TASFOODS LTD

ANNUAL REPORT 2019

CONTENTS

TasFoods Limited
ACN 084 800 902

ABOUT TASFOODS

TasFoods is a diversified food business leveraging the natural attributes of Tasmania's agricultural and food production environment to create premium food products for sale to Australian and export customers.

The company owns a stable of high value food brands in the three product categories: Poultry (Nichols), Dairy (Pyengana, Meander Valley, Betta Milk and Robur Farm) and Horticulture (Shima Wasabi).

TasFoods' focus is to showcase Tasmania's finest produce to the world.

tasfoods.com.au

CHAIRMAN'S REPORT

2019 was another year of strong organic sales growth, together with the strategic acquisition of the complementary assets of the Betta Milk dairy business.

Shane Noble Executive Chairman

32%

INCREASE IN SALES REVENUE

I am pleased with TasFoods' progress in a year when we have rebalanced our product portfolio and continued to refine our internal resources to ensure a brand-driven focus on strong organic growth.

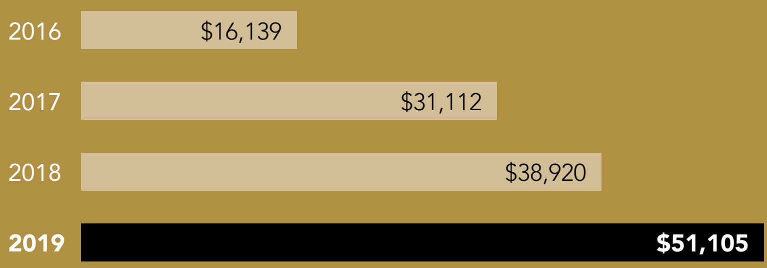
The purchase of Betta Milk was completed on 31st July 2019 for a total consideration of $11.42 million after adjustments and was funded by a combination of cash-on-hand and an $8 million capital raising at 12c per share. The acquisition of the Betta Milk assets has substantially increased the size and scale of our diversified Dairy operations and provided us with an under-utilised bottling facility and distribution network which will be key contributors to our revenue and profit growth into the future.

> **"The TasFoods business portfolio now has two strong operational pillars, with Poultry continuing to be our largest business unit and Dairy operations forecast to contribute circa 40% of total revenue in FY2020."**

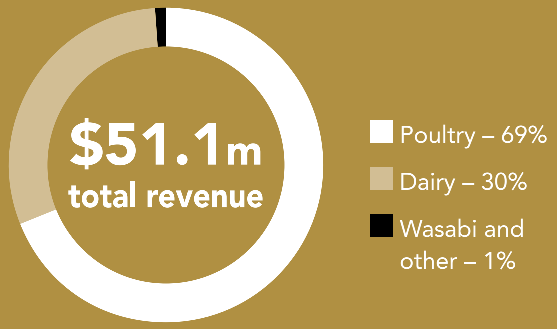
Both these businesses are well positioned to benefit from positive consumer consumption trends and our continued focus on operational optimisation and customer partnerships. Our growth initiatives in 2020 will be supported by the recent appointment of a Chief Marketing Officer who is tasked with implementing a disciplined approach to brand development and product innovation.

Whilst TasFoods delivered strong 32% sales revenue growth in 2019, our financial performance was negatively impacted by drought-influenced commodity price increases which saw the gross profit margin decline by 3%. Despite these commodity price headwinds, the business delivered a 29% improvement in operating EBITDA and structured price increases implemented in Q4 2019 should flow through to an improved gross profit margin in the first half of 2020.

OVERALL REVENUE $'000



REVENUE BY DIVISION



LOOKING TO THE FUTURE

Strong sales growth is forecast in 2020, supported by a full year's sales from the Betta Milk acquisition and increased volumes of poultry from the new chicken sheds completed in Q3 2019. Our focus is profitable growth which will be driven by leveraging our Tasmanian heritage and unlocking the potential of our established brands.

The business will continue to focus on optimising its existing asset mix and on margin improvement initiatives, and is well positioned to deliver its first full year of positive operating EBITDA in 2020.

Shane Noble
Executive Chairman

"The acquisition of Betta Milk has provided TasFoods with the opportunity to leverage an established Tasmania-wide distribution network."

Shane Noble Executive Chairman

BUSINESS OPERATIONS SUMMARY

POULTRY OPERATIONS

Nichols Poultry was established in the early 1980s. The business has grown to become one of the most trusted and respected meat brands in Tasmania.

NICHOLS POULTRY
NICHOLS KITCHEN
NICHOLS ETHICAL FREE RANGE CHICKEN

Operational activities

- Chicken processing
- Chicken growing
- Contract grower management

DAIRY OPERATIONS

The dairy division includes the milk and cream processing operations at Burnie and Kings Meadows, goat farming operations located at the Nichols Poultry farm at Sassafras, and the operations of Pyengana Dairy.

Betta MILK
MEANDER VALLEY DAIRY
PYENGANA DAIRY
ROBUR FARM DAIRY

Operational activities

- Milk and cream processing facilities
- Cheese manufacture and maturation facility
- Café and retail shop
- Goat farming operation

WASABI

Shima Wasabi is the largest commercial wasabi farm in Australia. Located in Tasmania's temperate northwest, it supplies fresh and powdered wasabi products to markets across Australia.

SHIMA WASABI

Operational activities

- Wasabi growing and harvesting facilities
- Wasabi packing and processing facilities

> **"Revenue growth across all business units has been driven by strong Tasmanian support for local producers and growing consumer interest from mainland and export markets in Tasmanian produce."**
>
> **Shane Noble** Executive Chairman

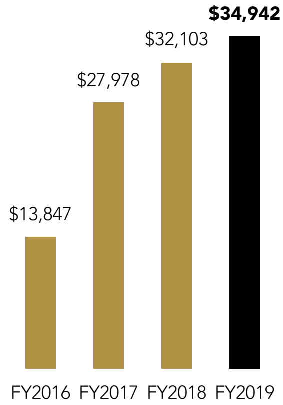
Achievements in the year

- Poultry sales revenue growth of 9% to $34.942 million
- Achieved 85% growth on higher margin Ethical Free Range products
- Capital expenditure project delivered on time and on budget constructing two tunnel-ventilated chicken growing sheds on Nichols Poultry land

Objectives for FY2020

- Continue margin recovery initiatives
- Expand Ethical Free Range chicken markets through additional product differentiation
- Targeted capital expenditure on upgrading older company-owned chicken growing sheds to improve yield

Sales revenue ($'000)



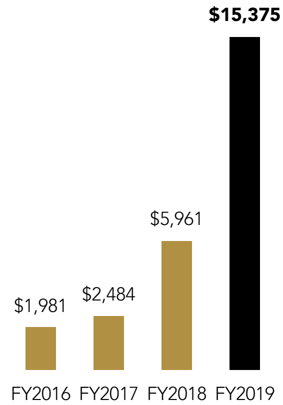
Achievements in the year

- Dairy sales revenue growth of 158% to $15.375 million
- Dairy organic sales growth of 29% (excluding Betta Milk)
- Acquisition of Betta Milk providing increased milk processing capacity and a Tasmania-wide distribution network
- Expansion of ranging for Meander Valley Dairy branded Crème Fraiche into a major retailer nationally
- Launch of Tassie Taste white milk brand into two Tasmanian independent retailers

Objectives for FY2020

- Sales growth through full year of sales from acquisition of Betta Milk
- Leveraging the distribution synergies gained from the Betta Milk acquisition
- Implement margin recovery initiatives
- Launch of a number of new dairy products

Sales revenue ($'000)



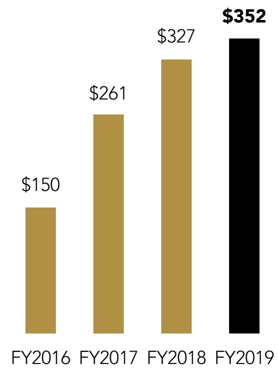
Achievements in the year

- Wasabi sales revenue growth of 8% to $0.352 million
- Expansion of distribution network for fresh wasabi products into Queensland

Objectives for FY2020

- Continued research into health and wellbeing properties of the wasabi plant with a view to potential new product opportunities
- Expansion of industrial customer use of wasabi products

Sales revenue ($'000)



MANAGING DIRECTOR AND CEO'S REPORT

2019 was a year of strong growth across the TasFoods business, accompanied by a transformational acquisition that has established a strategic foundation to drive future growth.

Jane Bennett Managing Director and CEO

158%

INCREASE IN DAIRY SALES REVENUE

The business continued to implement our three year strategic plan focused on driving growth, continuous improvement in operations and upskilling the business in key areas. We achieved strong revenue growth and completed a strategic acquisition which has enabled us to leverage our existing resources and facilities. This has created a scaled Tasmanian food business that further enhances the opportunity to showcase the state's finest product whilst retaining our solid market position in Tasmania.

ACQUISITION

On 31 July 2019 TasFoods completed the acquisition of the milk processing assets and brands of The Betta Milk Co-Operative Society Limited (Betta Milk), an unlisted public company. The cost of the acquisition was $11.4 million which was funded from internal and external sources including an $8 million non-renounceable rights issue which was underwritten at $0.12 per share.

"The acquisition included Betta Milk's recently upgraded export-accredited processing facility in Burnie as well as distribution centres in Launceston and Hobart."

The acquisition complements TasFoods' existing dairy brands and has driven production efficiencies and expanded our distribution network.

A number of synergies identified in the Betta Milk acquisition business case have been realised during the first five months of ownership, and the full financial impact of these will flow through to the 2020 financial year.

The financial results for 2019 include five months' trading for the Betta Milk business, and its sales revenue and EBITDA in this period have exceeded our due diligence expectations.

FINANCIAL PERFORMANCE

	FY2019 $'000	FY2018 $'000	Change ($)	Change (%)
Sales revenue	50,690	38,391	12,299	32%
Gross profit	12,825	10,716	2,109	20%
Gross profit margin	25%	28%		-3%
EBITDA	(1,155)	(1,110)	(44)	-4%
Acquisition costs	(497)	(187)		
Operating EBITDA*	(658)	(924)	266	29%
NPAT	(3,459)	(1,358)	(2,101)	-155%

*Before acquisition and investment costs

Sales revenue in 2019 grew to a milestone $50.69 million, 32% up on 2018 ($38.39 million). This was achieved through a combination of organic growth and the acquisition of Betta Milk. Sales growth from existing business operations (excluding Betta Milk) was 12%, driven by increased sales of 29% in the dairy segment and 9% in the poultry segment.

Gross profit increased by 20% to $12.825 million; however, the gross profit margin declined by 3% to 25% due to input price increases for poultry feed grain, milk and cream influenced by drought. Structured price increases began in Q4 2019 to recover lost margin and further increases are being introduced in H1 2020.

Operating EBITDA (statutory EBITDA less acquisition and investment costs) in 2019 was negative $0.658 million, a 29% improvement on 2018. Operating EBITDA for H2 2019 was positive at $0.05 million.

The company's bottom line performance was a net loss before tax of $3.20 million.

MANAGING DIRECTOR AND CEO'S REPORT (CONT'D)

> "We are the Tasmanian food specialist. We are the trusted source for premium Tasmanian products fit for the world stage. Our products are the essence of Tasmania."

Jane Bennett Managing Director and CEO

SALES

TasFoods continued to grow revenue from its existing business during 2019 through a combination of new customers and increased sales to existing customers, and this was complemented by five months' sales of Betta Milk products.

The acquisition of Betta Milk grew the dairy segment to 30% of total sales, up from 15% in 2018. A full year of ownership of Betta Milk will further increase the dairy segment's proportion of total sales in 2020, bringing greater balance to the business.

Nichols Poultry remains the largest segment, contributing 69% of sales revenue in 2019, down from 84% in 2018. Growth in poultry sales in 2019 was 9%, driven by an increase in bird numbers, and interstate sales grew by 46% due to demand for Ethical Free Range Chicken and new markets for air chilled product.

