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2020
ANNUAL REPORT

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Craig Treasure - Non-Executive Chair
Jane Bennett - Managing Director and CEO
Roger McBain - Non-Executive Director
Ben Swain - Non-Executive Director

COMPANY SECRETARY
Janelle O'Reilly

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Sydney New South Wales 2000 Australia
Telephone: + 61 2 8280 7100
Facsimile: + 61 2 9287 0303

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Southbank Boulevard
Southbank Victoria 3006 Australia

SOLICITORS
HWL Ebsworth
Level 26, 530 Collins Street
Melbourne Victoria 3000 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 Limited
ACN 084 800 902

tasfoods.com.au

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We believe life is better accompanied by great tasting food sourced with authentic provenance

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We are building a portfolio of leading food and beverage brands that leverage the natural advantages of Tasmania and its reputation for fine food

We deliver the essence of Tasmania to the table

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Our diverse customer base enables us to deliver the essence of Tasmania to where our consumers choose to shop and eat

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CHAIRMAN'S REPORT

On behalf of the Board of Directors and Management of TasFoods Ltd, I am pleased to present to you the Annual Report for the financial year ended 31 December 2020.

Despite a very challenging year for TasFoods, we ended the year with a strong cash balance and achieved earnings growth since August. This mid-year turn-around reflected the rapid response of our team to dramatically changing production, sales and distribution conditions, and provides the momentum required to successfully implement our new strategic plan in 2021.

The COVID pandemic created a difficult trading environment, particularly from April until July, with significant volatility in market demand that negatively impacted poultry gross margins, cheese and wasabi sales. Poultry sales stabilised and gross margins returned to pre-COVID levels from August, contributing to an overall sales growth of more than 10 per cent in the second half of the year compared to the same period in 2019.

The economic uncertainty experienced in the first half of 2020 led the company to recognise an impairment expense of $3.5 million, comprising goodwill impairment of $2 million in the poultry division and $1.5 million in the dairy division. Due to market uncertainty at the time, we adopted a conservative approach to the underlying impairment calculations. The write-down was a statutory accounting adjustment only and does not impact the company's future trading potential, nor its cashflow position.

"Despite a very challenging year for TasFoods, we ended the year with a strong cash balance and achieved earnings growth since August."

CRAIG TREASURE NON-EXECUTIVE CHAIRMAN

CHAIRMAN'S REPORT CONT.

During the first half of the year, we also recorded a decrease of $1.18 million in the fair value of the wasabi crop. This write-down was due to the COVID-induced closure of premium restaurants and the corporate event catering sector of the food service market, directly impacting the sale of fresh wasabi products, which made up 73% of total wasabi sales. The write-down did not impact the company's cash position, nor did it impact the biomass of the crop available for future sales.

The Board of Directors was renewed in 2020, with two new directors appointed on 4 June - Ben Swain as Non-Executive Director and me in the position of Chair. Previous Executive Chairman Shane Noble resigned from the Board in July and Non-Executive Director Alexander (Sandy) Beard resigned in October. I would like to thank both Shane and Sandy for their contribution to TasFoods during the years of their directorships.

With a refreshed Board in place, and with our management team, we developed a new strategic plan for the company, which was released in December. We remain committed to our strategic vision – to build a portfolio of leading food and beverage brands that leverage the natural advantages of Tasmania and its reputation for fine food. Our focus for growth in 2021 is to accelerate sales growth of our Super Premium and Luxury Everyday brands, particularly through distribution expansion into interstate markets and new product development.

In August 2020 we announced an equity raising which raised $4.1 million, before costs, from the issue of 48.6 million fully paid ordinary shares, through a combination of a Placement and Entitlement Offer.

The equity raising was completed in October 2020. Proceeds from the equity raising will be used to support initiatives identified in the new strategic plan, including strategic acquisitions.

A further equity injection of $3.0 million to support the company's strategic growth objectives for its poultry and dairy operations was received in November 2020 through the issue of 30 million new shares to AgFood Opportunities Fund, a fund managed by AgFood Fund Pty Ltd.

I would like to thank the management team for its rapid response to the pandemic outbreak and for implementing COVID-safe practices across the business operations that supported full operational activity within our two largest poultry and dairy processing operations during the four-week hard lockdown of North West Tasmania in April/May.

Our business operations have rebounded from the initial challenges of the COVID-influenced market volatility. Monthly operating EBITDA has been positive for every month since August and we expect this positive trading position to continue into 2021. The equity injections of 2020 will support the company in implementing initiatives identified in the new strategic plan, adopted in December, which will support sales revenue growth and improvements to gross margins in 2021.

Craig Treasure. Non-Executive Chair

MANAGING DIRECTOR & CEO REPORT

2020 was a challenging year for the business and for our people as the COVID pandemic impacted both the economy and the physical movement of people and products. TasFoods experienced significant disruption in the second quarter of the year with the COVID-influenced closure of the Pyengana Dairy Café, a significant reduction in wasabi and cheese sales as a result of the closure of food service markets, and volatility in market demand for chicken products.

I am very proud of the way our team responded to the many challenges of 2020 and particularly their implementation of a COVID-safe work environment. Our two largest processing operations, Nichols Poultry and Betta Milk, are located in North West Tasmania, which entered Australia's first community Stage 4 lockdown on 12 April for four weeks. Our teams rapidly developed an extensive range of safe work practices and reporting processes that enabled our sites to remain fully operational, delivering perishable, short shelf-life food to all our customers, in full and on time.

