**	**7%**
	2016	228,127	-	-	10,067	21,633	-	-	-	259,827	0%
Tom Woolley	**2017**	**209,616**	**18,000**	**-**	**6,738**	**19,687**	**-**	**-**	**9,956**	**263,997**	**7%**
	2016	203,397	-	-	11,577	19,323	-	-	-	234,297	0%
Donna Wilson	**2017**	**163,654**	**12,750**	**-**	**3,990**	**15,854**	**-**	**-**	**6,619**	**202,866**	**6%**
	2016	83,364	-	-	6,566	7,920	-	-	-	97,850	0%
Former Non-executive Directors											
Robert Woolley (1)	**2017**	**18,333**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,333**	**0%**
	2016	75,000	-	-	-	-	-	-	-	75,000	0%
Hugh Robertson (2)	**2017**	**4,519**	**-**	**-**	**-**	**429**	**-**	**-**	**-**	**4,948**	**0%**
	2016	34,060	-	-	-	3,440	-	-	-	37,500	0%

(1) Rob Woolley resigned on 3 March 2017

(2) Hugh Robertson resigned on 10 February 2017

DIRECTORS' REPORT

Table B: Shareholdings at 31 December 2017

	Year	Shares held at Start of Year	Issued as Remuneration	Share Buyback	Net other changes	Shares held at End of Year
Current Non-executive Directors and Executive Chair		**No.**	**No.**	**No.**	**No.**	**No.**
Shane Noble	**2017**	**-**	**-**	**-**	**3,000,000**	**3,000,000**
Roger McBain	**2017**	**2,199,000**	**-**	**-**	**-**	**2,199,000**
	2016	199,000	-	-	2,000,000	2,199,000
Antony Robinson	**2017**	**800,000**	**-**	**-**	**-**	**800,000**
	2016	400,000	-	-	400,000	800,000
Current KMP Executives						
Jane Bennett	**2017**	**1,999,000**	**-**	**-**	**-**	**1,999,000**
	2016	199,000	-	-	1,800,000	1,999,000
Tom Woolley	**2017**	**1,599,000**	**-**	**-**	**(1,000,000)**	**599,000**
	2016	199,000	-	-	1,400,000	1,599,000
Donna Wilson	**2017**	**-**	**-**	**-**	**-**	**-**
	2016	-	-	-	-	-
Former Non-executive Directors		**No.**	**No.**	**No.**	**No.**	**No.**
Robert Woolley	**2017**	**4,223,000**	**-**	**-**	**-**	**N/A**
	2016	223,000	-	-	4,000,000	4,223,000
Hugh Robertson	**2017**	**1,014,000**	**-**	**-**	**-**	**N/A**
	2016	174,000	-	-	840,000	1,014,000

Table C: Movements during 2017 in performance rights or options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Performance Rights or Options held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Performance Rights or Options held at End of Year
Non-executive Directors and Executive Chair		**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Shane Noble	**2017**	**-**	**5,000,000**	**-**	**-**	**-**	**5,000,000**
Roger McBain	**2017**	**2,500,000**	**-**	**-**	**-**	**-**	**2,500,000**
	2016	2,500,000	-	-	-	-	2,500,000
Antony Robinson	**2017**	**1,500,000**	**-**	**-**	**-**	**-**	**1,500,000**
	2016	1,500,000	-	-	-	-	1,500,000
Current KMP Executives							
Jane Bennett	**2017**	**2,500,000**	**1,384,619**	**-**	**-**	**-**	**3,884,619**
	2016	2,500,000	-	-	-	-	2,500,000
Tom Woolley	**2017**	**2,500,000**	**878,464**	**-**	**-**	**-**	**3,378,464**
	2016	2,500,000	-	-	-	-	2,500,000
Donna Wilson	**2017**	**-**	**584,000**	**-**	**-**	**-**	**584,000**
	2016	-	-	-	-	-	-

DIRECTORS' REPORT

	Year	Options held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Options held at End of Year
Former Non-executive Directors		**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Robert Woolley	**2017**	**9,500,000**	**-**	**-**	**-**	**-**	**9,500,000**
	2016	9,500,000	-	-	-	-	9,500,000
Hugh Robertson	**2017**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	-	-	-	-	-	-

Table D: Share-based payments granted as remuneration to KMP during 2017

	Year	Grant Date	Number Granted	Value of Performance Rights or Options Granted	Number Vested	Percentage of Grant Forfeited
Current Non-executive Directors and Executive Chair			**No.**	**$**	**No.**	**No.**
Shane Noble	**2017**	**30-Nov-17**	**5,000,000**	**325,000**	**-**	**0%**
Current KMP Executives						
Jane Bennett	**2017**	**17-Jul-17**	**1,384,619**	**94,154**	**-**	**0%**
	2016		-	-	-	0%
Tom Woolley	**2017**	**17-Jul-17**	**878,464**	**59,736**	**-**	**0%**
	2016		-	-	-	0%
Donna Wilson	**2017**	**17-Jul-17**	**584,000**	**39,712**	**-**	**0%**
	2016		-	-	-	0%

Indemnity and Insurance of Officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the directors and officers of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and Insurance of Auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Environmental Regulations

The Company is subject to usual Federal and State environmental regulations. TasFoods manufacturing sites are licenced with Council and State authorities. The licences stipulate performance standards for all emissions (noise, air, odour, waste water etc), from the sites as well as the frequency and method of assessment of emissions. The Company's activities are in full compliance with all prescribed environmental regulations.

Shares Options and Performance Rights

During the financial year the Company issued 5,000,000 share options and 2,847,083 performance rights to Directors and Key Management Personnel. Further details regarding the share options and performance rights granted are contained within the Remuneration Report and in note 32.

Proceedings on Behalf of the Company

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any proceedings during the year.

DIRECTORS' REPORT

Non-Audit Services

The Group may decide to engage its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Where auditors are engaged to perform non-audit services, the Directors are satisfied that the provision of these non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of amounts paid or payable to the Group's auditor for audit and non-audit services provided during the year are set out below.

	2017 $	2016 $
Auditors of the parent entity:		
Auditing the financial report	120,750	108,850
Auditing the financial report - subsidiary companies	32,000	-
Non-audit services	-	-
	152,750	108,850

The Directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Profession 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included at page 37 of the Annual Report.

Auditor

PricewaterhouseCoopers continues in accordance with section 327 of the *Corporations Act 2001*. There are no officers of the Company who are former audit partners of PricewaterhouseCoopers.

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 Group continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Group has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at http://www.tasfoods.com.au/corporate-governance/

Rounding of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest thousand (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Class Order applies. Amounts in the directors' report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Shane Noble

Executive Chair

27 February 2018

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TasFoods Limited and the entities it controlled during the period.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
27 February 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $000	2016 $000
Revenue from operations	6	**30,743**	15,980
Other income	6	**369**	159
Fair value adjustment of biological assets		**668**	1,183
Impairment of goodwill		**(2,116)**	-
Raw materials used		**(16,753)**	(8,440)
Employment and contractor expense		**(12,075)**	(6,849)
Freight		**(1,323)**	(1,173)
Occupancy costs		**(967)**	(620)
Depreciation and amortisation		**(853)**	(307)
Finance costs		**(76)**	(58)
Travel and accommodation		**(130)**	(249)
Legal and professional fees		**(633)**	(601)
Marketing and event expenses		**(629)**	(606)
Repairs and maintenance		**(604)**	(317)
Research and development		**(110)**	(119)
Investment expenses		**(40)**	(110)
Other expenses		**(2,109)**	(484)
Loss before income tax		**(6,639)**	(2,611)
Income tax expense	8	**(169)**	(371)
Net Loss after tax for the year from continuing operations		**(6,808)**	(2,982)
Net profit after tax for the year from discontinued operations	9	**-**	405
Net Loss after tax for the year		**(6,808)**	(2,577)
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Exchange differences on translation of discontinued operations		**-**	(367)
Other comprehensive loss net of tax		**-**	(367)
Total comprehensive income		**(6,808)**	(2,944)
Net profit for the period attributable to:			
Non-controlling interest		**-**	-
Owners of TasFoods Limited		**(6,808)**	(2,577)
		(6,808)	(2,577)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		**-**	-
Owners of TasFoods Limited		**(6,808)**	(2,944)
		(6,808)	(2,944)
Basic loss per share (cents per share)	4	**(4.14)**	(2.33)
Diluted loss per share (cents per share)	4	**(4.14)**	(2.33)
Basic loss per share from continuing operations (cents per share)	4	**(4.14)**	(2.70)
Diluted loss per share from continuing operations (cents per share)	4	**(4.14)**	(2.70)

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $000	2016 $000
Current Assets			
Cash and cash equivalents	20	**9,663**	11,862
Trade and other receivables	10	**2,799**	2,222
Current tax receivable	8	**-**	42
Biological assets	11	**1,932**	1,814
Inventory	12	**2,013**	1,222
Prepayments		**350**	305
Total Current Assets		**16,757**	17,467
Non-Current Assets			
Property, plant and equipment	13	**14,944**	12,793
Intangible assets	14	**8,673**	8,989
Biological assets	11	**328**	255
Deferred tax assets	8	**-**	168
Total Non-Current Assets		**23,946**	22,205
Total Assets		**40,702**	39,672
Current Liabilities			
Trade and other payables	15	**4,775**	3,117
Borrowings	16	**1,255**	690
Provisions	17	**524**	373
Total Current Liabilities		**6,554**	4,180
Non-Current Liabilities			
Borrowings	16	**1,379**	321
Provisions	17	**144**	98
Deferred tax liabilities	8	**979**	-
Total Non-Current Liabilities		**2,502**	419
Total Liabilities		**9,056**	4,599
Net Assets		**31,646**	35,073
Equity			
Contributed Equity	18	**42,505**	39,086
Reserves	19	**260**	217
Accumulated Losses		**(11,119)**	(4,230)
Total Equity		**31,646**	35,073