The strong foundation underpinning our business is the strength of our brands with loyal Tasmanian consumers. We continue to focus on nurturing the Tasmanian market which achieved strong sales growth across the business in 2019. Growing sales to markets outside Tasmania remains a core objective, and stronger distribution partnerships, established in 2018, and expansion of product offerings combined to grow sales to interstate markets.

OPERATIONS

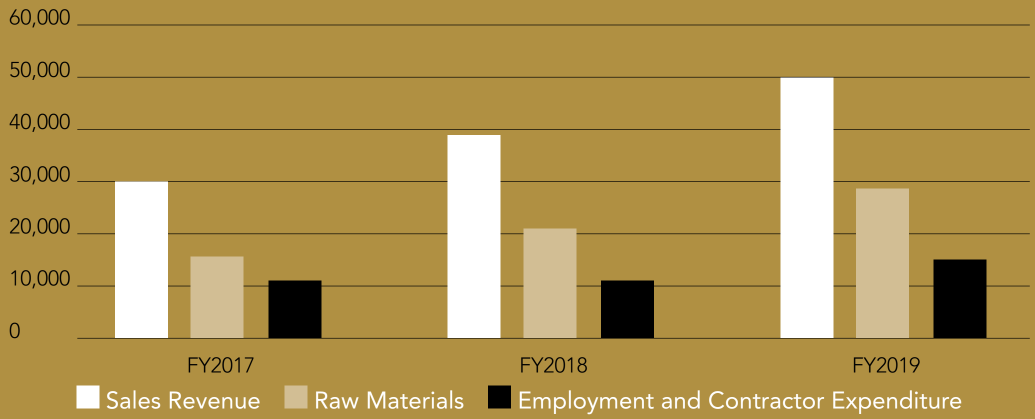
The impact of commodity price increases, influenced by the drought, resulted in the percentage of raw material costs increasing from 53% of sales revenue in 2018 to 58% in 2019. This led to a 3% drop in the gross margin to 25%. The total impact of these cost increases in 2019 was $2.62 million.

The business continued to drive manufacturing and labour efficiencies throughout 2019, reducing employment and contractor expenditure from 32% of sales revenue in 2018 to 30% in 2019. Corporate costs continued to decline as a percentage of sales from 11% in 2018 to 9% in 2019.

A range of strategic price increases for chicken and dairy products was implemented in Q4 2019, and further price increases are being implemented in H1 2020.

The company's major capital investment in 2019 was $2.5 million for two new 40,000 bird growing sheds on the Nichols Poultry site. These new sheds began supplying birds into the factory in Q4 2019, increasing the average number of birds processed per week to 90,000.

SALES REVENUE COMPARISON TO RAW MATERIALS AND EMPLOYMENT AND CONTRACT EXPENDITURE ($'000s)



BRANDS AND MARKETING

In 2019, the business had a major focus on building awareness of our brands with target consumers. This has helped cement the positioning of TasFoods brands with Tasmanians and interstate lovers of Tasmanian food.

We launched a number of new products in several key market segments. The majority of these were launched in the dairy division during Q4 and included new cream variants, flavoured butters, marinated goat cheese and a new white milk brand called Tassie Taste developed in conjunction with Tasmanian independent retail chains.

A new Chief Marketing Officer was appointed in September 2019 and investment in marketing will grow as we review our brand strategy and key areas of focus for 2020.

Strong sales growth and further EBITDA improvement are forecast for 2020. A disciplined approach to cost management will continue to strengthen bottom line performance.

Jane Bennett
Managing Director and CEO

OPERATING AND FINANCIAL REVIEW

NICHOLS
POULTRY

THE NICHOLS DIFFERENCE

Demand for air-chilled chicken is growing as consumers and chefs seek out higher quality protein, free from added water and chemicals.

NICHOLS POULTRY

Nichols Poultry remains the business' largest division with sales of $34.94 million in 2019, up from $32.10 million in 2018. The increase in sales largely reflects further growth in non retail sales to wholesale customers and interstate distribution partners that were established in 2018.

The premium priced Nichols Ethical Free Range Chicken achieved 85% growth in 2019 as interstate markets expanded through ranging in a number of premium restaurants in Sydney and Melbourne. Distribution also increased into Queensland markets through a number of food service partnerships. The Nichols Kitchen value added range grew sales by 44% through meeting the growing consumer demand for convenience.

The 2018 investment in a new air chiller for the Nichols poultry processing site delivered on anticipated quality and efficiency gains however margin improvement was offset by increased feed input costs.

The company invested $2.5 million in 2019 in two new tunnel ventilated chicken growing sheds, each with a capacity for 40,000 birds, erected on the Nichols Poultry site. These sheds became operational in Q3 2019 and will deliver further growth to the business in 2020.

The 2019 shed investment will also allow the company to benchmark a best practice approach to chicken growing. All learnings from this investment will be shared with the wider company contract grower network.

Heading into 2020 commodity grain pricing remains at near record highs. A strategic approach to grain purchasing has been adopted for 2020 with 60% of the required grain supply for the year having been forward purchased at a reduced cost to the 2019 purchase cost.

New pricing strategies to improve margins are being implemented in early 2020 as a result of continuing feed cost pressures.

"Chicken is Australia's most popular meat, and Australia has the world's 3rd highest per capita consumption. Chicken consumption is driven by affordability, health and quality."

Australian Chicken Meat Federation

NICHOLS
ETHICAL FREE RANGE
CHICKEN

85%

GROWTH IN ETHICAL FREE RANGE CHICKEN REVENUE IN 2019

The small flock size of the Nichols Ethical free range chicken, combined with innovative shed design and the absence of foxes and natural predators, encourages chickens to range 24 hours a day in their unique Tasmanian environment.

OPERATING AND FINANCIAL REVIEW (CONT'D)

A WELL LOVED TASMANIAN BRAND

Betta Milk is recognised as one of Tasmania's best known milk brands.

37% GROWTH IN 2019 OF MEANDER VALLEY DAIRY

Sales growth supported by a consumer trend towards consumption of premium butters and indulgent cream.

DAIRY DIVISION

TasFoods' dairy division consists of a number of different operational sites including the Betta Milk facility in Burnie, Kings Meadows Dairy in Launceston and Pyengana Dairy in North East Tasmania.

The division's sales revenue grew by 158% in 2019 to $15.38 million, up from $5.96 million in 2018, with sales from existing operations (excluding Betta Milk) growing by 29% to $7.71 million. This significant growth doubled the division's percentage of total TasFoods sales revenue to 30%, up from 15% in 2018.

Sales from the Betta Milk operation increased by over 10% during its first five months of TasFoods ownership, driven by the acquisition of new customers for existing products and the launch of Tassie Taste, a new brand of white milk. Tassie Taste will contribute to further revenue growth in 2020, improve manufacturing efficiences and generate cream for the company, reducing its reliance on external cream supply.

Sales for Meander Valley Dairy and Robur Farm goat dairy products grew strongly throughout the year. The increase was supported by a full year's sales of Crème Fraiche in Coles and expanded distribution of Meander Valley Dairy's cream and butter products and of Robur Farm's goat cheese products to independent retail markets via distribution partners.

Several new products were launched during Q4 including a range of flavoured butters and Christmas seasonal creams under the Meander Valley Dairy brand, as well as a marinated goat cheese under the Robur Farm brand.

The transfer of Meander Valley and Pyengana Dairy's Tasmanian distribution into the Betta Milk distribution network has resulted in significant freight savings for the Kings Meadows and Pyengana sites. More frequent deliveries to customers' stores have also increased sales for the Pyengana Dairy brands as loyal consumers are able to maintain a continuous supply of their preferred milk product.

There will be a strong focus in 2020 on benefiting from further efficiencies and opportunities for growth in the dairy segment as a result of the Betta Milk acquisition.

Milk supply for the Pyengana Dairy was increased by 30% in June 2019 with an additional farm in the Pyengana valley contracted to supply milk.

Gross margins across the dairy division were negatively impacted during 2019 by increases in cream input costs and a 15% increase in farm gate milk prices during H2. In addition to the sales price increases being implemented in H1 2020, there are a number of cost savings that will be achieved through a full year of Betta Milk ownership.

The creation of the role of Chief Marketing Officer and the significant experience of the dairy operational and quality assurance team provide an in-house capability to develop new products. A range of new products will be developed during 2020.

PYENGANA
DAIRY

130 YEARS OF HERITAGE

Consumer appreciation of the Pyengana Valley's long dairy heritage and unique environment is driving the growing demand for Pyengana Traditional Cloth Bound Cheddar and the Pyengana milk range.

ROBUR FARM
DAIRY

A GROWING SEGMENT IN THE DAIRY CATEGORY FOR THOSE SEEKING INTENSE FLAVOURS OR WITH LACTOSE INTOLERANCE

Demand for goat dairy products continues to grow among high-end consumers and people seeking an alternative to cow's milk.

OPERATING AND FINANCIAL REVIEW (CONT'D)

TASMANIA'S AUTHENTIC WASABI

North West Tasmania is an ideal growing environment for Shima Wasabi, Australia's only commercial wasabi farming operation providing premium fresh wasabi products to consumers and chefs across Australia.

SHIMA WASABI

Total revenue for Shima Wasabi grew by 8% in 2019 to $0.35 million. A number of strategic initiatives during 2018 to improve distribution of fresh wasabi and improve service to interstate food service customers increased fresh wasabi product sales (stem, leaf and flowers) to interstate markets.

The interstate distribution changes initiated in 2018 resulted in reduced freight and packaging costs in addition to operational improvements from harvest efficiencies in 2019. Together, these delivered significant improvements in the gross margin.

Innovation grant funding was received in late 2019 from Food Innovation Australia Ltd to further the research commenced with CSIRO in 2018 on the active components of wasabi that may be beneficial to health and wellbeing. This research has commenced in 2020.

OPERATING AND FINANCIAL REVIEW (CONT'D)

BUSINESS OUTLOOK

The business anticipates continued strong revenue growth across all business segments in 2020. The acquisition of Betta Milk in 2019 has increased the scale of TasFoods' dairy segment and the business now has two solid foundation pillars in dairy and poultry from which it will grow.

The dairy segment's revenue will grow significantly in 2020 through a full year's ownership of Betta Milk and the new white milk brand Tassie Taste launched in December. Additional revenue growth will be achieved from cheese, butter and cream products launched in Q4 2019. A range of new products are being developed for release in H2 2020.

Processing efficiencies will be achieved in the dairy segment during 2020 as further synergies are derived from the acquisition of Betta Milk. Together with price increases, these will improve margins as commodity milk inpuy pricing remains high.

The poultry division's revenue will continue to grow during 2020 through a full year's production from the two new company-owned chicken sheds that commenced supply in Q4 2019. Price increases for poultry will continue to be rolled out in H1 2020 to improve gross margin.

Older company-owned chicken sheds will be upgraded during 2020 to improve their growing performance.

Shima Wasabi will continue to expand its existing markets for fresh wasabi. A research grant from Food Innovation Australia will further develop understanding of the active components of the wasabi plant that may have value to the health and wellbeing markets.

Margin recovery remains a core focus in 2020. The business will continue to identify operational efficiencies and introduce price increases to recover the impact of input price increases.

TasFoods' distribution-led market growth will be supported in 2020 by a range of marketing initiatives to strengthen the presence and awareness of its brands in key markets.

The business will continue to seek further acquisitions that will complement existing operations or provide stand-alone contributions to strengthen bottom-line performance.

The board believes that the long-term fundamentals of TasFoods' businesses are strong, with increasing demand for premium foods. The company's strategy will be to continue to expand through leveraging its Tasmanian heritage and maintaining the premium provenance of its brands, and growing distribution in existing and new markets.

THE TASMANIAN ADVANTAGE

Tasmania's cool climate and fertile soils create the perfect environment for production of a wide range of food products. Surrounded by ocean, Tasmania is a trusted 'place of origin' for premium food products.

OPERATING AND FINANCIAL REVIEW (CONT'D)

RISK

TasFoods is committed to effective management of risk to reduce uncertainty in the group's business outcomes and to protect and enhance shareholder value. There are various internal and external risks that may have a material impact on the group's future financial performance and economic sustainability.