We have maintained our COVID-safe work environment, which has created some additional costs for operations as a result of new daily cleaning and sanitation processes, the purchase of personal protective clothing, and rental costs associated with hiring demountable buildings to provide additional lunch rooms and portable toilet facilities that have supported the segregation of work groups on our largest sites.

"Our brands embody the pyramid of consumer needs and reflect a relevant essence of Tasmania at each level."

JANE BENNETT MANAGING DIRECTOR & CEO

MANAGING DIRECTOR & CEO REPORT CONT.

FINANCIAL PERFORMANCE

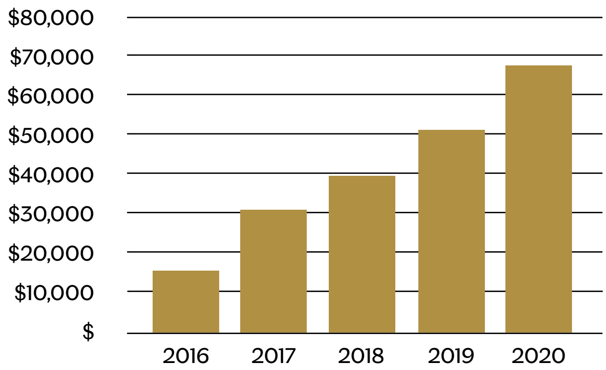
	FY 2020				FY 2019				Change $'000	Change %
	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000		
Revenue	29,617	37,311	508	67,436	15,415	35,176	514	51,105	16,331	32%
Expenditure	(28,247)	(38,344)	(6,105)	(72,696)	(14,392)	(32,901)	(4,969)	(52,262)	(20,434)	39%
EBITDA	**1,370**	**(1,033)**	**(5,597)**	**(5,260)**	**1,023**	**2,275**	**(4,455)**	**(1,157)**	**(4,102)**	**-354%**
Less Non-operating Items:										
Acquisition Costs	-	-	(15)	(15)	-	-	(497)	(497)	482	97%
Movement in Fair Value	(38)	(107)	(1,154)	(1,300)	37	439	692	1,169		
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-		
Operating EBITDA	**2,908**	**1,074**	**(4,427)**	**(445)**	**986**	**1,835**	**(4,650)**	**(1,829)**	**1,384**	**76%**
GP Margin	35%	20%		27%	34%	22%		25%		2%
NPAT				**(6,407)**				**(3,459)**		

Government responses to the emerging COVID pandemic from March resulted in the closure of segments of our market during the second quarter. The business responded quickly to the changed market conditions at this time, working closely with customers to pivot sales to emerging markets. The changes made in this period helped generate a strong second-half financial performance, achieving a Group operating EBITDA of $0.677 million. This enabled the Group to report a $1.384 million, or 76%, improvement in operating EBITDA for the full year over FY 2019, lifting the result to negative $0.445 million. Positive operating EBITDA was reported for each quarter except Q2 2020, which was negatively impacted by market volatility associated with the COVID pandemic.

The impairment expense of $3.5 million plus the decline of $1.2 million in the fair value of the wasabi crop, both recognised in June, contributed to the full-year financial result of a net loss of $6.41 million. The impairment of goodwill and the write-down of the wasabi biological asset value did not affect the cash position of the company, which was boosted by two equity injections, totalling $7.1 million, in the second half of the year. We ended 2020 in a strong cash position with cash holdings of $7.24 million and total available funds of $9.10 million.

MANAGING DIRECTOR & CEO REPORT CONT.

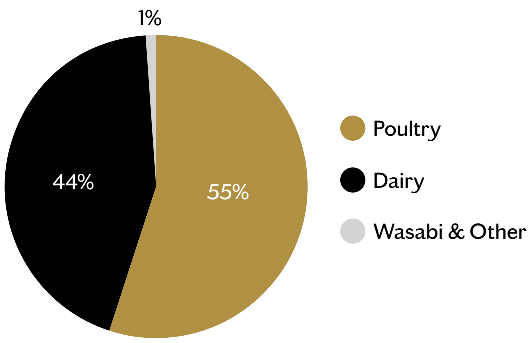
TOTAL REVENUE ($'000)



Sales revenue for 2020 grew to $66.911 million, which was 32% up on the 2019 revenue of $50.69 million. This represented a 10% organic growth after adjusting for Betta Milk, which was acquired on 31 July 2019. Our two major operating divisions both achieved sales revenue growth, but the poultry division revenue was subdued by COVID-influenced market volatility in the second quarter. Poultry sales represented 55% of total sales revenue, down from 69% of total sale revenue in 2019. Dairy sales revenue grew to 44% of total sales revenue after the first full year of Betta Milk ownership, up from 30% of sales in 2019.

Sales to interstate markets grew by 25% for the year through a combination of increased volume to existing customers, reflecting the introduction to market of new product ranges and the acquisition of new customers. Growth in interstate markets will remain a focus in 2021.