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity $000	Reserves $000	Accumulated losses $000	Total $000
At 1 January 2016	**6,618**	**584**	**(1,653)**	**5,549**
Loss for the year	-	-	(2,577)	(2,577)
Other comprehensive loss	-	(367)	-	(367)
Total comprehensive loss for the year	-	(367)	(2,577)	(2,944)
Acquisition transactions	2,300	-	-	2,300
Issue of shares	31,252	-	-	31,252
Share issue costs	(1,084)	-	-	(1,084)
As at 31 December 2016	**39,086**	**217**	**(4,230)**	**35,073**
At 1 January 2017	**39,086**	**217**	**(4,230)**	**35,073**
Loss for the year	-	-	(6,808)	(6,808)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(6,808)	(6,808)
Adjustments as a result of finalisation of accounting for business combinations	-	-	(81)	(81)
Issue of shares	3,501	-	-	3,501
Share issue costs	(82)	-	-	(82)
Share-based payment expense	-	43	-	43
As at 31 December 2017	**42,505**	**260**	**(11,119)**	**31,646**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $000	2016 $000
Cash flows from operating activities			
Receipts from customers		**30,488**	16,122
Payments to suppliers and employees		**(33,776)**	(19,532)
Interest received		**83**	33
Interest paid		**(107)**	(32)
Settlement proceeds regarding the Van Diemen's Land (VDL) Company			-
acquisition litigation		**-**	1,250
Legal fees associated with the VDL litigation and settlement		**-**	(576)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		**(40)**	(231)
Income taxes received		**205**	-
Other		**130**	-
Net cash used in operating activities	20	**(3,017)**	(2,966)
Cash flows from investing activities			
Payments for property, plant and equipment		**(2,812)**	(3,693)
Payments for intellectual property		**(33)**	-
Acquisition of wasabi plants		**-**	-
Acquisition of goat herd		**-**	(204)
Net cash used in business combination		**(1,623)**	(9,827)
Net cash forgone from disposal of subsidiaries		**-**	(4)
Net cash used in investing activities		**(4,467)**	(13,728)
Cash flows from financing activities			
Proceeds from issue of shares		**3,501**	31,252
Cost of issuing shares		**(105)**	(1,549)
Proceeds from borrowings		**2,843**	163
Repayment of borrowings		**(882)**	(4,617)
Net cash provided by financing activities		**5,357**	25,249
Net (decrease)/increase in cash held		**(2,127)**	8,555
Cash and cash equivalents at the beginning of the year		**11,354**	2,799
Effects of exchange changes on the balances held in foreign countries		**-**	-
Cash and cash equivalents at the end of the year	20	**9,227**	11,354

The above statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

The consolidated financial statements and notes represent those of TasFoods Limited and its Controlled Entities. TasFoods Limited is a company incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial statements were authorised for issue on 27 February 2018 by the Directors of the Company.

All press releases and other information are available on our website www.tasfoods.com.au.

2. Significant Changes in the Current Reporting Period

During the year the Company completed the acquisition of Pyengana Dairy to complement existing dairy operations and advance the Company's growth strategy.

The consideration paid to the owners of Pyengana Dairy amounted to $1.623 million and was paid in cash.

In December 2017, TasFoods announced a placement of ordinary shares to institutional and sophisticated investors at $0.18 per share. The first tranche of the share placement was successfully completed on 29 December 2017, with 16,616,076 shares issued raising $2.99 million (before costs).

At this time, TasFoods also announced a Share Purchase Plan (SPP) for retail investors at $0.17 per share to raise up to $2.0 million (before costs).

The SPP and second tranche of the share placement had not been completed as at 31 December 2017.

There is a detailed discussion of the Group's financial performance and position included in the Operating and Financial Review on pages 10 to 19 at the start of this Annual Report.

There have been no changes in accounting policies since the previous financial report at 31 December 2016.

3. Segment Information

The operating segments are based upon the units identified in the operating reports reviewed by the Board and executive management, and that are used to make strategic decision, in conjunction with the quantitative thresholds established by AASB 9 Operating Segments. As such, there are three identifiable and reportable segments each of which are outlined below:

- The Dairy segment incorporates the Meander Valley Dairy and Pyengana Dairy businesses, the assets of which were acquired in September 2015 and October 2017, respectively. In addition, the Dairy segment includes goat farming operations (associated with the Robur Farm goat dairy product range) which were acquired in June 2016.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016.
- The Corporate and Other segment, which comprise:
  - Corporate costs that are not directly attributable to operational business units, including Shared Service teams, which provide administrative support to the operational production units in the areas of financial management, human resources, sales, marketing, brand management, route to market, quality assurance and food safety, and work health and safety;
  - The net assets and business operations of Shima Wasabi Pty Ltd, which were acquired in June 2016; and
  - The MarketSmart loyalty system, which provided services to a significant customer that in turn, managed customer loyalty programmes. The customer terminated services in June 2015. The Board resolved in late 2016 to close and deregister MarketSmart International Pty Limited.

Management measures the performance of the segments identified at the 'net profit before tax' level.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Management measures the performance of the segments identified at the 'net profit before tax' level.

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated - 2017				
Revenue				
Total segment sales revenue	2,484	27,978	281	30,743
Other income	71	278	20	369
	2,555	28,256	301	31,112
Segment profit/(loss)	(1,521)	727	(5,845)	(6,639)
Profit after tax from discontinued operation				-
Loss before income tax expense				(6,639)
Income tax expense				(169)
Loss after income tax expense				**(6,808)**
Assets				
Segment assets	7,625	19,386	13,691	40,702
Unallocated assets from continuing operations:				
Deferred tax asset/(liability)				-
Total Assets				**40,702**
Total assets include:				
Goodwill on acquisition of non-current assets	2,397	2,264	-	4,661
Liabilities				
Segment liabilities	2,085	5,063	929	8,077
Deferred tax liability/(asset)				979
Total liabilities				**9,056**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated - 2016				
Revenue				
Total segment sales revenue	1,981	13,849	150	15,980
Other income	16	126	17	159
	1,997	13,975	167	16,139
Segment profit/(loss)	(816)	134	(1,929)	(2,611)
Profit after tax from discontinued operation				405
Loss before income tax expense				(2,206)
Income tax expense				(371)
Loss after income tax expense				**(2,577)**
Assets				
Segment assets	5,538	18,037	15,929	39,504
Unallocated assets from continuing operations:				
Deferred tax asset				168
Total Assets				**39,672**
Total assets include:				
Goodwill on acquisition of non-current assets	1,879	4,709	2,218	8,806
Liabilities				
Segment liabilities	384	3,738	477	4,599
Total liabilities				**4,599**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

SHAREHOLDER RETURNS

4. Earnings per share

	2017 CENTS	2016 CENTS
Basic loss per share	**(4.14)**	(2.33)
Diluted loss per share	**(4.14)**	(2.33)
Basic loss per share from continuing operations	**(4.14)**	(2.70)
Diluted loss per share from continuing operations	**(4.14)**	(2.70)
Basic (loss)/earnings per share from discontinued operations	**-**	0.37
Diluted (loss)/earnings per share from discontinued operations	**-**	0.37
	$'000	$'000
Net (loss)/profit from continuing operations attributable to the owners of TasFoods Limited used in calculation of basic and diluted earnings per share for:		
All operations	**(6,808)**	(2,577)
Continuing operations	**(6,808)**	(2,982)
Discontinued operations	**-**	405

	2017 Number	2016 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**164,453,023**	110,521,565
Diluted		
Weighted average number of ordinary shares an convertible redeemable preference shares outstanding and performance rights during the period used in the calculation of basic earnings per share	**164,453,023**	110,521,565

Information Concerning the Classification of Securities

(a) Ordinary shares held in escrow:

No ordinary shares were held in escrow at 31 December 2017 (31 December 2016: 8,000,000 ordinary shares were held in escrow at 31 December 2016 which were issued in part satisfaction of the consideration for the Nichols Poultry Pty Ltd acquisition).

(b) Potential ordinary shares:

There were no options (other than those referred to in Note 32) or other forms of potential shares on issue at 31 December 2017 (31 December 2016: Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Information Concerning the Classification of Securities

(a) Ordinary shares held in escrow:

No ordinary shares were held in escrow at 31 December 2017 (31 December 2016: 8,000,000 ordinary shares were held in escrow at 31 December 2016 which were issued in part satisfaction of the consideration for the Nichols Poultry Pty Ltd acquisition).

(b) Potential ordinary shares:

There were no options (other than those referred to in Note 32) or other forms of potential shares on issue at 31 December 2017 (31 December 2016: Nil).

Recognition and measurement

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

5. Dividends to Shareholders

No dividends have been paid or declared during the year ended 31 December 2017 (31 December 2016: Nil).

PROFIT AND LOSS INFORMATION

6. Revenue

	2017 $'000	2016 $'000
Revenue from continuing operations		
Sales revenue	**30,743**	15,980
Other income		
Interest received	**83**	33
Sundry income	**286**	126
	369	159

Recognition and measurement

Sales revenue

Revenue from the sale of goods is measured at the fair value of the consideration received after accounting for trade discounts and volume rebates allowed.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of dispatch of the goods to the customer.

Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST), where applicable.

Interest revenue

Interest revenue is recognised using the effective interest method.