The company 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 risk management system. This process facilitates 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 2019 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. Identified risks remain relatively stable, with no expectation of increases or decreases in the foreseeable future unless specifically noted below. The material business risks which may have an effect on the financial performance of the group are:

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 chicken feed. We have strong relationships and contracts with our suppliers to ensure that quality, quantity and price are stable. Where appropriate, TasFoods is diversifying supply channels to reduce risk levels and dependence on key suppliers.

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 the quality of its relationships with key customers, and ensuring we manufacture product in accordance with our customer's required specification and standard. The company continues to grow and diversify its customer base. In addition, TasFoods responds to changing customer compliance requirements through upgrading its facilities and operating 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, manufacturing facilities and inputs.
Careful site management, biosecurity measures and good animal 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. These systems are overseen by highly skilled staff 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.

Climate Risk

Minimising the risks to the business from a changing climate that is contributing to increased extreme weather events.
TasFoods' operations are geographically dispersed across Northern Tasmania which mitigates the impact of any one climate-influenced event on its production capabilities. Business continuity plans have been established for each business operation that include policies and procedures to manage biological assets in extreme weather events to minimise the risk of losses.

Investment in irrigation infrastructure across the Tasmanian agricultural landscape provides surety of crop for key inputs such as grain and dairy. Drought or extreme weather events in other regions of Australia may impact commodity pricing for inputs to TasFoods' operations.

BOARD OF DIRECTORS

SHANE NOBLE EXECUTIVE CHAIRMAN

Shane has over 20 year's experience operating at either the CEO or Executive Chair level in a diverse range of businesses across the consumer foods and agribusiness sectors. Appointed as a Non Executive Director on 30 November 2017, Shane became Executive Chair as of 1 February 2018. In his most recent prior role Shane was Executive Chairman and CEO of Green's Foods Holdings for 8 years.

ALEXANDER (SANDY) BEARD

NON-EXECUTIVE DIRECTOR

Sandy has over 20 year's experience as a Director and investor in assisting the growth of public and private companies. He was previously Managing Director and CEO of CVC Limited and has extensive experience in a broad range of businesses with particular expertise in food manufacturing. He is an experienced Board Director and has played important roles in delivering value to shareholders over the past 20 years across a broad spectrum of industries and stages of company growth. He was appointed as a Non-Executive Director on 13 March 2018.

ROGER MCBAIN NON-EXECUTIVE DIRECTOR

Roger led a Tasmanian based Chartered Accounting firm as a partner for 25 years ultimately leading the successful merging of the practice into Deloitte in 2010. Continuing as a partner at Deloitte for a further five years, Roger delivered strong results to the Tasmanian practice, through his extensive experience in a broad range of businesses with particular expertise in FMCG, agribusiness and mining services. Roger currently pursues a number of private business interests including a water remediation technology company, property development, tourism, hospitality and retail investments.

JANE BENNETT MANAGING DIRECTOR & CEO

Jane has over 20 year's of experience as a senior executive in vertically integrated dairy businesses in Tasmania and the UK. She has extensive past experience in regional provenance branding as Chair of the Tasmanian Food Industry Council, Board Member of the Brand Tasmania Council and Nuffield Scholar studying Place of Origin Branding. Jane has previously served on the Boards of Australian Broadcasting Corporation, CSIRO, and Food Innovation Australia Ltd. She is a Fellow of the Australian Institute of Company Directors. Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Rural Woman of the Year.

JANELLE O'REILLY COMPANY SECRETARY & GENERAL COUNSEL

Janelle is an expert in commercial law and corporate governance. She previously held the positions of Company Secretary & General Counsel for ASX listed companies Crane Group Limited and Ruralco Holdings Limited and was the General Manager of Governance for Tasmanian State owned Aurora Energy Pty Ltd.

EXECUTIVE TEAM

JANE BENNETT MANAGING DIRECTOR & CEO

Jane has over 20 year's of experience as a senior executive in vertically integrated dairy businesses in Tasmania and the UK. She has extensive past experience in regional provenance branding as Chair of the Tasmanian Food Industry Council, Board Member of the Brand Tasmania Council and Nuffield Scholar studying Place of Origin Branding. Jane has previously served on the Boards of Australian Broadcasting Corporation, CSIRO, and Food Innovation Australia Ltd. She is a Fellow of the Australian Institute of Company Directors. Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Rural Woman of the Year.

DONNA WILSON CHIEF FINANCIAL OFFICER

Donna is a qualified finance executive with 20 year's of experience working within public practice at KPMG, ASX listed companies and at an executive level in statutory government authorities. Donna holds a Masters of Business Administration in Corporate Governance and a Batchelor of Commerce. She is a member of Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors. Donna serves on the Finance Committee of the Scotch Oakburn College School Board.

DAVID BENNETT CHIEF SALES OFFICER

David has extensive experience in national sales, distribution and marketing of fast moving consumer goods, specialising in premium dairy products. David holds a Batchelor of Laws (Honours) and Batchelor of Commerce and has completed a Graduate Diploma in Legal Practice. He previously served as Inaugural Chair of the North West Tasmanian Tourism, Cradle to Coast Tasting Trail.

CATHY ZEPPIERI CHIEF MARKETING OFFICER

Cathy Zeppieri joined Tas Foods Limited in 2019. She has extensive marketing and brand building experience coupled with a business mindset and holds a Bachelor of Business (Marketing). Her career includes Unilever, Frito-Lay (PepsiCo), Ferrero, Campbell-Arnotts, Green's General Foods and Masterpet (EBOS). Cathy has a passion for building strong brand led business strategies, collaborative team work, customer partnership and insight driven innovation. Cathy is a member of the HORT apple and pear marketing strategic advisory board.

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 2019.

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. In his most recent prior role, 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:	3,968,055 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 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. Jane is a fellow of the Australian Institute of Company Directors.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,877,466 Ordinary Shares

Roger McBain	Non-Executive Director 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. He was reappointed to the Board at the Annual General Meeting on 23 May 2019 and was considered an independent Director from 1 July 2019. Roger is the Chair of the Audit and Risk Committee and is a member of the Nomination and Remuneration Committee.
Experience and qualifications	Roger led a Tasmanian based Chartered Accounting firm as a partner for 25 years ultimately leading the successful merging of the practice into Deloitte in 2010 and continued as partner in Deloitte Private until June 2015. With particular expertise in FMCG, agribusiness and mining services, he delivered strong results to the Tasmanian practice. Roger currently pursues a number of private business interests including a water remediation technology company, property development, tourism, hospitality and retail investments. Roger is currently the Chair of Evocra Pty Ltd an unlisted environmental and water remediation company.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,844,370 Ordinary Shares

Alexander (Sandy) Beard	Non-Executive Director Sandy was appointed to the Board as a Non-Executive Director on 13 March 2018. Sandy is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.
Experience and qualifications	Sandy has over 20 years experience as a Director and investor in assisting the growth of public and private companies. He was previously the Managing Director and CEO of CVC Limited and has extensive experience in a broad range of businesses with particular expertise in food manufacturing. Sandy is an experienced Board Director and has played important roles in delivering value to shareholders over the past 20 years across a broad spectrum of industries and stages of company growth. Sandy is a Fellow of the Chartered Accountants Australia and New Zealand and is a Member of the Institute of Company Directors.
Other Directorships in listed entities:	Probiotec Limited (since 2018) Centrepoint Alliance Limited (since 2020)
Former Directorships in listed entities in the last 3 years:	CVC Limited (1999 – 2019) Eildon Capital Limited (1999 – 2019) US Residential Fund (2017 – 2019) Cellnet Group Limited (2007 – 2017) Lantern Hotel Group (2018 – 2019)
Interest in shares and options:	Nil

DIRECTORS' REPORT

COMPANY SECRETARY

Janelle O'Reilly	Company Secretary and General Counsel Janelle joined TasFoods on 9 September 2016
Experience and qualifications	Janelle is an expert in commercial law and corporate governance. She previously held the positions of Company Secretary & General Counsel for ASX listed companies Crane Group Limited and Ruralco Holdings Limited and was the General Manager of Governance for Tasmanian State-owned Aurora Energy Pty Ltd where she was the responsible for legal services, company secretariat, risk, compliance and information management. She is a Director of the Tasmanian not for profit associations Colony 47 and Women's Health Education Network and a member of the Audit and Risk Committee of the University of Tasmania. She is a fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2019 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 23 May 2019.

	Board meeting		Audit and Risk Committee		Nomination & Remuneration Committee	
Director	**Held during time on Board**	**Attended**	**Held during time on Board**	**Attended**	**Held during time on Board**	**Attended**
S Noble	14	14	5	5	3	3
A Beard	14	13#	5	4#	3	3
J Bennett*	14	14	5	5	3	3
R McBain	14	14	5	5	3	3

All Directors were on the Board for the entire financial year.

Mr Beard made an apology for one meeting due to a conflicting commitment.

* 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 food products.

OPERATING RESULTS AND FINANCIAL POSITION

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

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

In July 2019 TasFoods completed the acquisition of the milk processing assets and brands of the Betta Milk Co-operative Society Ltd at a cost of $11.42 million. The acquisition expanded TasFoods existing dairy segment, providing access to further processing capacity, operational efficiencies and reducing input costs through leveraging scale of its dairy operations. It also provided access to a refrigerated distribution network across Tasmania.

The acquisition was funded from $3.9 million of cash reserves and the issue of 66,666,667 shares under a capital raising that included a rights offer of 1 new fully paid ordinary share for every 3.099 existing fully paid share at $0.12 a share raising $8.0 million (before costs). The capital raising was also completed in July 2019.

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

AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since 31 December 2019, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

REMUNERATION REPORT (AUDITED)

The Directors of TasFoods Limited present the Remuneration Report for the Company and its controlled entities for the financial year ended 31 December 2019, 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 2019 the Company's main activity related to developing Tasmanian premium branded food businesses (including Nichols Poultry, Meander Valley Dairy, Pyengana Dairy, Shima Wasabi and Betta Milk), therefore, the details of KMP remuneration for 2019 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
4. Remuneration strategy and framework
    - 4.1. Executive remuneration schedule
    - 4.2. Remuneration mix and linking pay to performance
    - 4.3. 2019 fixed remuneration
    - 4.4. 2019 short-term incentive arrangements
    - 4.5. 2019 long-term incentive arrangements
    - 4.6. KMPs 2019 short-term incentive arrangement results
    - 4.7. Summary of 2019 short-term incentive payments to KMP
    - 4.8. Company financial performance
5. Executive contracts

6. Non-executive directors' 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 2019 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
Alexander Beard	Non-executive Director	13 March 2018

Current KMP Executives	Role	Appointment Date
Jane Bennett	Chief Executive Officer	3 September 2015
Donna Wilson	Chief Financial Officer	27 June 2016

Former KMP Executives	Role	End Date
Tom Woolley	Chief Operating Officer	12 September 2019

1. Shane Noble was a Non-Executive Director prior to his appointment to Executive Chair on 1 February 2018.

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;
- 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 KMP remuneration arrangements. No advice was sought or provided by external advisors regarding the remuneration structure during the year ended 31 December 2019.

During 2019 Mercer Consulting Australia Pty Ltd (Mercer) was engaged to provide the valuation of rights to senior executives (issued under the existing LTI Plan), but did not provide any recommendations on the participants, quantum for participants, or the hurdles.

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 the 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. The Executive Chair also holds options in TasFoods.

4.1. 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 and superannuation)
- At-Risk Remuneration:
  - Short-Term Incentive (STI)
  - Long-Term Incentive (LTI)

	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 attract, motivate, 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, gross profit margin and EBITDA); and • Non-Financial KPIs (i.e. WH&S (LTIFR)). 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 2019 can be found in section 4.6 and 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 provides the right measures and appropriately challenging targets for participants.
Long Term Incentive (LTI) An award of rights with performance assessed over 3 years	LTI awards for the 2019 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 2019 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.