REVENUE BY DIVISION



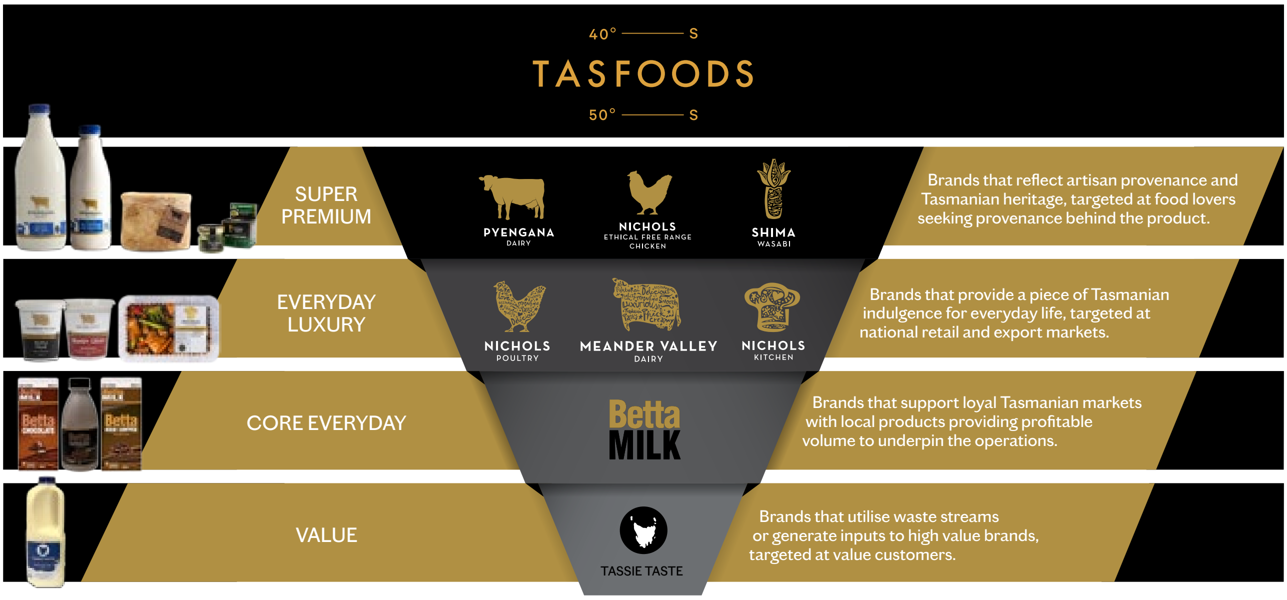
STRATEGY

We released a new strategic plan in December, continuing our commitment to our strategic vision to build a portfolio of leading food and beverage brands that leverage the natural advantages of Tasmania and its reputation for fine food, to deliver the essence of Tasmania to the table. Our 'house of brands' strategy ensures that every brand we develop or acquire is able to deliver a relevant element of Tasmania's essence to meet the expectations of a variety of consumers. In recognition of our diverse customer base, our strategy aims to enable the essence of Tasmania to be delivered to where our consumers choose to shop and eat.

MANAGING DIRECTOR & CEO REPORT CONT.

DIVERSIFIED BRAND & CHANNELS TO MARKET

Our brands embody the pyramid of consumer needs and reflect a relevant essence of Tasmania at each level. Our diversified customer base enables us to deliver the essence of Tasmania to where consumers choose to shop and eat.



RETAIL
Retail is a core channel to consumers as it remains the most convenient format to purchase food for home consumption

DISTRIBUTORS
Distributors are an important link in the supply chain for perishable goods, particularly for interstate markets

FOOD SERVICE
Direct supply to businesses preparing and selling food supports deeper understanding of products and their attributes

CONSUMER DIRECT
Direct engagement with consumers provides unique customer insights and builds relationships that foster brand champions

MARKETING

To support the growing demand for online purchasing, we redeveloped our online stores and websites to improve the shopping experience and better reflect the range of brands and products. These changes, combined with an increased digital media spend that focused on promoting special event purchasing opportunities, resulted in a growth of 308% in online sales for the second half of the year.

We have redeveloped the TasFoods logo and brand identity to support our vision and purpose. The new branding is being launched with this annual report.

Jane Bennett. Managing Director & CEO

OPERATING & FINANCIAL REVIEW

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POULTRY DIVISION

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POULTRY DIVISION

Sales revenue for the poultry division grew by 6% in 2020 to $37.03 million. Both revenue and gross margin were impacted throughout the second quarter by a national oversupply of fresh chicken, stemming from Government restrictions that limited the operations of quick-service restaurants and closed much of the food-service sector from March to June.

NICHOLS
ETHICAL FREE RANGE CHICKEN

NICHOLS
POULTRY

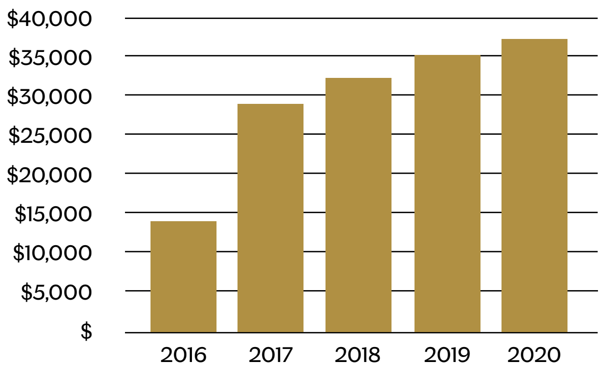
NICHOLS
KITCHEN

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.