Dividend revenue

Dividend revenue is recognised when the Group's right to receive the payment is established.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Expenses

	2017 $'000	2016 $'000
Profit before income tax expense includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	**8,264**	4,625
Temporary employees	**2,308**	1,410
Share based payments	**43**	-
Superannuation expense (defined contribution)	**709**	384
Total employee benefits	**11,324**	6,419
Consultant fees	**-**	64
Other employment expenses	**751**	479
Total employment and contractor expense	**12,075**	6,962
The expense above is split as follows:		
Continuing operations	**12,075**	6,849
Discontinued operations	**-**	113
	12,075	6,962
Rental expenses related to operating leases	**151**	147
Investment expense	**40**	110

Investment expense arises from costs relating to the identification of, and pursuit of investment and acquisition opportunities. This includes non-refundable contractual payments to secure rights to exclusive periods of negotiation with third parties and associated costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

8. Income Tax

	2017 $'000	2016 $'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	**(142)**	(54)
Deferred tax movements	**311**	425
	169	371
Income tax (benefit)/expense is attributable to:		
Continuing operations	**169**	371
Discontinued operations	**-**	-
	169	371
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Decrease in deferred tax assets	**69**	873
Increase/(decrease) in deferred tax liabilities	**242**	(502)
	311	371
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	**(6,639)**	(2,206)
Tax benefit at Australian tax rate of 30% (2016: 30%)	**(1,992)**	(662)
Tax effect of amounts which are not deductible in calculating taxable income	**71**	7
Tax effect of amount which are not taxable in calculating taxable income - discontinued operations	**-**	(122)
Capital gain	**-**	17
Research and development tax offset	**(164)**	(54)
	(2,085)	(814)
Deferred taxes not recognised	**1,609**	1,185
Tax effect on impairment of goodwill in Shima Wasabi	**645**	-
Income tax expense for the period	**169**	371
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	**(32)**	(465)
	(32)	(465)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(c) Deferred tax balances:

Taxable and deductible temporary differences arise from the following:

	Opening Balance $'000	Acquired as part of Business Combination $000	Charged to Income $'000	Charged to Equity $'000	Closing Balance $'000
Gross deferred tax assets:					
Provisions	141	2	70	-	213
Trade and other payables	40	-	7	-	47
Share issue expenses	426	-	(111)	32	347
Trade and other receivables	7	-	(1)	-	6
Property, plant and equipment	2	-	7	-	9
Intangibles	54	-	(41)	-	13
	670	**2**	**(69)**	**32**	**635**
Gross deferred tax liabilities:					
Biological assets	(313)	-	(209)	-	(522)
Inventory	(156)	-	(57)	-	(213)
Property, plant and equipment	(8)	-	8	-	-
Intangibles	-	(873)	-	-	(873)
Other	(25)	-	16	-	(9)
	(502)	**(873)**	**(242)**	**-**	**(1,617)**
Net deferred tax asset/(liability)	**168**	**(871)**	**(311)**	**32**	**(982)**

(d) Tax Losses

Unused tax losses for which no deferred tax asset has been recognised:

	2017 $000	2016 $000
Capital losses	**-**	1,597
Revenue losses	**20,307**	15,295
	20,307	16,892
Potential tax benefit at 30%	**6,092**	5,068

Unused tax losses

As at 31 December 2017 the Group had $20.307 million of carry forward tax losses for which no deferred tax asset has been recognised. The losses relate to both Group's current operations and also losses incurred by the loyalty, rewards and payments business previously operated by the Group. The Group has adopted a conservative position and determined not to recognise any deferred tax asset in respect of the carry forward tax losses until such time as there is greater evidence supporting future taxable profits of the Group. Prior to recognising the carry forward tax losses the Group will assess the application of the continuity of ownership and continuity of business tests.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Recognition and measurement

Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted, under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised if it arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

The Company and its wholly-owned Australian controlled entities have formed an income tax consolidated group effective 1 July 2010 under tax consolidation legislation. Each entity in the Group recognises its own deferred tax assets and liabilities arising from temporary differences. Such taxes are measured using the 'stand-alone taxpayer' approach. Current tax liabilities or assets and deferred tax assets arising from unused tax losses and tax credits in the controlled entities are immediately transferred to the head entity which is the Parent entity. No tax sharing or funding arrangements are presently in place.

9. Discontinued Operations

a) Description

In 2016 the Board resolved to close and deregister MarketSmart International Pty Limited, a subsidiary which operated loyalty solutions activities as part of the historical OnCard International Ltd operations. On 9 January 2018, the Company applied to ASIC for deregistration of MarketSmart International Pty Limited.

There is no revenue or expenditure during the 2017 year which is required to be reported as being from discontinued operations as MarketSmart ceased trading in 2015.

On 20 January 2015, the Company announced that the Board, having received and considered the results of the strategic review, had decided to close the Chinese business operations on the basis that the Directors believed:

- The businesses were likely to require material ongoing investment to make them profitable, and
- The potential returns were uncertain, may not have materialised for some time, and were unlikely to be material.

During 2016 the Company ceased all operations in Asia and de-registered or liquidated the following entities:

- OnCard Limited;
- OnCard China (HK) Limited;
- OnCard Rewards Limited
- Consolidated Payment Services Ltd;
- Payment Services China Limited;
- Payment Services China Number 2 Limited;
- OnCard Pte Ltd.

Accordingly, the results of these operations have been disclosed within discontinued operations in 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

b) Financial performance and cash flow information

	Note	2017 $000	2016 $000
Revenue		-	-
Expenses		-	(144)
Loss before income tax		-	**(144)**
Income tax expense		-	-
Net loss after tax for the year from discontinued operations		-	**(144)**
Gain/(loss) on disposal of discontinued operations after income tax (refer c below)		-	549
Net profit/(loss) for the year		-	**405**
Basic (loss)/earnings per share (cents per share)	4	-	0.37
Diluted (loss)/earnings per share (cents per share)	4	-	0.37
Net cash inflow (outflow) from investing activities (i)		-	(9)

(i) net cash outflow from investing activities includes cash paid to the purchaser and the cash forgone on the disposal of these operations

c) Details of the sale of the discontinued operations

	Note	2017 $000	2016 $000
Disposal costs and payments to the purchaser (ii)		-	374
(ii) Amounts include loans written off, written back and the reversal of foreign exchange translation reserves back through profit or loss.			
Cash		-	4
Other payables		-	(179)
		-	(175)
Gain/(Loss) on disposal of discontinued operations		-	549

Recognition and measurement

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probably. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property, which are carried at fair value and contractual rights under insurance contracts.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets held for sale, and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is a part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with the view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CURRENT ASSETS

10. Trade and Other Receivables

	2017 $'000	2016 $'000
Trade Receivables	**2,711**	1,911
Provision for impairment	**(20)**	(25)
Other receivables	**108**	336
	2,799	2,222
Provision for impairment		
Movements in the provision for impairment were as follows:		
Carrying value at the beginning of the year	**25**	-
Provision for impairment recognised/(derecognised)	**(7)**	25
Receivables written off as uncollectable	**2**	-
Provision for impairment at year end	**20**	25
Trade receivables past due but not impaired		
Under one month	**421**	248
One to three months	**23**	43
Over three months	**40**	62
	484	353

Recognition and measurement

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are initially recognised at fair value and subsequently recognised less any provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the consolidated income statements within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses.

Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount approximated to fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for within the provision for impairment. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

The above table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining the solvency of the debtors and are provided for where there are specific circumstances that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trading terms are considered to be of low credit risk.

11. Biological Assets

	Poultry $'000	Goats $'000	Wasabi Plants $'000	Total $'000
Balance as at 1 January 2016	-	-	-	-
Increases:				
- As a part of a business combination	652	-	102	754
- Due to purchases and production	661	204	-	865
Decreases due to sales/processing/mortality (i)	(652)	(1)	(80)	(733)
Movement in fair value as a result of physical and/or price changes (ii)	289	53	841	1,183
Balance as at 31 December 2016	950	256	863	2,069
Current	950	1	863	1,814
Non-current	-	255	-	255
	950	256	863	2,069
Balance as at 1 January 2017	**950**	**256**	**863**	**2,069**
Increases:				
- Due to purchases and production	**695**	**1**	**19**	**715**
Decreases due to sales/processing/mortality (i)	**(950)**	**(69)**	**(173)**	**(1,192)**
Movement in fair value as a result of physical and/or price changes (ii)	**262**	**142**	**264**	**668**
Balance as at 31 December 2017	**957**	**330**	**973**	**2,260**
Current	**957**	**20**	**955**	**1,932**
Non-current	**-**	**310**	**18**	**328**
	957	**330**	**973**	**2,260**

(i) includes biological assets reclassified as inventory at the point of harvest and/or processing.

(ii) includes physical changes as a result of biological transformation such as growth, degeneration and procreation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Recognition and Measurement

Biological assets of the Group include poultry, goats and wasabi plants and are measured at fair value less costs to sell in accordance with AASB 141 Agriculture. Where fair value cannot be reliably measured or little or no biological transformation has taken place biological assets are measured at cost less impairment losses.

Market prices are derived from observable market prices and achieved sales prices and are reduced for costs associated with bringing the finished product to market including incremental selling costs and harvesting and production costs to process the biological asset into a saleable form.

The change in estimated fair value is charged to the income statement on a separate line item as fair value adjustment of biological assets. This line item includes movements in fair value as a result of both physical and price changes.

Biological assets are reclassified as inventory at the point of harvesting or processing.

As at 31 December 2017, the Group held 368,734 live poultry (2016: 371,594), 946 goats (2016: 640) and 4,395 mature wasabi plants (2016: 4,217) and 5,922 immature wasabi plants (2016: nil) that are less than 12 months of age and not suitable for harvest.

Poultry

For live poultry with an estimated dressed weight of below 1kg (which is consistent with independent poultry performance guidelines for meat chicken) the carrying amount is a reasonable approximation of fair value. Live poultry with an estimated dressed weight of greater than 1kg are measured at fair value less costs to sell and the measurement is categorised into Level 2 in the fair value hierarchy.

The valuation is completed at the whole dressed bird stage for each batch of live poultry as there is no effective market for live poultry produced by the Group. The valuation methodology takes into consideration estimated growth rates, feed intake and carcass yield per independent performance guidelines.

Based on market prices and weights utilised at 31 December 2017, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $31,896 (2016: $36,343) by a pricing or dressed weight increase/decrease of 5%.

Goats

Goats are measured at fair value less costs to sell, based on market prices of similar age, breed and genetic merit. As these prices are observable, they are deemed to be Level 2 in the fair value hierarchy.

The value of goats, comprised of mature does, weaned doelings and breeding bucks, is determined by independent valuation with reference to prices received from sales of milking goat stock similar to the Group's herd with direct references made to recent sales evidence in relevant dairy goat markets. Prices of the Group's goats are reflective of current market conditions.

Wasabi Plants

Wasabi plants which are greater than twelve months of age are considered mature and ready for harvest, as such plants which are greater than twelve months of age are disclosed as a current asset. At 31 December 2017 the Group's wasabi plants were an average of 29 months of age (31 December 2016: 17 months) and at various stages of growth post-harvest, as such wasabi plants are valued at fair value less estimated point of sale costs. The valuation methodology is deemed to be Level 3 in the fair value hierarchy as it contains unobservable inputs due to the rare nature of the crop.