4.2. 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:

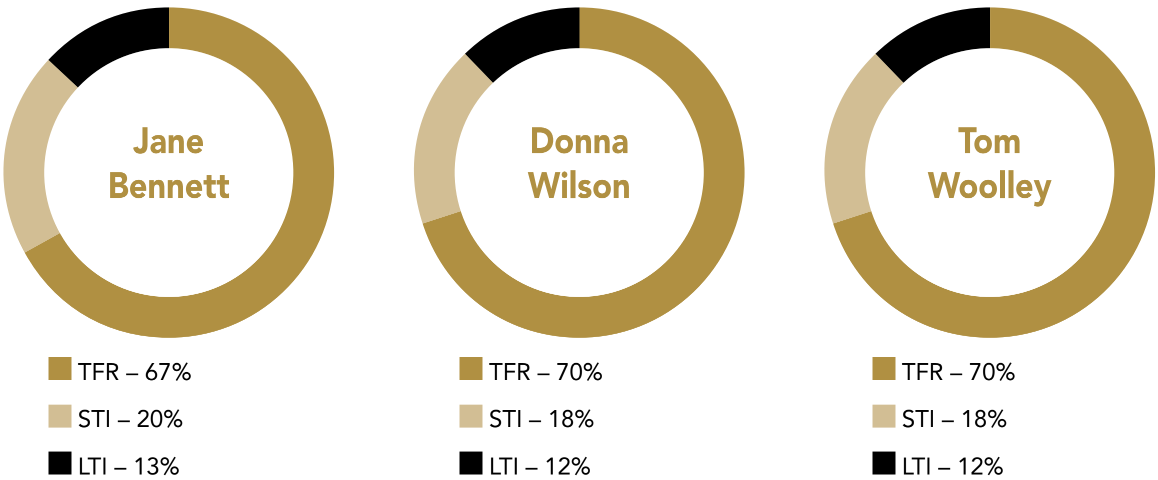
- Requiring a proportion of the executives' remuneration to vary with the short-term and long-term performance of TasFoods;
- Setting clear expectations on target and stretch performance objectives required for STI payments to ensure quality results; and
- Assessment of long-term performance through 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 for 2019 were 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%	38%	20%	40%
Donna Wilson	$210,788	25%	31.3%	17.5%	35%
Former KMP Executives					
Tom Woolley	$229,000	25%	31.3%	17.5%	35%

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

4.3. 2019 fixed remuneration

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

Details of KMP executives' total fixed remuneration for the year ended 31 December 2019 (and 31 December 2018) can be found in the 'Remuneration Tables' section of this report.

4.4. 2019 short-term incentive arrangements

The TasFoods Short Term Incentive Plan (STIP) rewards the CEO and those executives reporting to the CEO (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 2019 are set out in section 4.6 and section 4.7.

4.5. 2019 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, executive KMP, and provision for additional participants but noting that the terms of their grants may be varied as considered appropriate by the Board.

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 2019 was $0.136 based on the share price over a 10-day period, between 25 January 2019 and 8 February 2019.

Measurement Period: The Measurement Period will be the three financial years from 1 January 2019 to 31 December 2021.

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 the 2019 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	>$0.43	100%
Stretch	$0.43	100%
Between Target and Stretch	>$0.36, < $0.43	Pro-rata
Target	$0.36	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) from 2016, the year of investment, of 7.5% to achieve 'target' share price and a CAGR of 11.434% to achieve 'stretch' share price; noting that the share price at the beginning of 2019 was lower than the 2016 capital raising price, using the VWAP of $0.136 as a base, a CAGR of 38.3% over the years 2019 to 2021 is required to achieve 'target' share price and a CAGR of 46.77% is required 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 2019 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.

4.6. KMPs 2019 short-term incentive arrangement results

The measures and targets for the 2019 STI were set by the Board in March 2019 and were based on the priorities for 2019. The key performance indicators were based upon stretch targets, with operating EBITDA set as a hurdle requirement for payment of the 2019 STI.

The Nominations and Remuneration Committee had the option to review the 2019 STI targets after the acquisition of Betta Milk with a view to adjusting targets to reflect the impact of the acquisition. This review was not undertaken, rather the Nominations and Remuneration Committee determined to continue to assess KMP 2019 STI using measures and targets established in March 2019 for existing operations (ie excluding Betta Milk performance).

The following table shows the Company's 2019 STI performance measures, weightings and outcomes as applied to KMP.

Performance Measure	Description	Weighting	Outcome	Comment
Sales Revenue	Statutory gross sales revenue	20%	Target not achieved	Growth in sales revenue is key to improved performance and sustainability of the Group
Gross Profit Margin	Statutory gross profit margin excluding biological asset movements	20%	Target achieved	The gross profit margin is seen as a key outcome of sales effectiveness and operational efficiency
Operating EBITDA	Statutory EBITDA adjusted for acquisition costs, capital raising costs and incentive payments	40%	Target not achieved	EBITDA is seen as a key factor of trading performance and operational sustainability. Operating EBITDA is a hurdle requirement for STI payments
WHS – Lost time injury frequency rate (LTIFR)	LTIFR are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million	20%	Target not achieved	Employees are a key asset to TasFoods and their safety is paramount. A reduction in the LTIFR is a key outcome of the WHS program

4.7. Summary of 2019 short-term incentive payments to KMP

Details of KMP executives' STI payments for the year ended 31 December 2019, the proportion to be received for at-target and stretch performance, achieved STI, and the amounts forfeited are shown in the table below.

FY19 STI Payment	STI $ At-Target	STI $ Stretch	STI $ Achieved	% At-Target STI Achieved	% Stretch STI Achieved	% Stretch STI Forfeited
Current KMP Executives						
Jane Bennett	(78,840)	98,550	–	0%	0%	100%
Donna Wilson	52,697	65,871	–	0%	0%	100%

4.8. 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	2019	2018	2017	2016	2015
Revenue ($000)	$51,105	$38,920	$31,112	$16,139	$2,476
Net (loss)/profit before tax ($'000)	($3,202)	($2,273)	($6,639)	($2,611)	($2,096)
Net (loss)/profit after tax ($'000)	($2,459)	($1,358)	($6,808)	($2,577)	($4,203)
Share price at start of year	$0.135	$0.190	$0.180	$0.410	$0.260
Share price at end of year	$0.120	$0.135	$0.190	$0.180	$0.410
Share price growth	-11.11%	-28.95%	5.56%	-56.10%	57.69%
Dividends	$0.00	$0.00	$0.00	$0.00	$0.09
Basic (loss)/earnings per share (cents)	(1.48)	(0.67)	(4.14)	(2.33)	(4.39)
Diluted (loss)/earnings per share (cents)	(1.48)	(0.67)	(4.14)	(2.33)	(4.39)
Average STI payout as a % at-target for eligible KMP executives	**0%**	**0%**	**20%**	**0%**	**100%**

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			
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.

6. NON-EXECUTIVE DIRECTORS' REMUNERATION STRUCTURE

TasFoods remuneration policy for executive 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 executive 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

Within the aggregate amount of $400,000, non-executive and the Executive Chair's directors' 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 NED fees was undertaken in November 2017, based on the benchmark data of a market capitalisation comparator group. Non-executive and the Executive Chair's directors' fees, effective 1 January 2019 (inclusive of superannuation) were:

Director	Base Fee $	Committee Chair Fee $	Total $
Shane Noble (Executive Chair)[1]	250,000	–	250,000
Roger McBain	45,000	–	45,000
Alexander Beard[2]	45,000	–	45,000

1. Shane Noble as Executive Chair has a more significant role in the business than that of a 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. Alexander (Sandy) Beard was appointed to the Board on 13 March 2018, Sandy elected not to be paid a Directors fee by TasFoods Limited until 1 September 2019.

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

A non-executive director 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 2019 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.

Table A: Remuneration for KMP for the year ended 31 December 2019

		Short Term Employee Benefits				Post-employment Benefits		Share Based Payments			
	Year	**Salary/ Fees $**	**STI Payment $**	**Non-monetary benefits $**	**Movement in Employee Entitlements $**	**Superannuation $**	**Long term employment benefits $**	**Shares $**	**Performance Rights/ Options $**	**Total $**	**Performance Related %**
Current Executive Chair and Non-executive Directors											
Shane Noble	**2019**	**228,311**	**–**	**–**	**–**	**21,689**	**–**	**–**	**81,250**	**331,250**	**0%**
	2018	228,675	–	–	–	21,724	–	–	81,250	331,650	0%
Roger McBain	**2019**	**41,096**	**–**	**–**	**–**	**3,904**	**–**	**–**	**–**	**45,000**	**0%**
	2018	38,676	–	–	–	3,674	–	–	–	42,350	0%
Alexander Beard[1]	**2019**	**13,736**	**–**	**–**	**–**	**1,305**	**–**	**–**	**–**	**15,041**	**0%**
	2018	Not applicable									
Current KMP Executives											
Jane Bennett	**2019**	**240,050**	**–**	**–**	**11,895**	**22,590**	**–**	**–**	**25,638**	**300,172**	**0%**
	2018	236,677	–	–	11,895	24,051	–	–	20,227	292,850	0%
Donna Wilson	**2019**	**194,115**	**–**	**–**	**15,213**	**18,393**	**–**	**–**	**13,226**	**240,948**	**0%**
	2018	170,031	–	–	13,603	17,163	–	–	9,429	210,226	0%
Former KMP Executives											
Tom Woolley[2]	**2019**	**228,152**	**–**	**–**	**(27,299)**	**18,488**	**–**	**–**	**(29,850)**	**189,492**	**0%**
	2018	210,039	–	–	5,896	19,815	–	–	13,262	249,011	0%

(1) Alexander Beard was appointed to the Board on 13 March 2018 and elected not to be paid a Directors fee until 1 September 2019

(2) Tom Woolley resigned on 12 September 2019

Table B: Shareholdings

	Year	Shares held at Start of Year No.	Issued as Remuneration	Share Buyback No.	Net other changes	Shares held at End of Year No.
Current Executive Chair and Non-executive Directors						
Shane Noble	**2019**	**3,000,000**	**–**	**–**	**968,055**	**3,968,055**
	2018	3,000,000	–	–	–	3,000,000
Roger McBain	**2019**	**2,199,000**	**–**	**–**	**645,370**	**2,844,370**
	2018	2,199,000	–	–	–	2,199,000
Alexander Beard	**2019**	**–**	**–**	**–**	**–**	**–**
	2018	–	–	–	–	–
Current KMP Executives						
Jane Bennett	**2019**	**2,175,472**	**–**	**–**	**701,994**	**2,877,466**
	2018	1,999,000	–	–	176,472	2,175,472
Donna Wilson	**2019**	**–**	**–**	**–**	**–**	**–**
	2018	–	–	–	–	–
Former KMP Executives		**No.**		**No.**		**No.**
Tom Woolley	**2019**	**599,000**	**–**	**–**	**–**	**N/A**
	2018	599,000	–	–	–	599,000

Table C: Movements during 2019 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 No.	Granted as Remuneration	Vested and exer-cisable No.	Exercised during the reporting period No.	Forfeited No.	Performance Rights or Options held at End of Year No.
Current Executive Chair and Non-executive Directors							
Shane Noble	**2019**	**5,000,000**	**–**	**–**	**–**	**–**	**5,000,000**
	2018	5,000,000	–	–	–	–	5,000,000
Roger McBain	**2019**	**2,500,000**	**–**	**–**	**–**	**(2,500,000)**	**–**
	2018	2,500,000	–	–	–	–	2,500,000
Current KMP Executives							
Jane Bennett	**2019**	**4,502,972**	**772,941**	**–**	**–**	**(2,500,000)**	**2,775,913**
	2018	3,884,619	618,353	–	–	–	4,502,972
Donna Wilson	**2019**	**967,250**	**542,468**	**–**	**–**	**–**	**1,509,718**
	2018	584,000	383,250	–	–	–	967,250

	Year	Performance Rights or Options held at Start of Year No.	Granted as Remuneration	Vested and exercisable No.	Exercised during the reporting period No.	Forfeited No.	Performance Rights or Options held at End of Year No.
Former Non-executive Directors							
Robert Woolley	**2019**	**9,500,000**	**–**	**–**	**–**	**(9,500,000)**	**–**
	2018	9,500,000	–	–	–		9,500,000
Antony Robinson	**2019**	**1,500,000**	**–**	**–**	**–**	**(1,500,000)**	**–**
	2018	1,500,000	–	–	–	–	1,500,000
Former KMP Executives							
Tom Woolley	**2019**	**3,829,346**	**–**	**–**	**–**	**(3,829,346)**	**–**
	2018	3,378,464	450,882	–	–	–	3,829,346

Table D: Share-based payments granted as remuneration to KMP during 2019.