The unprecedented volatility in fresh chicken demand nationally during this period, combined with a significant temporary drop in pricing and higher operating costs, resulted in a decline of 2% in full-year gross margin, and in operating EBITDA for the poultry division from $1.84 million in 2019 to $1.07 million in 2020.

POULTRY SALES REVENUE ($'000)



To minimise exposure to COVID-influenced market volatility, our poultry division reduced field inventory in the second quarter, which reduced the volume of product processed during the second half of the year. This limited revenue growth for the second half to only 5% above revenue in the previous corresponding period, down from 7% revenue growth in the first half of 2020. A return to more stable market demand in the second half resulted in a 21% improvement in the EBITDA contribution of the poultry division over the first half and a 2% improvement in gross margin.

POULTRY DIVISION CONT.

The safety of our employees is a key priority for TasFoods. As a meat processing facility, our poultry division responded quickly to the COVID pandemic situation in March. COVID management plans were implemented across the business and these remain in place and are being improved as new information emerges. On-going measures implemented at Nichols Poultry are designed to ensure COVID-safe work practices are maintained while mitigating supply chain disruption. These include:

- Removal of all non-essential employees from site to work from home
- Non-essential visitors not permitted on site
- Provision of protective equipment to employees
- Temperature testing of employees during any period of community transmission
- Payment of all employees awaiting COVID test results
- COVID-specific daily cleaning and sanitation programs
- Additional staff facilities to allow for isolation of work groups
- Identification of social and commuting groups within the workforce to ensure employees likely to have contact outside of work remain in contained work groups.

We have worked closely with customers and suppliers throughout the year to manage supply-chain risks and to implement improved procedures as new information emerges. To date, we have no employees who have tested positive to COVID-19 and our operations have been able to remain fully operational.

Sales of premium chicken under the Nichols Ethical Free-Range brand continued to increase throughout 2020, achieving 14% growth over 2019. Markets for premium chicken prior to COVID were primarily premium interstate restaurants that we reached through distribution partners. Our sales team worked closely with our distribution partners to redevelop the premium product offering to suit emerging online sales platforms being developed by customers.

Growth in the premium chicken offering contributed to a 45% increase in poultry sales to interstate markets in 2019.

A range of new ready-to-cook products were released during the second half of 2020 to meet the growing consumer preference for convenience. The new products contributed to a 19% increase in sales value for the Nichols Kitchen ready-to-cook range in 2020.

DAIRY DIVISION

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DAIRY DIVISION

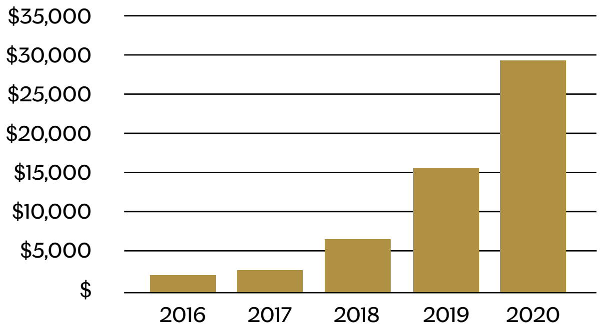
Our dairy division established its position as a key pillar of profitability in 2020, reporting a strong financial contribution at both the revenue and EBITDA levels. Sales revenue for the dairy division grew by 92% to $29.50 million, up from $15.38 million in 2019. Organic growth, after adjusting for the acquisition of Betta Milk on 31 July 2019, was 17%, with revenue growth achieved across each of the dairy brands.

THE DAIRY DIVISION HAS THREE CENTRES OF EXCELLENCE;

- BETTA MILK BURNIE – FRESH MILK BOTTLING
- KINGS MEADOWS DAIRY – SPECIALTY CREAMS, BUTTER AND FRESH FERMENTED PRODUCTS
- PYENGANA DAIRY – CHEESE AND TOURISM CAFE

The dairy division achieved an EBITDA contribution of $2.91 million, which was a 195% increase on $0.99 million in 2019. The synergies delivered through the acquisition of Betta Milk and a 9% drop in farmgate milk pricing in the second half-year were the major contributors to the improved result.

DAIRY SALES REVENUE ($'000)



The strategy to streamline our dairy processing sites into individual Centres of Excellence was delayed by COVID-related issues until June. The Kings Meadows facility now focuses on producing premium creams, butter and fresh, cultured dairy products. The Betta Milk facility in Burnie now bottles all fresh milk across the brands. Our cheese-making site remains the Pyengana Dairy facility in North East Tasmania. Milk and cream supplies are shared across the sites as required.

The concentration of milk bottling into the Betta Milk Burnie site, and growth in sales across the brands, has resulted in a 50% increase in the volume of milk being processed there.

DAIRY DIVISION CONT.

This has been achieved through a move to five day-a-week processing and a staffing increase of one processing operator. A number of small capital investments were made on the site to increase milk storage capability and improve operational efficiency.

Changes made to the dairy distribution and logistics operations to accommodate the 50% increase in volume of milk being distributed through the network have resulted in improved efficiencies and reduced costs.