The fair value of the wasabi plants is determined using the estimated yield per plant in kilograms which has been determined through collection of historical growth rate and harvest data for mature wasabi plants within the crop. Notable variations and fluctuations in the fair value of wasabi plants may occur as a result of factors including; plant variety, the timing of cultivation, plant maturity, timing of harvest, seasonal growth patterns and weather conditions.

Based on market prices and estimated yields utilised within the valuation methodology at 31 December 2017, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $48,257 (31 December 2016: $43,148) by a yield increase/decrease of 5%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Fair Value Measurement

	2016			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
- Poultry	-	950	-	950
- Goats	-	256	-	256
- Wasabi Plants	-	-	863	863
Total biological assets recognised at fair value	**-**	**1,206**	**863**	**2,069**

	2017			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
- Poultry	**-**	**957**	**-**	**957**
- Goats	**-**	**330**	**-**	**330**
- Wasabi Plants	**-**	**-**	**973**	**973**
Total biological assets recognised at fair value	**-**	**1,287**	**973**	**2,260**

Fair value measurements using significant unobservable inputs

The following table summarises the quantitatively information about the significant unobservable inputs used in Level 3 fair value measurements:

Description

Wasabi plant biological assets at fair value:

Unobservable inputs	Average yield per wasabi plant used in fair value measurement: 0.42 kilograms (31 December 2016: 0.37 kilograms)
Relationship to unobservable inputs to fair value	An increase in yield would result in a direct increase in the fair value

12. Inventory

	2017 $'000	**2016 $'000**
Finished goods	**1,099**	394
Raw materials and packaging	**284**	309
Other	**630**	519
	2,013	1,222

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value and are assigned on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs to sell.

Inventories are accounted for in the following manner:

- Finished goods: cost includes direct materials, direct labour and an appropriate proportion of manufacturing variable and fixed overheads based on normal operating capacity but excluding any borrowing costs.
- Biological assets reclassified as inventory: the initial cost assigned to agricultural produce is the fair value less costs to sell at the point of harvesting or processing in accordance with AASB 141.
- Raw materials and packaging: purchase cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NON-CURRENT ASSETS

13. Property, Plant and Equipment

	2017 $000	2016 $000
Land and buildings - at cost	**8,132**	6,747
Less accumulated depreciation	**(254)**	(60)
	7,879	6,687
Plant and equipment - at cost	**7,538**	4,950
Less accumulated depreciation	**(889)**	(268)
	6,650	4,682
Office equipment - at cost	**173**	201
Less accumulated depreciation	**(96)**	(161)
	77	40
Motor vehicles - at cost	**197**	142
Less accumulated depreciation	**(35)**	(11)
	162	131
Capital Work in Progress - at cost	**177**	1,253
Total Property, Plant and Equipment	**14,944**	12,793

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land & Buildings $'000	Plant & Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Capital work in progress $'000	Total $'000
Carrying value						
As at 1 January 2016	-	228	2	-	-	230
Additions	821	2,160	43	94	569	3,687
Additions as a part of a business combination	5,926	2,524	-	55	684	9,189
Disposals	-	-	-	(6)	-	(6)
Depreciation expense	(60)	(230)	(5)	(12)	-	(307)
Balance as at 31 December 2016	6,687	4,682	40	131	1,253	12,793
As at 1 January 2017	6,687	4,682	40	131	1,253	12,793
Additions	1,378	2,355	63	54	177	4,026
Additions as a part of a business combination	-	727	-	-	-	727
Adjustments as a result of finalisation of accounting for business combinations	-	(495)	-	-	38	(457)
Capitalisation to asset categories	-	-	-	-	(1,291)	(1,291)
Depreciation expense	(185)	(619)	(26)	(23)	-	(853)
Balance as at 31 December 2017	**7,879**	**6,650**	**77**	**162**	**177**	**14,945**

Recognition and measurement

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and that the cost of the item can be measured reliably.

Repairs and maintenance expenditure is charged to the profit and loss during the period in which the expenditure is incurred.

The average depreciation rates for each class of fixed assets are:

Class of fixed asset	**Average depreciation rates**
Buildings	2-5%
Leasehold improvements	10-12%
Plant and equipment	8-20%
Office equipment	40-50%
Motor vehicles	15-20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets are derecognised when sold or replaced with gains and losses on disposals determined by comparing proceeds with the carrying amount. These gains or losses are recognised in the consolidated income statement when the item is derecognised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

14. Intangible Assets

	2017 $'000	2016 $'000
Goodwill	**5,534**	8,806
Brands and trademarks	**2,945**	8
Other	**194**	175
	8,673	8,989
Gross carrying value		
At cost	**11,390**	9,590
Accumulated impairment	**(2,717)**	(601)
Total net carrying amounts	**8,673**	8,989
Reconciliations		
Carrying amount at beginning	**8,989**	1,879
Transfers from other asset classes as a result of finalisation of accounting for business combinations	**1,228**	-
Additions	**54**	-
Business combinations during the year	**518**	7,110
Impairment during the period	**(2,116)**	-
Carrying amount at end	**8,673**	8,989

Goodwill relates to the acquisition of the assets of Meander Valley Dairy and Pyengana Dairy businesses in 2015 and 2017 respectively. Goodwill is also attributable to the acquisition of the wholly-owned controlled entities Nichols Poultry Pty Ltd and Shima Wasabi Pty Ltd acquired in the 2016 year.

The goodwill of Shima Wasabi was written down to nil during 2017 as part of the annual impairment testing process. Refer to the recoverable amount of goodwill commentary below for further information regarding the impairment.

Brands and trademarks are predominantly associated with the Nichols Poultry brand acquired in 2016.

Other intangible assets include water rights and intellectual property.

Recognition and measurement

Intangible assets are initially recognised and recorded at cost where it is probable that future economic benefits attributable to the asset will flow to the Group and the cost can be measured reliably. Subsequently, intangible assets are carried at cost less any accumulated impairment losses.

Goodwill

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Before recognition of impairment losses, the carrying amount of the goodwill (other than goodwill relating to discontinued operations) is as follows:

	2017 $'000	2016 $'000
Meander Valley Dairy	**1,879**	1,879
Nichols Poultry	**3,137**	4,709
Shima Wasabi	**2,116**	2,218
Pyengana Dairy	**518**	-
	7,650	8,806

The movement in goodwill in 2017 is associated with the finalisation of the acquisition accounting for Nichols Poultry and Shima Wasabi, in addition to the provisional acquisition accounting for Pyengana Dairy.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Recoverable amount of goodwill

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2017 for all groups of cash generating units (CGUs) with indefinite life intangibles or where there is an indication of impairment.

The Company has three CGUs for which impairment testing has been completed, which are as follows:

Dairy CGU - Meander Valley Dairy and Pyengana Dairy

The recoverable amount of the dairy CGU has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and forecasts approved by management covering a five-year period, before any fair value adjustments for biological assets.

Key assumptions used in the value-in-use calculations for the dairy CGU include:

Revenue Growth	Revenue growth over the five-year period is based upon budgeted revenue growth associated with the Groups growth strategy with the expansion of the business unit via increases in production volumes, new product offerings and expansion into new markets. Average revenue growth over the five-year forecast period is anticipated to be 15.8% per annum, with the baseline on which growth has been determined including the full-year effect of Pyengana dairy sales revenue.
Production costs	Forecast production costs are anticipated to increase over the five-year period in line with revenue growth and are projected to be on average 70% of revenue over the five-year period (2016: 62%). Conservative savings and efficiencies to be generated as a result of achieving economies of scale in production have been recognised within the forecast cash flows.
Indirect costs	Indirect costs are anticipated to increase by 10% per annum.
Long-term growth rate	The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% (2016: 2.5%) has been used in the value-in-use calculation, which is consistent with the Reserve Bank of Australia rates.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 10.8% (2016: 10.8%).

Based on the above assumptions the recoverable amount of the CGU is estimated to be $8 million, which exceeds the CGU's carrying amount by $1.33 million. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

Pre-tax discount rate	Increase from 10.8% to 12.1%.
Annual revenue growth rate	Reduction in average from 15.8% (over the five-year period) to 14.6%.
Production costs	Increase from 70% of revenue to 71.3%.

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FOR THE YEAR ENDED 31 DECEMBER 2017

Poultry CGU - Nichols Poultry

The recoverable amount of the Poultry CGU has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and forecasts approved by management covering a five-year period, before any fair value adjustments for biological assets.

Key assumptions used in the value-in-use calculations for the Poultry CGU include:

Revenue Growth	Revenue growth over the five-year period is based upon budgeted revenue growth associated with the Groups growth strategy with the expansion of the business unit via increases in production volumes, new product offerings and expansion into new markets. Average revenue growth over the five-year forecast period is anticipated to be 12.9% per annum.
Production costs	Forecast production costs are anticipated to increase over the five-year period in line with revenue growth and are projected to be on average 71% of revenue over the five-year period. Conservative savings and efficiencies to be generated as a result of automation of production have been recognised within the forecast cash flows.
Indirect costs	Indirect costs are anticipated to increase by 15% per annum.
Long-term growth rate	The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% has been used in the value-in-use calculation, which is consistent with the Reserve Bank of Australia rates.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 10.8%.

Wasabi CGU - Shima Wasabi Pty Ltd

The recoverable amount of the Wasabi CGU has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and forecasts approved by management covering a five-year period, before any fair value adjustments for biological assets.

Although Shima Wasabi reported growth in sales revenue in 2017, future sales growth to support the carrying value of goodwill is not certain given the early stages of product, market and customer development. While the Company remains confident in the long-term growth potential of Shima Wasabi a prudent approach to revenue growth has been adopted in the value-in-use calculations. This has resulted in an impairment charge equal to the carrying value of goodwill of $2.116 million being recognised in the financial report.

Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value-in-use.

LIABILITIES

15. Trade and other payables

	2017 $'000	2016 $'000
Trade and other payables	**4,775**	3,117
	4,775	3,117

Recognition and measurement

Trade and other payables represent liabilities for goods and services received by the Group which remain unpaid at the end of the reporting period. The balance is recognised as a current liability with amounts paid in accordance with supplier trading terms.