	Year	Grant Date	Number Granted	Value of Performance Rights or Options Granted	Number Vested	Percentage of Grant Forfeited
Current KMP Executives						
Jane Bennett	**2019**	**24-Oct-19**	**772,941**	**32,464**	**–**	**0%**
	2018	26-Jul-18	618,353	27,208	–	0%
Donna Wilson	**2019**	**24-Oct-19**	**542,468**	**22,784**	**–**	**0%**
	2018	26-Jul-18	383,250	16,863	–	0%
Former KMP Executives						
Tom Woolley	**2019**		**–**	**–**	**–**	**0%**
	2018	26-Jul-18	450,882	19,839	–	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.

DIRECTORS' REPORT

Shares Options and Performance Rights

During the financial year the Company issued 1,653,571 performance rights and 1,500,000 share options. Further details regarding the performance rights and options granted are contained within the Remuneration Report and in note 30.

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.

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.

	2019 **$**	**2018** **$**
Auditors of the parent entity:		
Auditing the financial report	168,175	123,900
Other assurance services	–	3,876
	168,175	**127,776**

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 38 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

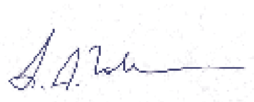
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The Group continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Group has not followed 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

28 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2019, 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.

PricewaterhouseCoopers

Alison Tait
Partner

Melbourne
28 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue from operations	6	50,690	38,391
Other income	6	416	529
Fair value adjustment of biological assets		1,169	291
Raw materials used		(29,224)	(20,539)
Employment and contractor expense		(15,264)	(12,375)
Freight		(3,385)	(2,370)
Occupancy costs		(971)	(1,102)
Depreciation and amortisation		(1,839)	(1,210)
Finance costs		(261)	(109)
Travel and accommodation		(147)	(160)
Legal and professional fees		(292)	(209)
Marketing and event expenses		(396)	(521)
Repairs and maintenance		(638)	(573)
Research and development		(29)	(38)
Investment expenses		(497)	(187)
Other expenses		(2,533)	(2,091)
Loss before income tax		**(3,202)**	**(2,273)**
Income tax benefit/(expense)	8	(256)	915
Net Loss after tax for the year from continuing operations		**(3,459)**	**(1,358)**
Net profit after tax for the year from discontinued operations		–	–
Net Loss after tax for the year		**(3,459)**	**(1,358)**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Other comprehensive loss net of tax		–	–
Total comprehensive income		**(3,459)**	**(1,358)**
Net profit for the period attributable to:			
Non-controlling interest		–	–
Owners of TasFoods Limited		(3,459)	(1,358)
		(3,459)	**(1,358)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		–	–
Owners of TasFoods Limited		(3,459)	(1,358)
		(3,459)	(1,358)
Basic loss per share (cents per share)	4	(1.48)	(0.67)
Diluted loss per share (cents per share)	4	(1.48)	(0.67)
Basic loss per share from continuing operations (cents per share)	4	(1.48)	(0.67)
Diluted loss per share from continuing operations (cents per share)	4	(1.48)	(0.67)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	19	2,209	6,658
Trade and other receivables	9	4,394	2,609
Biological assets	10	2,729	2,432
Inventory	11	4,123	2,572
Prepayments		699	542
Total Current Assets		**14,155**	**14,813**
Non-Current Assets			
Property, plant and equipment	12a	25,048	17,458
Right of use assets	12b	1,081	–
Intangible assets	13	14,013	8,673
Biological assets	10	1,170	275
Deferred tax assets	8	–	–
Total Non-Current Assets		**41,313**	**26,406**
Total Assets		**55,467**	**41,219**
Current Liabilities			
Trade and other payables	14	8,628	3,976
Borrowings	15	765	1,470
Lease Liabilities	12b	423	–
Provisions	16	976	623
Total Current Liabilities		**10,793**	**6,069**
Non-Current Liabilities			
Borrowings	15	4,500	727
Lease Liabilities	12b	1,477	–
Provisions	16	220	156
Deferred tax liabilities	8	–	–
Total Non-Current Liabilities		**6,197**	**883**
Total Liabilities		**16,990**	**6,953**
Net Assets		**38,477**	**34,266**
Equity			
Contributed Equity	17	53,983	46,354
Reserves	18	493	390
Accumulated Losses		(15,998)	(12,477)
Total Equity		**38,477**	**34,266**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
At 1 January 2018	**42,505**	**260**	**(11,119)**	**31,646**
Loss for the year	–	–	(1,358)	(1,358)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(1,358)	(1,358)
Issue of shares	4,000	–	–	4,000
Share issue costs	(151)	–	–	(151)
Share-based payment expense	–	130	–	130
As at 31 December 2018	**46,354**	**390**	**(12,477)**	**34,267**
At 1 January 2019	**46,354**	**390**	**(12,477)**	**34,267**
Loss for the year	–	–	(3,459)	(3,459)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(3,459)	(3,459)
Issue of shares	8,000	–	–	8,000
Share issue costs	(372)	–	–	(372)
Share-based payment expense	–	103	–	103
Adoption of AASB 16 Leases	–		(63)	(63)
As at 31 December 2019	**53,983**	**493**	**(15,998)**	**38,476**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		49,533	39,052
Payments to suppliers and employees		(50,030)	(41,152)
Interest received		60	148
Interest paid		(252)	(104)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(498)	(187)
Income taxes received		–	0
Other		282	266
Net cash used in operating activities	**19**	**(904)**	**(1,976)**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,357)	(4,108)
Payments for other non-current assets		(28)	–
Proceeds from disposal of property, plant, and equipment		20	11
Net cash used in business combination		(11,423)	–
Net cash used in investing activities		**(14,788)**	**(4,098)**
Cash flows from financing activities			
Proceeds from issue of shares		8,000	4,000
Cost of issuing shares		(531)	(215)
Proceeds from borrowings		4,645	152
Principal elements of lease payments		(954)	(1,112)
Transaction costs related to borrowings		(1)	–
Net cash provided by financing activities		**11,159**	**2,825**
Net (decrease)/increase in cash held		**(4,533)**	**(3,249)**
Cash and cash equivalents at the beginning of the year		5,977	9,226
Cash and cash equivalents at the end of the year	**19**	**1,444**	**5,977**

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 2019

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 28 February 2020 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

In July 2019 TasFoods completed the acquisition of the milk processing assets and brands of the Betta Milk Co-operative Society Ltd at a cost of $11.42 million. The acquisition expanded TasFoods existing dairy segment, providing access to further processing capacity, operational efficiencies and reducing input costs through leveraging scale of its dairy operations. It also provided access to a refrigerated distribution network across Tasmania.

The acquisition was funded from $3.9 million of cash reserves and the issue of 66,666,667 shares under a capital raising that included a rights offer of 1 new fully paid ordinary share for every 3.099 existing fully paid share at $0.12 a share raising $8.0 million (before costs). The capital raising was also completed in July 2019.

A detailed discussion of the Group's financial performance and position is included in the Operating and Financial Review on pages 10 to 17 at the start of this Annual Report.

There have been no changes in accounting policies since the previous financial report at 31 December 2018, with the exception of those outlined in Note 31(h).

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 decisions, in conjunction with the quantitative thresholds established by *AASB 8 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, Pyengana Dairy and Betta Milk (Van Diemen's Land Dairy) businesses, the assets of which were acquired in September 2015, October 2017 and July 2019, respectively. In addition, the Dairy segment includes goat farming operations which were acquired in June 2016. The Dairy segment primarily derives revenue from dairy processing activities including the manufacture of premium fresh milk, cheese, cream and butter products. These products are sold under the Meander Valley Dairy, Pyengana Dairy, Real Milk, Robur Farm Dairy, Betta Milk and Tassie Taste brands.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016. Revenue is primarily derived by the poultry segment from the sale of poultry meat products sold under the Nichols Poultry, Nichols Ethical Free Range and Nichols Kitchen brands.
- 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; and
  - The net assets and business operations of Shima Wasabi Pty Ltd, which were acquired in June 2016.

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 2019

3. SEGMENT INFORMATION (CONT'D)

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated – 2019				
Revenue				
Total segment sales revenue	15,375	34,942	373	50,690
Other income	40	234	141	416
	15,415	35,176	514	51,105
Segment profit/(loss)	227	1,211	(4,640)	(3,203)
Profit after tax from discontinued operation				–
Loss before income tax expense				(3,202)
Income tax (expense)/benefit				(256)
Loss after income tax expense				**(3,459)**
Assets				
Segment assets	24,488	25,622	5,358	55,467
Unallocated assets from continuing operations:				–
Total Assets				**55,467**
Total assets include:				
Goodwill on acquisition of non-current assets	3,820	3,137	–	6,957
Liabilities				
Segment liabilities	5,370	10,130	1,490	16,990
Deferred tax liability/(asset)				–
Total liabilities				**16,990**

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated – 2018				
Revenue				
Total segment sales revenue	5,961	32,103	327	38,391
Other income	122	244	163	529
	6,083	32,347	490	38,920
Segment profit/(loss)	(521)	2,708	(4,460)	(2,274)
Loss before income tax expense				(2,273)
Income tax benefit				915
Loss after income tax expense				**(1,359)**
Assets				
Segment assets	8,221	23,290	9,709	41,220
Unallocated assets from continuing operations:				
Total Assets				**41,220**
Total assets include:				
Goodwill on acquisition of non-current assets	2,397	3,137	–	5,534
Liabilities				
Segment liabilities	1,506	4,321	1,126	6,953
Deferred tax liability/(asset)				–
Total liabilities				**6,953**

SHAREHOLDER RETURNS

4. EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic loss per share	(1.48)	(0.67)
Diluted loss per share	(1.48)	(0.67)
Basic loss per share from continuing operations	(1.48)	(0.67)
Diluted loss per share from continuing operations	(1.48)	(0.67)
Basic (loss)/earnings per share from discontinued operations	–	–
Diluted (loss)/earnings per share from discontinued operations	–	–

	2019 $'000	2018 $'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	(3,459)	(1,358)
Continuing operations	(3,459)	(1,358)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

4. EARNINGS PER SHARE (CONT'D)

	2019 Number	2018 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	233,882,763	203,745,777
Diluted		
Weighted average number of ordinary shares and convertible redeemable preference shares outstanding and performance rights during the period used in the calculation of basic earnings per share	233,882,763	203,745,777

Information Concerning the Classification of Securities

Potential ordinary shares:

a) There were no options (other than those referred to in note 30) or other forms of potential shares on issue at 31 December 2019 (31 December 2018: Nil).

b) Options granted (as referred to in note 30) are not included in the calculation of diluted earnings per share as the share price as at 31 December 2019 was lower than the exercise price. If the share price were to increase above the exercise price, any options exercised would have a dilutive impact on the earnings per share.

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 2019 (31 December 2018: Nil).

PROFIT AND LOSS INFORMATION

6. REVENUE

	2019 $'000	2018 $'000
Revenue from continuing operations		
Sales revenue	50,690	38,391
Other income		
Interest received	53	156
Sundry income	363	373
	416	529

Recognition and measurement

Sales revenue

Accounting for wholesale sales of dairy, poultry and wasabi goods

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

The sale of dairy, poultry and wasabi goods represents a single performance obligation and accordingly, revenue is 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 (i.e. at a point in time for sale of goods when the goods are delivered to the customer or transferred to the freight forwarder).