Pyengana Dairy cheese sales were significantly impacted in the second quarter when restaurant customers were closed and home consumption of premium cheese reduced due to a lack of entertaining opportunities. We worked closely with customers to develop alternative sales options for cheese products and saw significant growth in cheese sales during the second half, reflecting sales to new outlets that included emerging online cheese stores and our own online store.

Sales revenue for the Pyengana Dairy Café was 29% down from 2019 results. Government responses to the COVID outbreak in March led to the closure of the café from mid-March to July. When it reopened in July, we operated with reduced opening hours owing to lower regional visitation while the Tasmanian border remained closed.

It is anticipated that the café will continue to experience lower sales revenue until national and international travel and tourism fully resumes. Cheese sales through the online store have increased dramatically, particularly since mid-year.

Sales for the Meander Valley Dairy cream range grew significantly during the second half-year following the introduction of three new product lines in 150 premium Woolworths stores. Two flavoured creams were released for Christmas, available from 850 Woolworths stores and independent retail outlets nationally. These contributed to interstate sales growth of 22% during the second half of the year.

CORPORATE DIVISION

CORPORATE DIVISION

Operating EBITDA for the corporate division improved by 5% to negative $4.43 million.

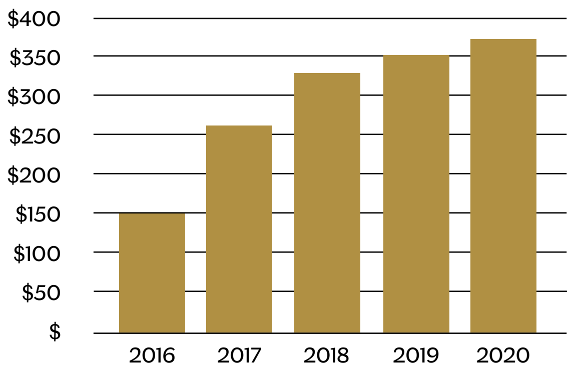
The corporate division includes all of the corporate costs along with the shared service functions of the business such as finance, sales and marketing, HR and WHS management. Employment costs in the Corporate Division for 2020 remained consistent with 2019 levels. A strong focus on cost control throughout the year across the division contained expenditure to essential services and activities that would deliver short term outcomes.

SHIMA WASABI

Wasabi sales were badly impacted by the COVID pandemic. Sales for Shima Wasabi have historically comprised 73% fresh wasabi, made up of the various components of the plant, including stem, leaves and flowers. These products have been sold across Australia, predominantly to high-end restaurants and food service catering for corporate events. These markets were closed nationally during the second quarter and have remained volatile in capital cities with the occurrence of further COVID outbreaks. The corporate catering market will not return until mass gatherings are permitted.

Overall, wasabi sales declined by 17% for 2020 after dropping by 28% in the first half. The business worked with customers from April to redirect sales to retail and online markets, with a strong focus on fresh stems and powdered product. A unique, new, ready-to-use wasabi paste made from real wasabi was launched into retail markets in the fourth quarter to provide a user-friendly option for customers seeking an authentic wasabi flavour.

WASABI SALES REVENUE ($'000)



The change in market conditions since the start of COVID and the resulting change in product sales mix necessitated a review of the crop valuation at the half year in June, which resulted in a decrease in fair value of the wasabi biological assets of $1.2 million. This write-down did not impact the biomass of the wasabi crop available for future sale.

A number of industrial powdered wasabi customers temporarily ceased operations during the middle of the year but resumed purchasing wasabi powder in the last few months. Strong sales through our online wasabi shop were experienced in the second half-year and have continued into 2021.

2021 OUTLOOK

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2021 OUTLOOK

The performance of the business in the second half of 2020 demonstrated that TasFoods has a strong foundation in the operating divisions of dairy and poultry. Expanded product-ranging achieved in the second half, and the launch of new dairy and poultry product offerings in 2021, will support ongoing sales growth that contributes to the profitability of the business.

Despite COVID-influenced border closures throughout the year, the Tasmanian economy continues to show resilience, and we anticipate that Tasmanian consumers will continue to support locally owned brands that they know and trust. TasFoods' stable of brands are known and trusted by Tasmanian consumers and we continue to see market growth from that loyalty.

Our focus for the poultry division in 2021 is to continue to meet growing consumer demand for convenience through additional ready-to-cook products and the launch of a ready-to-eat range of chicken products. New product development work continues for these products, which will be presented for retail review in 2021.

We are strengthening our Super Premium chicken offering by investing in the continuing expansion of capacity for our premium free-range offering. This growth is targeted at meeting interstate market demand for premium free-range poultry.

We will undertake a carbon audit of our poultry operations during 2021 to identify areas of focus to work towards producing a carbon neutral chicken.

Growth in demand for online sales is anticipated to continue, with dairy and wasabi sales dominating online purchases. A Digital Commerce Manager will be employed in 2021 to further expand the online offering and drive sales growth through increased gifting events.

Our strategic focus for the dairy division in 2021 will be the continued growth of our Super Premium and Everyday Luxury brands through new product development and expanded distribution into interstate and export markets. New products will be presented to all retail category reviews for 2021.

The Board believes that the new strategy adopted in December will support the long-term profitability of TasFoods. The company has started 2021 with a strong cash position that will support the execution of the corporate strategy over the coming years.