Fair value of trade and other payables

Due to the short-term nature of trade and other payables, the carrying value is reflective of fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

16. Borrowings

	2017 $'000	2016 $'000
Current		
Bank Overdraft	**436**	508
Secured Finance Lease Liabilities	**818**	182
	1,255	690
Non-Current		
Secured Finance Lease Liabilities	**1,379**	321
Total borrowings	**2,633**	1,011

Finance Lease Commitments

Commitments in relation to finance leases are payable as follows:

	Less than 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contracted cash flows $'000	Carrying amount $'000
At 31 December 2017					
Non-derivatives					
Trade payables	**4,775**	**-**	**-**	**4,775**	**4,775**
Bank Overdraft	**436**	**-**	**-**	**436**	**436**
Finance lease liabilities	**818**	**1,379**	**-**	**2,197**	**2,197**
	6,030	**1,379**	**-**	**7,409**	**7,409**
At 31 December 2016					
Non-derivatives					
Trade payables	3,117	-	-	3,117	3,117
Bank Overdraft	508	-	-	508	508
Finance lease liabilities	213	338	-	551	551
	3,838	338	-	4,176	4,176

Financing Arrangements

	2017 $'000		2016 $'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Equipment Finance Liabilities	**2,197**	**-**	503	-
Bank Bill Facility	**2,000**	**2,000**	2,000	2,000
Bank Overdraft	**1,000**	**564**	1,000	492
	5,197	**2,564**	3,503	2,492

Recognition and measurement

Borrowings, including finance lease liabilities, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet of the Group when the terms and obligations specified in the contract are discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party, and the consideration paid is recognised in the consolidated income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs, including transaction fees, are recognised in the consolidated income statement in the period in which they are incurred.

Secured liabilities and assets pledged as security

Finance lease liabilities relate to specific operating equipment arranged with the Australia and New Zealand Banking Group Limited (ANZ), Commonwealth Bank of Australia Limited (CBA) and Maia Financial (formerly Alleasing Pty Ltd). These facilities are secured over the assets financed under each facility. The finance leases are held over a remaining period of less than 1 year to 5 years and have an average effective interest rate of 5.26%.

The Group also has access to an undrawn bank bill facility with the ANZ. This bill facility, along with the bank overdraft facility, is secured by mortgage over the property and water rights owned by Nichols Poultry Pty Ltd and a general security agreement over property of Nichols Poultry Pty Ltd not otherwise secured.

Financial covenants

Upon acquisition of Nichols Poultry Pty Ltd, the Group also acquired the financial covenants associated with the Nichols Poultry overdraft and business development loan facility. Under the terms of the facilities, Nichols Poultry is required to comply with the following financial covenant:

- Interest Cover Ratio (calculated using EBITDA) for each financial half year will not, as at the Compliance date, be less than 1.50:1.

The Group has complied with the financial covenants throughout the reporting period.

17. Provisions

	2017 $'000	2016 $'000
Current		
Employee benefits	**524**	368
Other provisions	**-**	5
	524	373
Non-current		
Employee benefits	**144**	98
	144	98

Recognition and measurement

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into consideration the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee benefits

A provision is made for employee benefits arising at the end of the reporting period. Employee benefit obligations are presented as current liabilities in the consolidated balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Employee benefits that are expected to be settled within one year from the reporting date have been measured at amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increments and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on Australian corporate bond rates with terms to maturity that match the expected timing of cash flows attributable to those employees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Provision has been made in the financial statements for benefits accruing to employees up to the reporting date such as annual leave, long service leave and bonuses (where applicable). No provision is made for non-vesting sick leave as the anticipated patterns of future sick leave indicates that accumulated non-vesting sick leave will not be paid. Annual leave provisions are measured at nominal values using the remuneration rates expected to apply at the time of settlement. Long service leave provisions are measured as the present value of expected future payments to be made in respect of services provided to employees up to reporting date. Expected future payments are discounted using market yields at reporting date on Australian corporate bonds with terms to maturity that match the estimated future cash flows.

On-costs, such as superannuation and payroll tax are included in the determination of employee benefits provisions.

The net change in the obligation for employee benefits provisions are recognised in the consolidated income statement as a part of employee benefits expense.

EQUITY

18. Contributed Equity

	NUMBER OF SHARES		SHARE CAPITAL	
	2017	2016	2017 $000	2016 $000
Ordinary shares - fully paid (no par value)	**183,723,257**	164,107,181	**42,505**	39,086
Total share capital			**42,505**	39,086

Movements in ordinary share capital:

DATE	DETAILS	ORDINARY SHARES	PRICE	$000
1/1/17	Balance at beginning of period	164,107,181		39,086
30/11/17	Issue of shares	3,000,000	0.17	510
29/12/17	Issue of shares	16,616,076	0.18	2,991
	Issue costs - net of tax	-	-	(82)
		183,723,257		42,505

Terms and Conditions of Issued Capital

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands each holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Share Options and Performance Rights

Share options and performance rights do not entitle the holder to participate in dividends and the proceeds on winding up of the Company. The holder is not entitled to vote at General Meetings.

There were 23,500,000 share options on issue and 3,212,083 performance rights during the financial year and as at 31 December 2017 (2016: 18,500,000 share options, nil performance rights).

Recognition and measurement

Ordinary shares are classified as equity, with ordinary share capital being recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Where the Company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the equity attributable to the owners of TasFoods Limited as ordinary share capital until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in the equity attributable to the owners of TasFoods Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

19. Reserves

	2017 $'000	2016 $'000
Employee share option reserve	**260**	217
	260	217

Nature and Purpose of Reserves

Employee share option reserve

The reserve is used to record the value of equity instruments issued to employees and directors as part of their remuneration, and other parties as part of compensation for their services. Details of the employee share option payments are contained in note 32.

	2017 $'000	2016 $'000
Balance at start of year	**217**	217
Movement during the year	**43**	-
Balance at end of year	**260**	217

OTHER NOTES

20. Additional Cash Flow Information

	2017 $'000	2016 $'000
Cash and cash equivalents	**9,663**	11,862

Recognition and measurement

Cash and cash equivalents include cash on hand and at banks and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(a) Reconciliation of cash and cash equivalents to the statement of cash flows:

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents	**9,663**	11,862
Bank overdraft	**(436)**	(508)
	9,227	11,354

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(b) Reconciliation of operating profit after income tax to net cash flows from operating activities:

	2017 $'000	2016 $'000
Net loss after income tax	**(6,808)**	(1,005)
Depreciation and amortisation	**853**	314
Impairment expense	**2,116**	-
Movement in fair value of biological assets	**(668)**	
Loss on disposal of property, plant and equipment	**-**	6
Disposal on foreign operations	**-**	(549)
Share based payments	**43**	-
Other	**38**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade receivables	**(507)**	1,269
(Increase)/decrease in biological assets	**(293)**	(1,207)
(Increase)/decrease in inventories	**(791)**	(364)
(Increase)/decrease in prepayments	**(45)**	(136)
(Increase)/decrease in deferred taxes	**1,147**	(1,133)
Increase/(decrease) in trade and other payables	**1,658**	(116)
(Increase)/decrease in current tax receivable	**42**	(54)
Increase/(decrease) in provisions	**197**	9
Net cash inflow/(outflow) from operating activities	**(3,017)**	(2,966)

(c) Non-cash activities

There were no non-cash financing activities.

21. Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised in the following.

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including any hedging cover of foreign currency, interest rate risk, credit allowances, and future cash flow forecast projections.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The carrying amounts and net fair values of the Group's financial assets and liabilities at balance date are:

	CARRYING AMOUNT		NET FAIR VALUE	
	2017 $000	2016 $000	2017 $000	2016 $000
Financial assets				
Cash and cash equivalents	**9,663**	11,862	**9,663**	11,862
Trade and other receivables	**2,799**	2,222	**2,799**	2,222
Non-Traded Financial Assets	**12,462**	14,084	**12,462**	14,084
Financial Liabilities				
Trade and other payables	**4,775**	3,117	**4,775**	3,117
Borrowings	**2,633**	1,011	**2,633**	1,011
Non-Traded Financial Liabilities	**7,409**	4,128	**7,409**	4,128

Recognition and measurement

Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

(a) An entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit and loss.

(b) Doing so results in more relevant information, because either:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.

(ii) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value though profit or loss.

Present investment strategy is to keep assets in a highly liquid state and almost all of the investment assets are held in cash.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in the statement of profit or loss and other comprehensive income.

Non-listed investments, for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and Receivables

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to Director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to market interest rate related primarily to the Group's cash deposits. At balance sheet date, the Group had the following mix of financial assets exposed to Australian and overseas variable interest rate risks that are not designated as cash flow hedges:

	2017 $'000	2016 $'000
Financial Assets		
Cash and cash equivalents	**9,663**	11,862
Net exposure	**9,663**	11,862

The Group regularly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangements for its deposits.

The following sensitivity analysis is based on the interest rate opportunity/risk relating to cash deposits at balance date.

At 31 December 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	2017 $'000	2016 $'000
Judgement of reasonably possible movements		
+0.5% (50 basis points)	**48**	57
-0.5% (50 basis points)	**(48)**	(57)

The movement in profits are due to higher/lower interest received. As the Group does not have any derivative instruments the movements in equity are those of profit only. A movement of + and – 0.5% is selected because this historically is within a range of rate movements.

Foreign Currency Risk

As a result of operations in China, Hong Kong and Singapore, the Group's statement of financial position has previously been affected significantly by movements in the RMB/AUD, HKD/AUD and SGD/AUD exchange rates. As the Group has discontinued all foreign operations, it is no longer subject to significant foreign exchange risks.

Liquidity Risk

Liquidity Risk is the risk that the Group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has Total Liabilities of $9.056 million (2016: $4.599 million) of which $6.554 million (2016: $4.180 million) is recorded as current liabilities and Total Current Assets of $16.756 million (2016: $17.467 million) of which $9.663 million (2016: $11.862 million) consists of cash or cash equivalents providing the Board with comfort that the Group is solvent and can meet its payment obligations in full as they fall due.