Delivery occurs when the products have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

While such arrangements are rare, if an arrangement with a wholesale customer includes multiple performance obligations, the total revenues are allocated to the separate elements of the contract, at the appropriate transaction price. In such cases, revenue will be recognised once each performance obligation is met.

Accounting for retail and online sales

Revenue is recognised when the transaction is processed at the point of sale, whether that is at the register in-store or via an on-line checkout process.

Accounting for bill and hold transactions

For bill and hold sales transactions, control is deemed to pass and as such revenue recognised when (a) the customer has accepted delivery of the goods; or (b) the customer's freight forwarder has taken possession of the goods.

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

Interest revenue

Interest revenue is recognised on a proportional basis using the effective interest rate method.

7. EXPENSES

	2019 $'000	2018 $'000
Profit before income tax expense includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	13,845	10,255
Temporary employees	280	137
Share based payments	103	130
Superannuation expense (defined contribution)	1,036	922
Total employee benefits	15,264	11,444
Other employment expenses	–	932
Total employment and contractor expense	15,264	12,375
Rental expenses related to operating leases	–	203
Investment expense	497	187

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.

8. INCOME TAX

	2019 $'000	2018 $'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	–	–
Deferred tax movements	256	(915)
	256	**(915)**
Deferred income tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(179)	(1,062)
Increase/(decrease) in deferred tax liabilities	436	146
	256	**(915)**
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	(3,202)	(2,273)
Tax benefit at Australian tax rate of 30% (2018: 30%)	(961)	(682)
Tax effect of amounts which are not deductible in calculating taxable income	36	61
Derecognition/(recognition) of prior year tax losses	1,181	(294)
	256	(915)
Deferred taxes not recognised	–	–
Income tax (benefit)/expense for the period	**256**	**(915)**
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	(159)	(65)
	(159)	**(65)**

8. INCOME TAX (CONT'D)

	Opening Balance $'000	Acquired as part of a Business Combination $'000	Charged to Income $'000	Charged to Equity $'000	Closing Balance $'000
(c) Deferred tax					
Gross deferred tax assets:					
Provisions	258	97	20		375
Trade and other payables	30		11		41
Share issue expenses	277		(67)	159	370
Trade and other receivables	8		(2)		6
Property, plant and equipment	8		(319)		(311)
Intangibles	7		15		22
Tax Losses	1,176		169		1,345
Interest bearing liabilities	–		351		351
	1,764	**97**	**179**	**159**	**2,200**
Gross deferred tax liabilities:					
Biological assets	(648)		(347)		(995)
Inventory	(232)		(81)		(313)
Intangibles	(873)				(873)
Other	(11)		(7)		(18)
	(1,764)	**–**	**(436)**	**–**	**(2,200)**
Net deferred tax asset/(liability)	**–**	**97**	**(256)**	**159**	**–**

	2019 $'000	2018 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Capital losses	–	–
Revenue losses	27,173	19,315
	27,173	19,315
Potential tax benefit at 30%	**8,152**	**5,795**

Unused tax losses

The Group has recognised tax losses in the year ended 31 December 2019 only to the extent of the Groups taxable temporary differences. After recognition of these losses the Group had a further $27.173 million of carry forward tax losses for which no deferred tax asset has been recognised (31 December 2018: $19.315 million). 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. Prior to recognising the carry forward tax losses transferred into and incurred by the loyalty, rewards and payments business, the Group will assess the application of the continuity of ownership and continuity of business tests.

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.

CURRENT ASSETS

9. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade Receivables	3,907	2,265
Loss allowance	(20)	(26)
Other receivables	508	371
	4,394	**2,609**

Loss Allowance	2019 $'000	2018 $'000
Movements in the loss allowance were as follows:		
Carrying value at the beginning of the year	26	20
Increase/(decrease) in loss allowance recognised	(7)	14
Receivables written off as uncollectable	–	(8)
Unused amount reversed	–	–
Carrying value at the end of the year	**20**	**26**
Trade receivables past due but not impaired		
Under one month	462	384
One to three months	38	22
Over three months	36	24
	536	**430**

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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 expected loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days outstanding. The expected loss rates applied are based upon the payment sales profiles over a 12 month period and the historical credit losses experienced in this period. Historical loss rates are adjusted to reflect current and forward looking information including macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance is determined as follows for trade receivables:

31 December 2019	Current	30 days	60 days	90+ days	Total
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount ($'000)	3,369	462	38	38	3,907
Loss Allowance ($'000)	–	–	–	19	19

31 December 2018	Current	30 days	60 days	90+ days	Total
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount ($'000)	1,808	381	22	51	2,263
Loss Allowance ($'000)	–	–	–	26	26

The amount of the impairment loss is recognised in the consolidated statement of profit and loss 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 is approximated to fair value.

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 loss allowance. 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.

10. BIOLOGICAL ASSETS

	Poultry $'000	Goats $'000	Wasabi Plants $'000	Total $'000
Balance as at 1 January 2018	957	330	973	2,260
Increases due to purchases and production	1,312	8	2	1,322
Decreases due to sales/processing/mortality (i)	(957)	(64)	(144)	(1,165)
Movement in fair value as a result of physical and/or price changes (ii)	134	10	147	291
Balance as at 31 December 2018	**1,446**	**284**	**977**	**2,708**
Current	1,446	11	976	2,432
Non-current	–	273	2	275
	1,446	**284**	**977**	**2,708**
Balance as at 1 January 2019	1,446	284	977	2,708
Increases due to purchases and production	1,724	–	9	1,733
Decreases due to sales/processing/mortality (i)	(1,446)	(68)	(267)	(1,781)
Movement in fair value as a result of physical and/or price changes (ii)	512	37	692	1,241
Balance as at 31 December 2019	**2,235**	**253**	**1,412**	**3,900**
Current	2,235	–	494	2,729
Non-current	–	253	918	1,170
	2,235	**253**	**1,412**	**3,900**

(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.

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 2019, the Group held 531,280 live poultry (2018: 465,788), 585 goats (2018: 764) and 6,576 mature wasabi plants (2018: 8,750) and 549 immature wasabi plants (2018: 704) that are less than 12 months of age and not suitable for harvest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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10. BIOLOGICAL ASSETS (CONT'D)

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 2019, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $103,334 (2018: $57,564) 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 2019 the Group's wasabi plants were an average of 24 months of age (31 December 2018: 23 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 2019, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $93,585 (31 December 2018: $72,682) by a price increase/decrease of 5%.

Fair Value Measurement

	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
– Poultry	–	2,235	–	2,235
– Goats	–	253	–	253
– Wasabi plants	–	–	1,412	1,412
Total biological assets recognised at fair value	**–**	**2,488**	**1,412**	**3,900**

	Level 1 $'000	2018 Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
– Poultry	–	1,446	–	1,446
– Goats	–	284	–	284
– Wasabi plants	–	–	977	977
Total biological assets recognised at fair value	**–**	**1,731**	**977**	**2,708**

Fair value measurements using significant unobservable inputs

The following table summarises the quantitative 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: 0.46 kilograms (31 December 2018: 0.58 kilograms)
Relationship to unobservable inputs to fair value	An increase/decrease in yield would result in a direct increase/decrease in the fair value

11. INVENTORY

	2019 $'000	2018 $'000
Finished goods	2,025	1,343
Raw materials and packaging	1,550	591
Other	548	637
	4,123	**2,572**

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.

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for the year ended 31 December 2019

NON-CURRENT ASSETS

12. PROPERTY, PLANT AND EQUIPMENT

a. Property, Plant and Equipment

	2019 $'000	2018 $'000
Land and buildings – at cost	13,334	8,243
Less accumulated depreciation	(747)	(475)
	12,586	7,769
Plant and equipment – at cost	14,751	8,812
Less accumulated depreciation	(3,039)	(1,781)
	11,712	7,031
Office equipment – at cost	221	181
Less accumulated depreciation	(153)	(131)
	68	50
Motor vehicles – at cost	787	483
Less accumulated depreciation	(183)	(96)
	603	387
Capital Work in Progress – at cost	78	2,220
Total Property, Plant and Equipment	**25,048**	**17,458**

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:

Carrying value	Land and buildings $'000	Plant and equipment $'000	Office equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
As at 1 January 2018	7,879	6,650	77	162	177	14,945
Additions	111	1,274	8	287	2,220	3,899
Capitalisation to asset categories	–	–	–	–	(177)	(177)
Depreciation expense	(221)	(892)	(35)	(62)	–	(1,210)
Balance as at 31 December 2018	**7,769**	**7,031**	**50**	**387**	**2,220**	**17,458**
As at 1 January 2019	7,769	7,031	50	387	2,220	17,458
Additions	2,328	3,095	4	89	–	5,517
Additions as a part of a business combination	2,760	2,885	36	214	–	5,894
Capitalisation to asset categories	–	–	–	–	(2,142)	(2,142)
Disposals	–	(30)	–	–	–	(30)
Depreciation expense	(264)	(1,272)	(21)	(92)	–	(1,649)
Balance as at 31 December 2019	**12,593**	**11,710**	**69**	**598**	**78**	**25,048**

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.

b. Right of Use Assets and Lease Liabilities

Right of Use Assets

Recognised right-of-use assets relate to the following types of assets:

	31 December 2019 $'000	1 January 2019 $'000
Land and buildings	1,075	1,224
Motor vehicles	5	13
Total right-of-use assets	**1,081**	**1,238**

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period:

Carrying value	Land and buildings $'000	Motor vehicles $'000	Total $'000
Balance at 1 January	1,224	13	1,238
Additions	21	–	21
Depreciation expense	(170)	(8)	(178)
Net carrying amount at 31 December 2019	**1,075**	**5**	**1,081**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Lease Liabilities

	31 December 2019 $'000	1 January 2019 $'000
Current	423	995
Non-Current	1,477	1,822
	1,901	**2,817**

In the previous year the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. Lease liabilities recognised under AASB 117 were recorded as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 January 2019, refer to note 31(h).

Statutory EBITDA for 2019 includes a $0.21 million benefit relating to AASB 16 with minimal impact to EBIT, Net Profit Before Tax and Net Profit After Tax.

Recognition and measurement

The Group leases property and motor vehicles. Rental contracts are typically made for periods of 24 months to 5 years but may have options to extend as described below.

Contracts made contain both lease and non-lease components. The Group allocated consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components, instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial indirect costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

13. INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Goodwill	6,957	5,534
Brands and trademarks	6,835	2,945
Other	222	194
	14,013	**8,673**
Gross carrying value		
At cost	16,731	11,390
Accumulated impairment and amortisation	(2,717)	(2,717)
Total net carrying amounts	**14,013**	**8,673**
Reconciliations		
Carrying amount at beginning	8,673	8,673
Additions	28	–
Business combinations during the year	5,312	–
Carrying amount at end	**14,013**	**8,673**

Goodwill relates to the acquisition of the assets of the following businesses:

- Meander Valley Dairy in 2015;
- Pyengana Dairy in 2017; and
- Betta Milk in 2019.

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.

Brands and trademarks are predominantly associated with the Nichols Poultry brand acquired in 2016 and the Betta Milk brand acquired in 2019.

Other intangible assets include water rights and intellectual property.

13. INTANGIBLE ASSETS (CONT'D)

Goodwill and intangibles assessed as having an indefinite useful life are allocated to the Group's cash generating units (CGUs) as follows:

	2019				2018			
	Goodwill $'000	Brands & Trademarks $'000	Other $'000	Total $'000	Goodwill $'000	Brands & Trademarks $'000	Other $'000	Total $'000
Dairy	3,820	3,925	20	7,764	2,397	35	–	2,432
Poultry	3,137	2,910	194	6,241	3,137	2,910	194	6,241
Corporate and Other	–	–	9	9	–	–	–	–
Total	**6,957**	**6,835**	**222**	**14,013**	**5,534**	**2,945**	**194**	**8,673**

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 impairment losses.

Indefinite life 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.

Management has determined that the brand name associated with the Poultry and Dairy CGU's have an indefinite useful life. This assessment was based on factors including independent expert advice, historical business growth rates and performance and future strategy associated with the brands.