RISK

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TasFoods is committed to the 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 system and process that will facilitate the identification, assessment, evaluation and treatment of risks in order to achieve strategic and performance objectives.

A copy of the Risk Management Policy can be located on the Company's website at http://www.tasfoods.com.au/document_category/corporate_governance/#investor_nav

During 2020 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 and able, TasFoods is diversifying supply channels to reduce risk levels and dependence on key suppliers.

PANDEMIC RISK

Ensuring the safety of our employees, contractors and customers in a pandemic environment as well as securing input supplies and managing the impact of market volatility.

TasFoods operates on a number of different sites with varying levels of pandemic impact risk. The Group has developed site-specific multi-scenario pandemic plans for each operational location that respond to updated health, Government and industry advice as well as emerging market conditions.

Each site plan prioritises the health and safety of employees, site visitors and customers, follows recommended advice from Government and Health Officials relating to pandemic safety measures including;

- Removal of all non-essential employees from sites to work from home;
- Non-essential visitors not permitted on processing sites;
- Provision of relevant protective equipment to employees;
- Temperature testing of employees;
- Payment of standard wages to all employees awaiting COVID or other relevant test results;
- Pandemic/COVID-specific daily cleaning and sanitation programs;
- Additional staff facilities provided on large work sites to allow for isolation of work groups;
- Identification of social and commuting groups within the workforce to ensure employees likely to have contact outside of work remain in contained work groups.

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 specifications and standards. The company continues to grow and diversify its customer base.
In addition, TasFoods responds to changing customer compliance requirements through the upgrading of 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 climatic 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 certainty for crop 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

TasFoods' Board and Management Team is responsible for the strategic direction of the company. Overseeing the company's operations, the team works closely to ensure that TasFoods meets not only the demands of its shareholders, but provides a positive, innovative, and exciting working environment for employees. To get in touch with any of the Management Team, you can reach them via the contact page.

CRAIG TREASURE NON-EXECUTIVE CHAIR

Craig has had over 35 years experience in business and property development. His most recent executive role was as CEO and Managing Director of ASX listed Villa World Limited (VLW). He is an experienced ASX Director and has had many roles in private and public sectors as a business owner and director. He is a Member of the Australian Institute of Company Directors and a Fellow of the Urban Development Institute of Australia. He was appointed Non-Executive Chair on 4 June 2020.

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.

BEN SWAIN NON-EXECUTIVE DIRECTOR

Ben is a partner of Tasmanian law firm Murdoch Clarke. His practice areas include corporate advice, transactional mergers and acquisitions, real property and private client matters. Ben is a director of various Pty Ltd companies and trusts including the Elsie Cameron Foundation which has investment in entities including TasFoods Limited. With a passion for Tasmania's finest foods and produce and the companies that grow and produce them, Ben gets great fulfilment from assisting, in his professional capacity, various Tasmanian food and agriculture business to achieve their goals. He was appointed to the Board as a Non-Executive Director on 4 June 2020.

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.

BOARD OF DIRECTORS CONT.

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. Janelle is a Fellow of the Governance Institute of Australia and a graduate member of the Australian Institute of Company Directors. She is a Director of not for profit association Colony 47.

EXECUTIVE TEAM

DONNA WILSON CHIEF FINANCIAL OFFICER

Donna is a qualified finance executive with over 20 years 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 Bachelor 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 Bachelor of Laws (Honours) and Bachelor 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.

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 2020.
In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

Craig Treasure	**Non-Executive Chair**
	Craig joined the Board on 4 June 2020 and was appointed by the Board as Non-Executive Chair on this date. Craig is a member of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee.
Experience and qualifications	Craig has over 35 years experience in business and property development. Craig's most recent role was as the CEO and Managing Director of ASX listed Villa World Limited. Craig is an experienced ASX Director and has had many roles in the public and private sectors as a business owner and director. He is a member of the Australian Institute of Company Directors and a Fellow of the Urban Development Institute of Australia.
Other Directorships in listed entities:	Eildon Capital Limited
Former Directorships in listed entities in the last 3 years:	Villa World Limited
Interest in shares and options:	721,861 Ordinary Shares

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:	3,309,087 Ordinary Shares

DIRECTORS' REPORT CONT.

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. 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 successfully 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.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	3,271,026 Ordinary Shares

Ben Swain	Non-Executive Director
	Ben was appointed to the Board as a Non-Executive Director on 4 June 2020. Ben is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications	Ben is a partner of Tasmanian law firm Murdoch Clarke. His practice areas include corporate advice, transactional mergers and acquisitions, real property and private client matters. Ben is a director of various private companies and trusts including the Elsie Cameron Foundation Pty Ltd which has an investment in entities including TasFoods Limited.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	1,150,000 Ordinary Shares

DIRECTORS' REPORT CONT.

Shane Noble	**Executive Chair 1 January 2020 to 4 June 2020** **Non-Executive Director 4 June 2020 to 8 July 2020**
	Shane joined the Board on 30 November 2017 and became Chair of the Board on 1 February 2018. On 4 June 2020 Shane became a Non-Executive Director until 8 July 2020 when he resigned from the Board. Shane was 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 (at time of resignation) 5,000,000 Share Options exercisable at $0.1884 by 30 November 2021

Alexander (Sandy) Beard	**Non-Executive Director until 30 September 2020**
	Sandy was appointed to the Board as a Non-Executive Director on 13 March 2018 and served until his resignation on 30 September 2020. Sandy was 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) Pure Foods Tasmania (listed in 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) Lantern Hotel Group (2018 – 2019)
Interest in shares and options:	500,000 Ordinary Shares (at time of resignation)

DIRECTORS' REPORT CONT.