All current liabilities fall due within normal trade terms, which are generally 30 days.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

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It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The risks are regularly monitored. An analysis of the ageing of receivables is included in note 10.

In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Fair Value

The method for estimating fair value is outlined in the relevant notes to the financial statements. All financial assets held at fair value are valued based on the principles outlined in AASB 7 in relation to Level 1 of the hierarchy of fair values, being quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

22. Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2017 $'000	2016 $'000
Borrowings	**2,633**	1,011
Trade and other payables	**4,775**	3,117
Total debt	**7,409**	4,128
Less cash and cash equivalents	**(9,663)**	(11,862)
Net debt/(cash)	**(2,254)**	(7,734)
Total equity	**31,646**	35,073
Total capital	**42,505**	39,086
Gearing ratio (total debt / total equity)	**23.4%**	11.8%

The Group is not subject to any externally imposed capital requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP MANAGEMENT

23. Parent Entity Supplementary Information

Information relating to TasFoods Limited:

	2017 $'000	2016 $'000
Financial position		
Current assets	**24,141**	12,924
Non-current assets	**11,186**	18,380
Total assets	**35,327**	31,304
Current liabilities	**1,914**	720
Non-current liabilities	**846**	59
Total liabilities	**2,760**	779
Net assets	**32,567**	30,525
Contributed equity	**42,470**	39,086
Reserves	**260**	217
Accumulated losses	**(10,164)**	(8,778)
Total equity	**32,567**	30,525
Financial performance		
Total revenue	**1,982**	2,012
Loss for the period	**(3,856)**	(2,157)
Comprehensive loss for the period	**(3,856)**	(2,157)

Deed of Cross Guarantee

The wholly-owned subsidiaries disclosed in note 24 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from any requirement to prepare a financial report and directors' report that might otherwise apply under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The closed group financial information for 2017 is identical to the financial information included in the consolidated financial statements. The wholly-owned subsidiaries became a party to the deed of cross guarantee dated 23 October 2017.

The companies disclosed in note 24 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by TasFoods Limited, they also represent the 'extended closed group'.

Capital Commitments

Non-cancellable capital expenditure contracted for but not in the financial statements relating to TasFoods Limited's dairy operations are as follows:

	2017 $'000	2016 $'000
Payable:		
- Not longer than one year	**39**	-
- Longer than one year and not longer than five years	**-**	-
- Longer than five years	**-**	-
	39	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Finance Leases

During 2017 TasFoods Limited entered into a finance lease for the upgrade of its dairy factory located at Kings Meadows. The balance of the finance lease at 31 December 2017 is as follows:

	2017 $'000	2016 $'000
Current		
Secured Finance Lease Liabilities	572	-
Non-Current		
Secured Finance Lease Liabilities	845	-
Total Finance Lease Liabilities	1,418	-

Contingent Liabilities

TasFoods Limited is not subject to any liabilities that are considered contingent upon events known at balance sheet date.

24. Subsidiaries

	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	EQUITY HOLDING 2017 %	EQUITY HOLDING 2016 %
Van Diemen's Land Dairy Pty Ltd	Australia	Dairy	100%	100%
Nichols Poultry Pty Ltd	Australia	Poultry	100%	100%
Shima Wasabi Pty Ltd	Australia	Wasabi	100%	100%
Tasmanian Food Co Dairy Pty Ltd	Australia	Dairy	100%	0%
MarketSmart International Pty Ltd	Australia	Loyalty Solutions	100%	100%

25. Business Combinations

Current Year

Pyengana Dairy

On 6 October 2017 the Company acquired via its new subsidiary Tasmanian Food Co Dairy Pty Ltd, the business operations of the Pyengana Dairy food products business based in Tasmania. The acquisition was completed for cash consideration of $1.623 million.

Details of the acquisition were as follows:

	$'000
Consideration	
Cash Consideration	1,623

Acquisition related costs amounting to $40,434 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year within legal and professional fees.

The net identifiable assets acquired are considered to be preliminary. In accordance with the Group's accounting policy, the Company is finalising the allocation of the purchase price to the acquired assets. In particular, fair values assigned to property, plant and equipment and intangible assets and contingent liabilities are still being assessed and subject to finalisation. In accordance with accounting standards, the acquisition accounting will be finalised within twelve months of the acquisition date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	Preliminary Fair Value $'000
Plant and equipment	727
Trade and other receivables	111
Other current assets	401
Trade and other payables	(127)
Provisions	(7)
Net identifiable assets acquired	1,105
Add: Goodwill	518
Consideration paid	1,623

Finalisation of Prior Year Acquisitions

On 15 June 2016, the Company acquired 100% of the issued share capital of Nichols Poultry Pty Ltd ('Nichols Poultry') and its associated assets, and 100% of the issued share capital of Shima Wasabi Pty Ltd ('Shima Wasabi').

In the financial statements for the year ended 31 December 2016, the net asset valuation and allocation of the purchase price to acquired assets and fair values assigned to intangible assets were preliminary. In accordance with the Group's accounting policy, the accounting for the acquisition of Nichols Poultry and Shima Wasabi was finalised during the current period and the preliminary balances have been updated accordingly. The final fair values of the assets arising from the acquisitions are as follows:

Nichols Poultry

The acquisition of Nichols Poultry was completed for consideration of $9.359 million and included the issue of 8,000,000 new fully paid ordinary shares issued at a nominal value of $0.25 (25 cents) per share to the vendor (R& J N Nichols Family Trust). The balance of consideration ($7.359 million) was paid in cash.

The reallocation of the purchase price is outlined in the table below. A reallocation of the fair value was completed to recognise an intangible asset and related deferred tax liability associated with the brand of Nichols Poultry, resulting in a corresponding net decrease in the value of goodwill. In addition, a movement in property, plant and equipment was recorded to reflect the market value of the assets at the date of acquisition.

	Final Fair Value $'000	Preliminary Fair Value as presented at 31 December 2016 $'000
Property, plant and equipment	8,290	8,747
Intangible assets	3,085	183
Trade and other receivables	1,798	1,798
Other current assets	1,478	1,478
Deferred tax asset	129	129
Trade and other payables	(4,675)	(4,675)
Borrowings	(2,564)	(2,564)
Provisions	(446)	(446)
Deferred tax liability	(873)	-
Net identifiable assets acquired	6,222	4,650
Add: Goodwill	3,137	4,709
Consideration paid	9,359	9,359

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Shima Wasabi

The acquisition of Shima Wasabi was completed for consideration of $2.768 million and included the issue of 1,200,000 new fully paid ordinary shares issued at a nominal value of $0.25 (25 cents) per share to the vendor (Stephen Welsh and Karen Welsh). The balance of consideration ($2.468 million) was paid in cash.

The reallocation of the purchase price is outlined in the table below. A reallocation of the fair value was completed to recognise an increase in the valuation of the wasabi biological asset (included in other current assets) and a corresponding reduction in the value of goodwill.

	Final Fair Value $'000	**Preliminary Fair Value as presented at 31 December 2016 $'000**
Plant and equipment	442	442
Trade and other receivables	18	13
Other current assets	205	108
Trade and other payables	(13)	(13)
Net identifiable assets acquired	652	550
Add: Goodwill	2,116	2,218
Consideration paid	2,768	2,768

Recognition and Measurement

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire, and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

UNRECOGNISED ITEMS

26. Contingent Liabilities and Assets

There are no matters which the Group consider would result in a contingent liability as at the date of this report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

27. Commitments for Expenditure

Capital Commitments – Capital Expenditure Projects

Non-cancellable capital expenditure contracted for but not in the financial statements:

	2017 $'000	2016 $'000
Payable:		
- Not longer than one year	**39**	427
- Longer than one year and not longer than five years	**-**	-
- Longer than five years	**-**	-
	39	427

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2017 $'000	2016 $'000
Payable:		
- Not longer than one year	**708**	3,421
- Longer than one year and not longer than five years	**-**	-
- Longer than five years	**-**	-
	708	3,421

Operating expenditure commitments are reflective of contracts entered into with suppliers of Nichols Poultry Pty Ltd to secure grain supply during the following financial year, with contracted volumes at levels to meet forecast feed demand.

28. Operating Lease Arrangements

Operating Leases

Non-cancellable operating leases contracted for but not included in the financial statements:

	2017 $'000	2016 $'000
Payable:		
- Not longer than one year	**204**	133
- Longer than one year and not longer than five years	**378**	158
- Longer than five years	**-**	-
	582	291

29. Events Occurring After Reporting Date

On 21 December 2017 the Company announced it would undertake a capital raising for approximately $7 million via a Placement to sophisticated and professional investors and a Share Purchase Plan (SPP).

On 29 December 2017 the Company issued 16,616,076 ordinary shares at $0.18 per share to sophisticated and professional investors. Following this all shareholders were invited to participate in the SPP for up to $15,000 at $0.17 per share.

The SPP noted above, resulted in 7,794,180 shares valued at $1.325 million being issued to shareholders on 2 February 2018.

At a General Meeting of the Company on 15 February 2018 Shareholders approved the remainder of the Placement (second tranche) to sophisticated and professional investors and also approved such persons taking up the shortfall in the Company's SPP offer (due to eligible shareholders not applying for their full entitlement of shares under the offer) under a placement of new and fully paid ordinary shares in the Company. The General Meeting also refreshed the Company's ability to raise up to 15% of its capital without shareholder approval by

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

approving the previous placement with sophisticated and professional investors and the share and option issue to the Executive Chair, Shane Noble.

Other than those matters noted above the Board is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

OTHER INFORMATION

30. Related Party Transactions

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the entity is set out below:

	2017 $'000	2016 $'000
Short term benefits	**806**	816
Post-employment benefits	**71**	69
Share based payments	**39**	-
Termination payments	**-**	-
	916	**885**

31. Auditor's Remuneration

Remuneration for audit and review of the financial reports of the parent entity or any entity in the Group:

	2017 $	2016 $
Auditors of the parent entity:		
Auditing the financial report	**120,750**	108,850
Auditing the financial report - subsidiary companies	**32,000**	-
Non-audit services	**-**	-
	152,750	**108,850**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

32. Share Based Payments

Performance Rights

a. *Share based payment arrangements*

TasFoods Limited offers the Chief Executive Officer and senior management the opportunity to participate in the Long-Term Incentive Plan (LTIP), which involves performance rights to receive shares in TasFoods Limited. The LTIP is designed to:

- Assist in the motivation, retention and reward of employees, including the Chief Executive Officer and members of senior management; and
- Align the interests of employees participating in the LTIP more closely with the interests of shareholders by providing an opportunity for those employees to receive an equity interest in the TasFoods Limited Group through the granting of performance rights.