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.

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

Recoverable amount of goodwill and indefinite life intangibles

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2019 for all groups of cash generating units (CGUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

The Company has two CGUs for which impairment testing has been completed for goodwill and indefinite life intangibles, which are as follows:

Dairy CGU

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 9.2% (normalised for acquisition growth) per annum (2018: 14.2%), with the baseline on which growth has been determined including the full-year effect of sales growth initiatives achieved in 2019 and the full-year impact of the acquisition of Betta Milk in 2020.
Production costs	Production costs are anticipated to be 2% lower than 2019 levels over the five-year period and are projected to be on average 72% of revenue over the five-year period (2018: 69%).
Indirect costs	Indirect costs are anticipated to increase by 5% 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% (2018: 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 13.5% (2018: 10.8%).

Based on the above assumptions the recoverable amount of the CGU is estimated to be $25.94 million, which exceeds the CGU's carrying amount by $6.67 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 13.5% to 16.6%.
Annual revenue growth rate	Reduction in average from 9.2% to 7.52% (normalised for acquisition growth).
Production costs	Increase from 72% of revenue to 73.7%.

Poultry CGU

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:

13. INTANGIBLE ASSETS (CONT'D)

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 9.2% per annum (2018: 8.7%).
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 77% (2018: 77%) of revenue over the five-year period.
Indirect costs	Indirect costs are anticipated to increase by 5% 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% (2018: 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 13.5% (2018: 10.8%).

LIABILITIES

14. TRADE AND OTHER PAYABLES

	2019 $'000	**2018 $'000**
Trade and other payables	8,628	3,976
	8,628	**3,976**

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.

15. BORROWINGS

	2019 $'000	2018 $'000
Current		
Bank Overdraft	765	681
Finance Lease Liabilities (refer to note 12b)	–	789
	765	**1,470**
Non-Current		
Bank Loans	4,500	–
Finance Lease Liabilities (refer to note 12b)	–	727
	4,500	727
Total borrowings	**5,265**	**2,198**

Financing arrangements

Commitments in relation to financing arrangements 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 2019					
Non-derivatives					
Trade payables	8,628	–	–	8,628	8,628
Bank Overdraft	765	–	–	765	765
Bank Loans	–	4,500	–	4,500	4,500
Finance lease liabilities (refer to note 12b)	–	–	–	–	–
	9,394	**4,500**	**–**	**13,894**	**13,894**
At 31 December 2018					
Non-derivatives					
Trade payables	3,976	–	–	3,976	3,976
Bank Overdraft	681	–	–	681	681
Finance lease liabilities (refer to note 12b)	789	727	–	1,517	1,517
	5,446	**727**	**–**	**6,173**	**6,173**

Available facilities:

	2019		2018	
	Limit $'000	Undrawn Balance $'000	Limit $'000	Undrawn Balance $'000
Equipment Finance Liabilities (refer to note 12b)	–	–	1,517	–
Bank Bill Facility	2,000	–	2,000	2,000
Bank Loan Facility	2,500	–		
Bank Overdraft	2,000	1,235	1,000	319
	6,500	**1,235**	**4,517**	**2,319**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

15. BORROWINGS (CONT'D)

Changes to the financial statements as a result of adoption of AASB 16 Leases include the reclassification of finance lease liabilities within the financial statements from being disclosed as borrowings to finance lease liabilities.

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

In May 2019, Nichols Poultry accessed a $2 million facility with Australia and New Zealand Banking Group Limited (ANZ). The facility is a two-year fixed rate interest only commercial bill facility. Funds from this facility were returned to the business to reinstate working capital used in 2018 for the construction of the new air chiller facility at Nichols Poultry.

In June 2019, Nichols Poultry finalised a $2.5 million bank loan facility with ANZ. The facility is a two-year variable rate interest only business loan facility. Funds from this facility were used for the construction of two new 40,000 bird tunnel ventilated chicken growing sheds on the Nichols Poultry site.

All borrowings are 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.

16. PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee benefits	976	623
Other provisions	–	–
	976	**623**
Non-current		
Employee benefits	220	156
	220	**156**

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.

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

17. CONTRIBUTED EQUITY

	Number of Shares		Share Capital	
	2019	2018	2019 $'000	2018 $'000
Ordinary shares – fully paid (no par value)	273,265,740	206,599,073	53,983	46,355
Total share capital			**53,983**	**46,355**

Movements in ordinary share capital:

Date	Details	Ordinary Share	Price	$'000
1/1/19	Balance at beginning of period	206,599,073		46,355
19/7/19	Issue of shares	66,666,667	0.12	8,000
	Issue costs – net of tax			(372)
		273,265,740		**53,983**

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 6,500,000 share options on issue and 5,149,822 performance rights granted as at 31 December 2019 (2018: 23,500,000 share options and 4,825,597 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.

18. RESERVES

	2019 $'000	2018 $'000
Employee share option reserve	493	390
	493	**390**

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 30.

	2019 $'000	2018 $'000
Balance at start of year	390	260
Net Movement during the year	103	130
Balance at end of year	**493**	**390**

OTHER NOTES

19. ADDITIONAL CASH FLOW INFORMATION

	2019 $'000	2018 $'000
Cash and cash equivalents	2,209	6,658

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:

	2019 $'000	2018 $'000
Cash and cash equivalents	2,209	6,658
Bank overdraft	(765)	(681)
	1,444	**5,977**

19. ADDITIONAL CASH FLOW INFORMATION (CONT'D)

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

	2019 $'000	2018 $'000
Net loss after income tax	(3,459)	(1,358)
Depreciation and amortisation	1,839	1,210
Movement in fair value of biological assets	(1,169)	(291)
Share based payments	103	130
Interest on leased assets	53	–
Other	267	254
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,785)	190
(Increase)/decrease in inventories	(974)	(559)
(Increase)/decrease in prepayments	(145)	(192)
(Increase)/decrease in deferred taxes	256	(979)
(Decrease)/Increase in trade and other payables	4,072	(492)
Increase/(decrease) in provisions	37	111
Net cash (outflow)/inflow from operating activities	**(904)**	**(1,976)**

c) Non-cash activities

There were no non-cash financing activities.

20. 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.

The carrying amounts of the Group's financial assets and liabilities at balance date were equal to their fair value.

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 consolidated 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.

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:

	2019 $'000	2018 $'000
Financial Assets		
Cash and cash equivalents	2,209	6,658
Net exposure	**2,209**	**6,658**

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 2019, 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

20. FINANCIAL RISK MANAGEMENT (CONT'D)

	2019 $'000	2018 $'000
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	11	33
- 0.5% (50 basis points)	(11)	(33)

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.

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 $16.990 million (2018: $6.953 million) of which $10.793 million (2018: $6.069 million) is recorded as current liabilities and Total Current Assets of $14.155 million (2018: $14.813 million) of which $2.209 million (2018: $6.658 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.

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.

The Group applies the AASB 9 simplified approach to measuring expected credit losses as disclosed in note 9. 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.

21. 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.

	2019 $'000	2018 $'000
Borrowings	5,265	2,198
Trade and other payables	8,628	3,976
Total debt	13,894	6,173
Less cash and cash equivalents	(2,209)	(6,658)
Net (cash)/debt	**11,685**	**(485)**
Total equity	38,477	34,266
Total capital	53,983	46,354
Gearing ratio (total debt / total equity)	36.1%	18.0%

The Group is not subject to any externally imposed capital requirements, other than those referred to in note 15 relating to Nichols Poultry Pty Ltd.

GROUP MANAGEMENT

22. PARENT ENTITY SUPPLEMENTARY INFORMATION

Information relating to TasFoods Limited:

	2019 $'000	2018 $'000
Financial position		
Current assets	28,356	24,440
Non-current assets	12,599	12,329
Total assets	**40,955**	**36,769**
Current liabilities	2,699	2,046
Non-current liabilities	386	365
Total liabilities	**3,085**	**2,411**
Net assets	**37,869**	**34,358**
Contributed equity	53,983	46,320
Reserves	493	390
Accumulated losses	(16,606)	(12,351)
Total equity	**37,869**	**34,358**
Financial performance		
Total revenue	6,028	4,525
Loss for the period	(5,679)	(4,915)
Comprehensive loss for the period	(5,679)	(4,915)

Deed of Cross Guarantee

The wholly-owned subsidiaries disclosed in note 23 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 2019 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 23 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

There were no non-cancellable capital expenditure contracted for but not in the financial statements.

Contingent Liabilities

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

23. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding 2019 %	Equity Holding 2018 %
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%	100%

24. BUSINESS COMBINATIONS

Betta Milk

On 31 July 2019 the Company acquired via its subsidiary Van Diemen's Land Dairy Pty Ltd, the milk processing, distribution and brands of the Betta Milk Co-operative Society Ltd business based in Tasmania. The acquisition was completed for cash consideration of $11.423 million.

	$'000
Consideration	
Cash Consideration	11,423

Acquisition related costs of $496,970 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year.

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, intangible assets and contingent assets and 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.

	Preliminary Fair Value as presented at 31 December 2019 $'000
Land and Buildings	2,762
Plant and equipment	2,920
Motor vehicles	214
Brand name	3,890
Inventory on hand	498
Deferred tax asset	97
Provisions	(380)
Net identifiable assets acquired	**10,001**
Add: Goodwill	1,422
Consideration paid	**11,423**

24. BUSINESS COMBINATIONS (CONT'D)

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

25. 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.

26. COMMITMENTS FOR EXPENDITURE

Capital Commitments – Capital Expenditure Projects

There were no non-cancellable capital expenditure contracted for but not in the financial statements.

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2019 $'000	2018 $'000
Payable:		
– Not longer than one year	33	1,367
– Longer than one year and not longer than five years	33	65
– Longer than five years	–	–
	65	**1,432**

27. EVENTS OCCURRING AFTER REPORTING DATE

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

28. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

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

	2019 $'000	2018 $'000
Short term benefits	951,164	931,477
Post-employment benefits	86,370	87,993
Share based payments	90,264	124,169
Termination payments	–	–
	1,127,798	**1,143,639**

29. AUDITOR'S REMUNERATION

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

	2019 $	2018 $
Auditors of the parent entity:		
Auditing the financial report	168,175	123,900
Other assurance services	–	3,876
	168,175	**127,776**

30. 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	>$0.43	100%
Stretch	$0.43	100%
Between Target and Stretch	>$0.36 and < $0.43	Pro-rata
Target	$0.36	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) from 2016, the year of investment, of 7.5% to achieve 'target' share price and a CAGR of 11.434% to achieve 'stretch' share price; noting that the share price at the beginning of 2019 was lower than the 2016 capital raising price, using the VWAP of $0.136 as a base, a CAGR of 38.3% over the years 2019 to 2021 is required to achieve 'target' share price and a CAGR of 46.77% is required 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.

2019 Grant Date	Performance Period From	To	Balance at start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	Fair Value per Share
17/7/17	1/1/17	31/12/19	3,212,083	–	(878,464)	–	2,333,619	$0.068
26/7/18	1/1/18	31/12/20	1,613,514	–	(450,882)	–	1,162,632	$0.044
24/10/19	1/1/19	31/12/21	–	1,653,571	–	–	1,653,571	$0.042

2018 Grant Date	Performance Period From	To	Balance at start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	Fair Value per Share
17/7/17	1/1/17	31/12/19	3,212,083	–	–	–	3,212,083	$0.068
26/7/18	1/1/18	31/12/20	–	1,613,514	–	–	1,613,514	$0.044

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 2019 financial year, the fair value was measured at the grant date of 24 October 2019 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.

The expense recognised in relation to the performance rights applicable to the Chief Executive Officer and senior management for the year ended 31 December 2019 is $59,811 (31 December 2018: $48,236).

Share Options

a. Share based payment arrangements

On 16 October 2019 TasFoods Limited issued 1,500,000 share options to Cathy Zeppieri upon her appointment as Chief Marketing Officer 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 after meeting a three year service requirement, at an exercise price of $0.205 (subject to adjustments to the number of underlying shares and/or exercise price due to pro rata offers and other capital reorganisations and otherwise on and subject to usual option terms) until 24 October 2022.