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 Tasmanian not for profit association Colony 47. 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 2020 and the number of meetings attended by each Director during that time. Board Meetings were held in addition to the Company's Annual General Meeting held on 23 July 2020.

Director#	Board Meeting		Audit And Risk Committee		Nomination & Remuneration Committee	
	Held during time on Board	Attended	Held during time on Board	Attended	Held during time on Board	Attended
C Treasure	10	10	5	5	0	0
R McBain	17	17	9	9	5	5
B Swain	10	10	5	5	0	0
J Bennett *	17	17	9	9	5	5
A Beard	12	12	9	9	5	5
S Noble	9	5^	4	4	5	4'

Mr McBain and Ms Bennett were on the Board for the entire financial year. Mr C Treasure and Mr B Swain joined the Board on 4 June 2020 and Mr C Treasure became the Non-Executive Chair. Mr S Noble resigned from the Board effective 8 July 2020. Mr A Beard resigned from the Board effective 30 September 2020.

^ Mr Noble was on a leave of absence for two Board meetings, ill for one and unable to attend one Board meeting.

' Mr Noble was on a leave of absence for one N&RC Meeting.

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

DIRECTORS' REPORT CONT.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the processing, manufacture and sale of 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 August 2020, the Company announced an equity raising to raise up to $4.13 million (before costs) via a placement and an entitlement offer of 3 new fully paid ordinary shares for every 20 existing fully paid shares at $0.085 per share. The equity raising was completed in October 2020.

In November 2020, the Company announced and completed an equity placement to the AgFood Opportunities Fund, a fund managed by AgFood Fund Pty Ltd through the issuing of 30 million new shares at a price of $0.10 per share to raise $3.0 million.

The proceeds from both equity raisings were to support the implementation of the Company's new strategic direction including funding investment in equipment and infrastructure to support and grow new products, market support for new product launches, reducing the Company's overdraft facility and general working capital support.

There were no other significant changes in the state of affairs of the Group during the financial year, other than those outlined in the Operating and Financial Review.

AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since 31 December 2020, 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 2020, 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 2020 the Company's main activity related to developing Tasmanian branded food businesses (including Nichols Poultry, Betta Milk, Meander Valley Dairy, Pyengana Dairy and Shima Wasabi), therefore, the details of KMP remuneration for 2020 relate to those activities and the current remuneration structure.

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

The Report has been set out as follows:

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

DIRECTORS' REPORT CONT.

4. Remuneration strategy and framework
   4.1. Executive remuneration schedule
   4.2. Remuneration mix and linking pay to performance
   4.3. 2020 fixed remuneration
   4.4. 2020 short-term incentive arrangements
   4.5. 2020 long-term incentive arrangements
   4.6. KMPs 2020 short-term incentive arrangement results
   4.7. 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 2020 were:

Current Non-Executive Directors	**Role**	**Appointment Date**
Craig Treasure	Non-Executive Chair	4 June 2020
Roger McBain	Non-Executive Director	3 September 2015
Ben Swain	Non-Executive Director	4 June 2020
Former Executive and Non-Executive Directors	**Role**	**End Date**
Shane Noble [1]	Executive Chair & Non-Executive Director	8 July 2020
Alexander Beard	Non-Executive Director	30 September 2020
Current KMP Executives	**Role**	**Appointment Date**
Jane Bennett	Chief Executive Officer	3 September 2015
Donna Wilson	Chief Financial Officer	27 June 2016

[1] Shane Noble was Chair of the Board for the period 1 January 2020 until 4 June 2020 and a Non-Executive Director during the period 4 June 2020 to 8 July 2020.

DIRECTORS' REPORT CONT.

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 2020.

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, their remuneration does not contain performance-based or 'at risk' components. Non-executive directors are paid fees and are encouraged to hold shares 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 and retain executives to ensure they can deliver on TasFoods business strategy and contribute to the TasFoods ongoing financial performance.
Short Term Incentive (STI) Annual incentive opportunity delivered in cash	Performance is measured against: • Financial Group performance (i.e. sales revenue, 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 2020 can be found in section 4.6.	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.

DIRECTORS' REPORT CONT.