Under the LTIP, performance rights were issued to the Chief Executive Officer and managers of senior management as the LTI component of their remuneration. Performance rights granted under the LTIP have a share price growth performance vesting condition. Vesting percentages (of the grant/stretch/maximum level of LTI) to be determined by the following scale:

Performance Level	TFL Share Price	% of the Grant/Stretch / Maximum Vesting
>Stretch	>$0.40	100%
Stretch	$0.40	100%
Between Target and Stretch	>$0.33, <$0.40	Pro-rata
Target	$0.33	50%

The targets for share price growth are based on a starting share price of $0.25 (being the share price at which investors acquired their shares at the 2016 capital raising) which is a Compound Annual Growth Rate (CAGR) of 10% to achieve 'target' share price and a CAGR of 17% to achieve 'stretch' share price; noting the share price at 1st January 2017 was $0.18 which is a CAGR of 23% to achieve 'target' share price and a CAGR of 31% to achieve 'stretch' share price.

Share Price will be determined by a ten trading day volume weighted average share price ending on the date that is the end of the Measurement Period.

b. *Performance rights granted*

Below is a summary of performance rights granted under the LTIP.

2017 Performance Period								
Grant Date	From	To	Balance at start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	Fair Value per Right
17/7/17	1/1/17	31/12/19	-	3,212,083	-	-	3,212,083	$0.068

The performance rights hold no voting or dividend rights and are not transferable.

c. *Fair value of performance rights granted*

For the performance rights granted during the 2017 financial year, the fair value was measured at the grant date of 17 July 2017 for those rights issued to the Chief Executive Officer and senior management.

The fair value of the performance rights granted under the LTIP was calculated by an independent expert using a Monte-Carlo simulation and is based on the achievement of the target rate performance of 50%.

The expense recognised in relation to the performance rights applicable to the Chief Executive Officer and senior management for the year ended 31 December 2017 is $36,404 (31 December 2016: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Share Options

a. *Share based payment arrangements*

On 30 November 2017 TasFoods Limited issued 5,000,000 share options to Shane Noble upon his appointment as a Director of the Company. The options granted were for nil cash consideration and will entitle the option holder to acquire one ordinary share in the Company at an exercise price of $0.20 until 30 November 2021.

In addition, during 2015 TasFoods Limited established an employee share ownership plan (ESOP) to provide a long-term incentive for employees and Directors of TasFoods Limited. It allowed entitled officers of the Group to participate in TasFoods Limited's future growth and provided an incentive to increase profitability and returns to shareholders. The ESOP was replaced with the LTIP noted above in 2017.

b. *Share options granted*

Share options outstanding at 31 December 2017 are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
4/9/15	3/9/19	$0.21	10,000,000	-	-	-	10,000,000
4/9/15	3/9/19	$0.42	8,500,000	-	-	-	8,500,000
30/11/17	30/11/21	$0.20	-	5,000,000	-	-	5,000,000
			18,500,000	5,000,000	-	-	23,500,000
Weighted average exercise price							$0.28

The options hold no voting or dividend rights and are not transferable.

c. *Fair value of share options granted*

For share options granted during the 2017 financial year, the fair value was measured at the grant date of 30 November 2017.

The fair value of the share options granted was calculated by an independent expert using the Binomial method.

The expense recognised in relation to share options for the year ended 31 December 2017 is $6,901 (31 December 2016: nil).

d. *Share Options at 31 December 2017*

Details of share options held by Directors, employees, former employees, consultants, and former Directors outstanding as at end of year:

Grant Date	Exercisable Date	Expiry Date	Share Price at Grant Date	Exercise Price	Fair Value at Grant Date
4/9/15	3/9/19	3/9/19	$0.150	$0.042	$0.002
4/9/15	3/9/19	3/9/19	$0.150	$0.020	$0.020
30/11/17	30/11/21	30/11/21	$0.165	$0.200	$0.065

There are no performance hurdles attached to the options granted.

Recognition and Measurement

The Group provides benefits to the Directors, the Chief Executive Officer and certain senior management in the form of share-based payment, whereby services are rendered in exchange for rights over shares (performance rights) or options.

The fair value of the performance rights and options is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights or options granted.

The total expense is recognised over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

33. Summary of Significant Accounting Policies

(a) *Basis of preparation*

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Corporations Act 2001,* as appropriate for profit oriented entities.

The financial statements cover the Company and its controlled entities as a group for the financial year ended 31 December 2017. The Company is a company limited by shares, incorporated and domiciled in Australia.

Separate financial statements for the Company as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*, however limited financial information for the Company as an individual entity is included in Note 23.

The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the financial statements not elsewhere disclosed. The accounting policies have been consistently applied, unless otherwise stated.

(b) *Compliance with IFRS*

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) *Historical Cost Convention*

The financial statements have been prepared under the historical cost convention. All amounts are presented in Australian dollars unless otherwise noted.

(d) *Principles of Consolidation*

The consolidated financial statements are those of the Group, comprising the parent entity and its controlled entities as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Details of the controlled entities are contained in note 24.

Financial statements for controlled entities are prepared for the same reporting period as the parent entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Non-controlling interests in the equity and results of the entities that are controlled are shown separately in the consolidated financial statements.

(e) *Critical Accounting Estimates, Judgements and Errors*

The preparation of the financial statements of the Group requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Areas within the financial report which contain a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements are included in the notes to the financial statements together with the basis of calculation.

The areas involving significant estimates or judgements are:

- Estimated fair value of biological assets
- Estimated value in use calculations for the assessment of the recoverable amount of goodwill
- Impairment of goodwill
- Estimation of fair values of assets and liabilities as part of a business combination
- Recognition of deferred tax assets for carried forward tax losses

Estimates and judgements are continually evaluated. They are based on historical experience, information, and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(f) *Leases*

Operating lease payments are charged to the statement of profit or loss and other comprehensive income in the periods in which they are incurred, as this represents the pattern of the benefits derived from the leased assets.

(g) *Comparatives*

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(h) *New, Revised or Amending Accounting Standards and Interpretations Adopted*

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2017:

- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'
- AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'.

(i) *New, Revised or Amending Accounting Standards and Interpretations Adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not yet mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The major accounting standards that have not been early adopted for the year ended 31 December 2017 but will be applicable to the Group in future reporting years, are detailed below. Apart from these standards, the Group has considered other accounting standards that will be applicable in future years, however they have been considered insignificant to the Group.

The Group has not applied the following new and revised AASBs that have been issued but are not yet effective for the year ended 31 December 2017:

- **AASB 9 Financial Instruments**

AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that requires entities to account for expected credit losses at the time or recognising the asset. The Group does not expect the adoption of the new Standard to have a material impact on its classification and measurement of the financial assets and liabilities, its hedging arrangements or its results on adoption of the new impairment model.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of AASB 9 to the Group's consolidated financial statements as follows:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under AASB 139.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of AASB 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables as required or permitted by AASB 9.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The directors do not anticipate that the application of the AASB 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

- **AASB15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 'Revenue', AASB 11 'Construction Contracts', and IFRIC 13 'Customer Loyalty Programmes'. AASB 15 is currently effective for annual reporting periods beginning on or after 1 January 2018.

The Group recognises revenue from the following major sources:

Sale of dairy, poultry and wasabi goods measured at the fair value of consideration received net of any trade discounts and volume rebates allowed.

The directors of the Company have assessed that the sale of the dairy, poultry and wasabi goods represents a single performance obligation and accordingly, revenue will be recognised in respect of the sale of these goods at the point in time when control over the corresponding goods and services is transferred to the customer. This is similar to the current identification of separate revenue components under AASB 18. The timing of revenue recognition of this performance obligation under AASB 15 (i.e. at a point in time for sale of goods when the goods are delivered to the customer) is also expected to be consistent with current practice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors intend to use the modified retrospective method of transition to AASB 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors anticipate that as of 1 January 2018, the application of AASB 15 will have an immaterial impact on the group's financial statements.

- **AASB16 Leases**

AASB 16 'Leases' introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This standard becomes mandatory for the Group's 31 December 2019 financial statements. The Group has decided not to early adopt AASB 16, this is in line with the requirement to adopt AASB 15 at the same time.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of $0.6 million. AASB 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The new requirement to recognise a right-of-use asset and a related lease liability has been assessed by the directors and is not anticipated to have a significant impact on the amounts recognised in the Group's consolidated financial statements. Once adopted, the structure of cash flows and the presentation of the balance sheet and income statement will change, with no material impact on overall cash flows and net profits.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement and therefore the directors of the Company do not anticipate that the application of AASB 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

(j) *Rounding Amounts*

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2017

1. In the opinion of the Directors of TasFoods Limited (the "Company"):
   a. The financial report and the Remuneration Report included in the Directors' Report, designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
      ii. Complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as described in the notes to the financial statements; and
3. This declaration has been made after receiving the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 31 December 2017.