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. Options under the ESOP granted in 2015 were not exercised and as a result expired in 2019.

b. Share options granted

Share options outstanding at 31 December 2019 are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the Year
4/9/15	3/9/19	$0.210	10,000,000	–	–	(10,000,000)	–
4/9/15	3/9/19	$0.420	8,500,000	–	–	(8,500,000)	–
30/11/17	30/11/21	$0.200	5,000,000	–	–	–	5,000,000
16/10/19	24/10/22	$0.205	–	1,500,000	–	–	1,500,000
			23,500,000	**1,500,000**	**–**	**(18,500,000)**	**6,500,000**
Weighted average exercise price							$0.20

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 and 2019 financial years, the fair value was measured at the grant date of 30 November 2017 and 16 October 2019 respectively.

The fair value of the performance rights granted under the LTIP was calculated by an independent expert using the Binomial method.

The expense recognised in relation to share options for the year ended 31 December 2019 is $86,039 (31 December 2018: $81,250).

30. SHARE BASED PAYMENTS (CONT'D)

d. Share Options at 31 December 2019

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

Grant Date	Exercisable Date	Expiry Date	Share Price at Grant Date	Exercise Price	Fair Value at Grant Date
30/11/17	30/11/21	30/11/21	$0.165	$0.200	$0.065
16/10/19	24/10/22	24/10/22	$0.135	$0.205	$0.046

There are no performance hurdles attached to the options granted, however service conditions do apply.

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).

31. 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 2019. 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 22.

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 23.

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; and
- Estimated value in use calculations for the assessment of the recoverable amount of goodwill and indefinite life intangibles.

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.

(f) Comparatives

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

(g) New and 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 2019:

- AASB 16 *Leases*

The Group was required to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019, as disclosed in note 31(h) below.

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

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

As indicated in note 31(g) above, the Group has adopted AASB 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies for the treatment of right-of-use assets and lease liabilities are disclosed in note 12b.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate could not be determined, the lessee's incremental borrowing rate as of 1 January 2019 is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.7%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	1,443
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,300
Add finance lease liabilities recognised as at 31 December 2018	1,517
Lease liability recognised as at 1 January 2019	**2,817**
Of which are:	
Current lease liabilities	995
Non-current lease liabilities	1,821
	2,817

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by $1,238,000
- Borrowings – decrease by $1,517,000
- Lease liabilities – increase by $1,300,000

The net impact on accumulated losses on 1 January 2019 was an increase of $63,000.

(i) New Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not yet been adopted by the Group. There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(j) Rounding Amounts

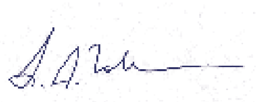
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

DIRECTORS' DECLARATION

for the year ended 31 December 2019

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 2019 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. At the date of this declaration, 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 2019.

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

28 February 2020
Launceston

pwc

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 2019 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 2019
- 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 or loss and other comprehensive income for the year then ended
- the notes to and forming part of the 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 (including Independence Standards)* (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.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2019

pwc

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $506,000, which represents approximately 1% of the Group's total 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 as, in our view, it is the benchmark against which the performance of the Group is most commonly measured given the Group remains in growth and acquisition phase. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• 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 significant operating business units of the Group, being Poultry and Dairy. We performed specific risk focused audit procedures over Wasabi 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 13 in the financial report)* The Group holds intangible assets totalling $14.0m as at 31 December 2019. Under Australian Accounting Standards, the Group is required to assess goodwill and indefinite life intangibles for impairment at least annually. The Group performed an impairment assessment for the Dairy and Poultry Cash Generating Units (CGUs), calculating the value-in-use of the net assets, including intangible assets, in each CGU.	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. We assessed management's conclusions around allocating Betta Milk into the Dairy CGU, in light of the interdependencies and integration on and with other Dairy entities, amongst other factors. We tested the mathematical accuracy and integrity of the calculations in the models.

The Group allocated the assets and cash flows associated with the acquisition of Betta Milk to the Dairy 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 did not identify any impairment for the CGUs. 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 13.

The assessment of the carrying value of indefinite-lived intangibles was a key audit matter as the balance is material and there is significant judgement involved in estimating future cash flows and other key assumptions, particularly with respect to determining appropriate:

- Discount rates
- Annual growth rates
- Terminal growth rates

We specifically focused on the Dairy CGU given the impairment assessment is sensitive to reasonable changes in key assumptions.

To evaluate the cash flow forecasts and the process by which they were developed, we performed the following procedures, amongst others:

- compared the 2020 forecasted cash flows used in the models with the FY20 budget formally approved by the Board
- assessed the historical accuracy of the Group's forecasts by comparing the forecasts used in the prior year models to the actual performance
- assessed the forecast growth assumptions used in the models by reference to our understanding of the key drivers for future growth, with reference to third party information.
- Compared the terminal growth rate used in the models to economic forecasts.

With the assistance of PwC internal valuation experts, we assessed the discount rates used in the impairment assessment by comparing them to our view of a reasonable discount rate based on market data, comparable companies and industry research.

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 13 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 10 in the financial report)

The Group held biological assets of $3.9 million at 31 December 2019. 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 2019 the carrying value of poultry was $2.2 million. 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 2019 was $1.4 million. 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

We performed the following procedures amongst others on the biological assets:

- Considered the appropriateness of the valuation methodologies against the relevant Australian Accounting Standard.
- Tested the mathematical accuracy of the valuation calculations.
- On a sample basis, compared the fair value recognised as at 31 December 2019 to the actual selling price once biological assets were reclassified into inventory.
- Assessed the adequacy of the disclosures in note 10 and 31, in light of the requirements of Australian Accounting Standards.

To assess the valuation of the poultry biological assets, we performed the following procedures, amongst others:

- Compared the reasonableness of the number and age of chickens recognised as at 31 December 2019 based on a sample of purchase information for chickens for the December period and physical observation of chickens as at 31 December 2019.

per plant in kilograms, which has been determined based on historical growth rates and harvest data for mature wasabi plants.

We consider the valuation of biological assets a key audit matter on the basis that these involve judgement and estimates using key assumptions.

- Compared the conversion rate for chicken meat used in the Group's calculation as at 31 December 2019 to the industry valuation methodology standard and the Group's performance for such biological assets.
- Agreed the cost of feed, grower and other costs to sell used in the Group's calculation as at 31 December 2019 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 2019.
- Assessed the reasonableness of the yield per plant based on the harvest data prepared by the Group over the preceding 12 month period.
- Considered the reasonableness of the costs of harvest and selling costs based on the costs incurred over the preceding 12 month period.

Observed the harvest of a wasabi plant, and its fresh yield (in kgs) and compared this to the Group's data.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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 the *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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 35 of the Annual report for the year ended 31 December 2019.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2019 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
Partner

Melbourne
28 February 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 10 February 2020.

A. DISTRIBUTION OF EQUITY SECURITIES

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

Range	Securities	%	No. of holders	%
100,001 and Over	245,963,710	90.01	240	13.78
10,001 to 100,000	24,212,056	8.86	630	36.17
5,001 to 10,000	1,736,221	0.64	217	12.46
1,001 to 5,000	1,273,287	0.47	411	23.59
1 to 1,000	80,466	0.03	244	14.01
Total	**273,265,740**	**100.00**	**1,742**	**100.00**

The number of shareholders with less than a marketable parcel is 539.

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	Janet H Cameron held via: Elsie Cameron Foundation Pty Ltd <Foundation Account> JB Were (NZ) Nominees Limited <50645 A/C> Elsie Cameron Foundation JB Were (NZ) Nominees Limited <45230 A/C> JB Were (Nz) Nominees Limited <56871 A/C> Bicheno Investments Pty Ltd <The Jan Cameron A/C>	40,566,436	14.84%
2	CVC Limited	38,367,078	14.04%
3	Tasplan Superannuation Fund held via National Nominees	33,779,663	12.40%
4	HSBC Custody Nominees (Australia) Limited HSBC Custody Nominees (Australia) Limited – A/C 2 Includes Ellerston Capital Limited and its Associates Shares	21,114,888	7.70%
5	Nichols Investments Pty Ltd <The R & J N Family A/C> Trebor Slochin Pty Ltd <Wotwold Superannuation Fund>	7,400,000	2.70%
6	Buduva Pty Ltd <Baskerville Super Fund A/C>	6,461,587	2.36%
7	Helbern Investments Pty Ltd	6,000,000	2.19%
8	BNP Paribas Nominees Pty Ltd BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	6,069,126	1.60%
9	Mrkat Pty Ltd <R G Woolley Super Fund A/C>	4,373,472	1.60%
10	Shane Alexander Noble	3,968,055	1.45%
11	Jane Bennett held via: Jane Frances Bennett <Chardon Lodge A/C> Chardon Lodge Pty Ltd <R J Griffin Super Fund A/C> Ms Jane Frances Bennett <Chardon Lodge A/C>	2,877,466	1.04%

Rank	Name	Units	%
12	Roger McBain held via: Vermilion 21 Pty Ltd <The McNelhaus A/C> Cerulean 37 Pty Ltd Vermilion 21 Pty Ltd <McNelhaus Family A/C> Vermilion 21 Pty Ltd <The McNelhaus Super Fund A/C>	2,844,370	1.04%
13	Mr Darius Isaac	2,665,492	0.98%
14	Budleaf Pty Ltd	2,646,000	0.97%
15	Quality Life Pty Ltd <The Neill Family A/C>	2,541,070	0.93%
16	J P Morgan Nominees Australia Pty Limited	2,173,468	0.80%
17	Elphinstone Holdings Pty Ltd	2,000,000	0.73%
18	Custodial Services Limited <Beneficiaries Holding A/C> (various private holders)	1,816,830	0.67%
19	Mr Jimmy Thomas and Ms Ivy Ruth Ponniah <Thomas Super Fund A/C>	1,767,756	0.65%
20	Mr Andrew Woolley + Mr Stephen Richard Kreft <Diesel Superfund A/C> Mr Andrew Woolley	1,766,938	0.65%
Totals: Top 20 holders of TFL Ordinary Fully Paid		**191,199,695**	
Total Remaining Holders Balance		**82,066,045**	
Total Holders Balance		**273,265,740**	

As at 10 February 2020, the 20 largest shareholders held ordinary shares representing 69.97% of the issued share capital.

Substantial Shareholders

Substantial holders in the Company are set out below:

Name	No. of Shares Held	%
Janet H Cameron	40,566,436	14.84%
CVC Limited	38,367,078	14.04%
Tasplan Superannuation Fund (as per last notice)	33,779,638	12.40%
Ellerston Capital and its associates (as per last notice)	15,312,126	5.60%

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.

CORPORATE DIRECTORY

Board of Directors

Shane Noble	Executive Chair
Jane Bennett	Managing Director and CEO
Alexander Beard	Non-Executive Director
Roger McBain	Non-Executive Director

Company Secretary

Janelle O'Reilly

Registered Office

52-54 Tamar Street
Launceston Tasmania 7250 AUSTRALIA
Telephone: + 61 3 6331 6983
Facsimile: + 61 3 6256 9251
Website: www.tasfoods.com.au

Postal Address

PO Box 425
Launceston Tasmania 7250 AUSTRALIA

Share Registry

Link Market Services
Level 12, 680 George Street
Sydney New South Wales 2000 AUSTRALIA
Telephone: + 61 2 8280 7100
Facsimile: + 61 2 9287 0303

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Boulevard
Southbank Victoria 3006 AUSTRALIA

Solicitors

K&L Gates
Level 31, 1 O'Connell Street
Sydney New South Wales 2000 AUSTRALIA

Groom Kennedy Lawyers and Advisers
Level 1, 47 Sandy Bay Road
Hobart Tasmania 7000 AUSTRALIA

Bankers

Australia and New Zealand Banking Group
Bendigo Bank

Stock Exchange Listing

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

TasFOODS LTD