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

Shane Noble

Executive Chair

27 February 2018

Launceston

Independent auditor's report

To the members of TasFoods Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of TasFoods Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit and loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

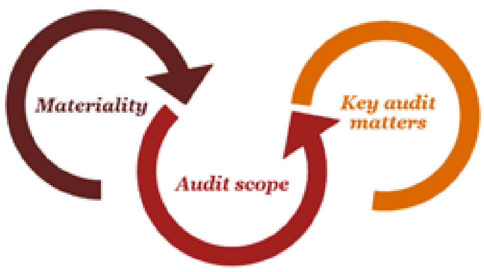
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group has three main operating business units being Nichols Poultry, Dairy (including Meander Valley Dairy and Pyengana) and Shima Wasabi with sites across Tasmania. We predominately performed our audit procedures at the Group's corporate head office in Launceston where the majority of the accounting records are kept with visits to the Nichols Poultry, Pyengana and Shima Wasabi sites.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $305,000, which represents approximately 1% of Group revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured given it remains in the growth and acquisition phase of its lifecycle.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We performed an audit of the most financially significant operating business units of the Group, being Nichols Poultry and Meander Valley Dairy. We performed specific risk focused audit procedures over Shima Wasabi, Pyengana Dairy and the corporate head office.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation of goodwill and indefinite lived intangible assets. – Accounting for biological assets. • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of goodwill and indefinite lived intangible assets *(Refer to note 14 in the financial report)* The Group holds intangible assets amounting to \$8.8 million of which \$5.5 million relates to goodwill and \$2.9 million relates to an indefinite life brand. Under Australian Accounting Standards, the Group is required to assess the indefinite life intangibles for impairment annually. The Group identified three cash generating units (CGUs), being Dairy, Poultry and Wasabi. The intangible assets are allocated to each of these CGUs. The Group performed an impairment assessment for each of the three CGUs described above by calculating the value-in-use of the net assets, including intangible assets, in each CGU. The valuation models (the "models") used by the Group to perform the impairment assessment are based on cash flow forecasts obtained from board approved budgets. The Group identified that there was an impairment of \$2.1 million goodwill for Wasabi. For all other cash generating units (CGUs) the Group's recoverable amount exceeded the carrying value. The Group performed sensitivity analysis and determined that the Dairy CGU impairment assessment was sensitive to a reasonable change in growth rates and the discount rate. The changes in these assumptions are disclosed in note 14. We considered the carrying value of goodwill and indefinite-lived intangibles a key audit matter as the balance is material and significant judgement is required by the Group in estimating future cash flows, particularly with respect to determining appropriate discount rates and annual growth rates. We specifically focused on the Dairy CGU given the limited headroom and because the impairment assessment is sensitive to changes in key assumptions.	We assessed whether the Group's determination of CGUs was consistent with our understanding of the nature of the Group's operations and internal Group reporting. Tested the mathematical accuracy and integrity of the calculations in the models. To evaluate the cash flow forecasts and the process by which they were developed we performed the following procedures amongst others: • Compared the 2018 forecasted cash flows used in the models with the FY2018 budget formally approved by the Board. • Assess the historical accuracy of the Group's forecasts by comparing the forecasts used in the prior year models to the actual performance in the current year. • Assess the forecast growth rates used in the models by reference to our understanding of the key drivers for growth and the Group's future plans. • Compared the terminal growth rate used in the models to historical growth rates and economic forecasts. We assessed the discount rate used in the models by comparing it to our view of an acceptable range based on market data. To assess the impairment charge of \$2.1 million for the Wasabi CGU, we compared the carrying value to the recoverable amount of the CGU. We performed sensitivity analysis which highlighted that the Dairy CGU impairment model is sensitive to changes in key assumptions. We recalculated the change in the growth rates and discount rate which would result in an impairment and evaluated the adequacy of the disclosures in note 14 in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for biological assets *(Refer to note 11 in the financial report)* The Group held biological assets of $2.3million at 31 December 2017. The biological assets include live poultry, wasabi plants and goats. Australian Accounting Standards require biological assets to be measured at fair value less cost to sell or, in the absence of a fair value, at cost less impairment. The Group has valued each of the biological assets as follows: *Poultry* At 31 December 2017 the carrying value of poultry was $957,000. The quantity, age and related weight of the chickens are key elements of the valuation methodology. The Group considered the cost of the chicks, feed costs, grower costs and the conversion rate for the chicken meat (using industry standards), to determine the fair value less cost to sell. *Wasabi plants* The carrying value of wasabi plants at 31 December 2017 was $973,000. This was determined based on the current market price of wasabi powder net of the costs of harvesting, preparing and selling the product. The methodology takes into account an estimated yield per plant in kilograms which has been determined based on historical growth rates and harvest data for mature wasabi plants. *Goats* The carrying value of goats at 31 December 2017 was $330,000. This was determined on the market prices of goats based on age and breed. We considered the valuation of biological assets a key audit matter on the basis that these involve judgement and estimates using key assumptions.	We performed the following procedures amongst others on the biological assets: • Considered the appropriateness of the valuation methodology against the relevant Australian Accounting Standard. • Tested, on a sample basis, the mathematical accuracy of the calculations. • On a sample basis, compared the fair value recognised as at 31 December 2017 to the actual selling price once biological assets were reclassified into inventory. • Compared the fair value of goats to market prices. To assess the valuation of the poultry assets, we performed the following procedures amongst others: • Compared the reasonableness of the number and age of chickens recognised as at 31 December 2017 based on a sample of purchase information for chickens for the December period and physical observation of chickens as at 31 December 2017. • Compared the conversion rate for chicken meat used in the Group's calculation as at 31 December 2017 to the industry valuation methodology standards and company performance for such biological assets. • Agreed the cost of feed and grower costs used in the Group's calculation as at 31 December 2017 to a sample of supplier invoices. To assess the valuation of the wasabi biological assets, we performed the following procedures amongst others: • Considered the reasonableness of the number of plants on hand based on physical observation at 31 December 2017. • Assessed the reasonableness of the yield per plant based on the harvest data prepared by the Group over the preceding 6 month period. • Considered the reasonableness of the costs of harvest and selling costs based on the costs incurred over the preceding 6 month period. • Observed the harvest of a wasabi plant, and its fresh yield (in kgs) and compared this to Groups data.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Director's Report, Chair's Report, Managing Director/CEO Report, Operating & Financial Review, Board of Directors, Executive Team, Shareholder information and the Corporate Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 35 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
27 February 2018


MEANDER VALLEY
DOUBLE
CREAM

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 February 2018.

A. Distribution of Equity Securitie

Analysis of numbers of equity security holders by size of holding:

Spread of Holdings	Number of Holders	Number of Units % of Total Issued Capital
Range	**Holders**	**Units**
1 - 1,000	259 (14.49%)	91,070 (0.05%)
1,001 - 5,000	465 (26.01%)	1,426,495 (0.74%)
5,001 - 10,000	254 (14.21%)	2,112,238 (1.10%)
10,001 - 100,000	634 (35.46%)	24,364,836 (12.72%)
> 100,000	176 (9.84%)	163,522,798 (85.38%)
Total	**1,788 (100.00%)**	**191,517,437 (100.00%)**

The number of shareholders with less than a marketable parcel is 487.

B. Equity Security Holders

Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are listed below (some are grouped where the holdings are deemed to be controlled by the same entity):

Rank	Name	Units
1	JAN CAMERON	**31,791,432**
	ELSIE CAMERON FOUNDATION PTY LTD <FOUNDATION ACCOUNT>	
	JBWERE (NZ) NOMINEES LIMITED <50645 A/C>	
	ELSIE CAMERON FOUNDATION	
	JBWERE (NZ) NOMINEES LIMITED <45230 A/C>	
	JB WERE (NZ) NOMINEES LIMITED <56871 A/C>	
2	TASPLAN SUPERANNUATION	**25,538,692**
	(VIA NATIONAL NOMINEES)	
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**16,429,060**
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	
	Includes Ellerston Capital Limited and its associates shares	
4	CVC LIMITED	**11,467,274**
5	NICHOLS INVESTMENTS PTY LTD <THE R & J N FAMILY A/C>	**8,000,000**
6	HELBERN INVESTMENTS PTY LTD	**6,000,000**
7	V E F PTY LTD	**4,385,472**
	MRKAT PTY LTD <R G WOOLLEY SUPER FUND A/C>	
8	BUDUVA PTY LTD <BASKERVILLE SUPER FUND A/C>	**3,000,000**
9	SHANE ALEXANDER NOBLE	**3,000,000**
10	MR ANDREW WOOLLEY + MR STEPHEN RICHARD KREFT <DIESEL SUPERFUND A/C>	**2,511,668**
	MR ANDREW WOOLLEY	

SHAREHOLDER INFORMATION

Rank	Name	Units
11	VERMILION 21 PTY LTD <THE MCNELHAUS A/C>	**2,199,000**
	CERULEAN 37 PTY LTD	
	VERMILION 21 PTY LTD <MCNELHAUS FAMILY A/C>	
	VERMILION 21 PTY LTD <THE MCNELHAUS SUPER FUND A/C>	
12	JANE FRANCES BENNETT <CHARDON LODGE A/C>	**2,175,472**
	CHARDON LODGE PTY LTD <R J GRIFFIN SUPER FUND A/C>	
	MS JANE FRANCES BENNETT <CHARDON LODGE A/C>	
13	QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	**2,000,000**
14	ELPHINSTONE HOLDINGS PTY LTD	**2,000,000**
15	PICTON COVE PTY LTD	**1,900,000**
16	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	**1,844,088**
17	BOB WILSON <R T WILSON FAMILY A/C>	**1,600,000**
18	MR DARIUS ISAAC	**1,585,736**
19	MR STEPHEN PATRICK WELSH + MRS KAREN MAREE WELSH	**1,200,000**
20	MR JASON PLEHN	**1,074,154**
Totals: Top 20 holders of TFL ORDINARY FULLY PAID		**129,702,048**
Total Remaining Holders Balance		**61,815,389**
Total Holders Balance		**191,517,437**

As at 16 February 2018, the 20 largest shareholders held ordinary shares representing 67.72% of the issued share capital.

Substantial Shareholders

Substantial holders in the Company are set out below:

Name	Number of Shares Held	%
Jan Cameron	31,791,432	16.6%
Tasplan Superannuation Fund	25,538,692	13.33%
Ellerston Capital and its associates (Per substantial shareholder notice)	13,099,728	7.13%
CVC Limited	11,467,274	5.99%

C. Voting Rights

The voting rights attached to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

D. Use of Cash

Cash and assets readily convertible to cash held by the Company for the reporting period were used in a way consistent with its business strategy and objectives.

NICHOLS KITCHEN

MEANDER VALLEY DAIRY

ROBUR FARM DAIRY

NICHOLS POULTRY

NICHOLS ETHICAL FREE RANGE CHICKEN

SHIMA WASABI

PYENGANA DAIRY

The TASMANIAN FOOD Co

PRIDE OF PLATE