	Performance Condition	Remuneration Strategy/ Performance Link
Long Term Incentive (LTI) An award of rights with performance assessed over 3 years	LTI awards for grants are provided under the LTIP approved by shareholders at the 2017 ACM. 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 share price growth is chosen for rights granted.	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 2020 were as follows:

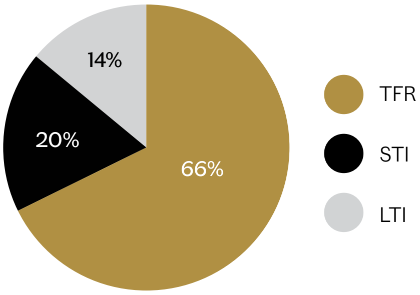
	TFR	Short Term Incentive (At-Target)[1]	Short Term Incentive (Stretch)[2]	Long Term Incentive (Target Opportunity)[3]	Long Term Incentive (Maximum Opportunity)
Current KMP Executives					
Jane Bennett	$262,800	30.0%	37.5%	20.0%	40.0%
Donna Wilson	$219,000	25.0%	31.3%	17.5%	35.0%

1. The short-term incentive is the total payment at-target as a % of TFR

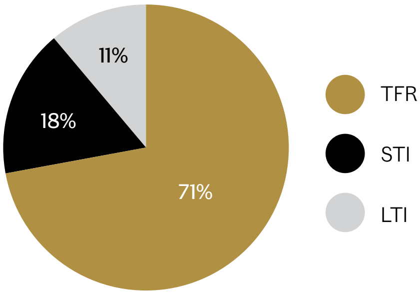
2. KMP executives' STIs have a stretch component that is designed to encourage above at-target performance as a % of TFR.

3. The long-term incentive refers to the value, of any grant as a % of TFR.

DIRECTORS' REPORT CONT.



Jane Bennett



Donna Wilson

4.3. 2020 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 2020 (and 31 December 2019) can be found in the 'Remuneration Tables' section of this report.

4.4. 2020 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 2020 are set out in section 4.6.

4.5. 2020 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.

Measurement Period: The Measurement Period is the three financial years from 1 January.

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.

Retesting: Retesting is not permitted under the proposed terms of the 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 2020 short-term incentive arrangement results

The measures and targets for the 2020 STI were set by the Board in March 2020 and were based on the priorities for 2020. The key performance indicators were based upon stretch targets, with operating EBITDA set as a hurdle requirement for payment of the 2020 STI.

The following table shows the Company's 2020 STI performance measures and weightings as applied to KMP.

Performance Measure	Description	Weighting	Comment
Sales Revenue	Statutory gross sales revenue	20%	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%	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%	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%	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

As a part of the COVID-19 budget review completed in April 2020, Management elected to forfeit any STI which may become payable with respect to the 2020 financial year. Management's decision to forfeit any STI payable in respect of 2020 was approved by the Board in April 2020.

4.7. 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	2020	2019	2018	2017	2016
Revenue ($000)	$67,436	$51,105	$38,920	$31,112	$16,139
Net (loss)/profit before tax ($'000)	($7,709)	($3,202)	($2,273)	($6,639)	($2,611)
Net (loss)/profit after tax ($'000)	($6,407)	($3,459)	($1,358)	($6,808)	($2,577)
Share price at start of year	$0.120	$0.135	$0.190	$0.180	$0.410
Share price at end of year	$0.120	$0.120	$0.135	$0.190	$0.180
Share price growth	0.00%	-11.11%	-28.95%	5.56%	-56.10%
Dividends	$0.00	$0.00	$0.00	$0.00	$0.00
Basic (loss)/earnings per share (cents)	(2.21)	(1.48)	(0.67)	(4.14)	(2.33)
Diluted (loss)/earnings per share (cents)	(2.21)	(1.48)	(0.67)	(4.14)	(2.33)
Average STI payout as a % at-target for eligible KMP executives	**N/A**	**0%**	**0%**	**20%**	**0%**

The average STI payout as a % of the at-target for eligible KMP executives is not applicable for the 2020 financial year as in April 2020 Management elected to forfeit any STI which may become payable with respect to the 2020 financial year. Managements decision to forfeit any STI payable in respect of 2020 was approved by the Board in April 2020.

DIRECTORS' REPORT CONT.

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 director and the former 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. During the 2020 financial year non-executive and the former Executive Chair's directors' fees (inclusive of superannuation) were:

Director	Base Fee	Committee Chair Fee	Total
Craig Treasure	70,000	-	70,000
Roger McBain	45,000	-	45,000
Ben Swain	45,000	-	45,000
Former Directors			
Shane Noble	250,000	-	250,000
Alexander (Sandy) Beard	45,000	-	45,000

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DIRECTORS' REPORT CONT.

As a result of the macroeconomic conditions affecting the Company's businesses from COVID-19, the Directors resolved to reduce director fee payments for the period 1 April 2020 to 30 June 2020 to 75% of the Base Fee.

Shane Noble's Base Fee included an amount for working on acquisitions.

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. During 2020 Roger McBain was paid additional remuneration for performing the duties of Acting Chair while the Executive Chair was taking a leave of absence. During this time Director McBain's base fee increased from $45,000 per annum to $75,000 per annum reflective of the additional Chair responsibilities undertaken during the period.

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.

DIRECTORS' REPORT CONT.

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 2020

		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 Non-Executive Directors		$	$	$	$	$	$	$	$	$	%
Craig Treasure	**2020**	**35,641**	-	-	-	**3,386**	-	-	-	**39,027**	**0%**
	2019	Not applicable									
Roger McBain	**2020**	**43,695**	-	-	-	**4,151**	-	-	-	**47,846**	**0%**
	2019	41,096	-	-	-	3,904	-	-	-	45,000	0%
Ben Swain	**2020**	**22,912**	-	-	-	**2,177**	-	-	-	**25,089**	**0%**
	2019	Not applicable									
Former Executive Chair and Non-executive Directors		$	$	$	$	$	$	$	$	$	%
Shane Noble	**2020**	**89,660**	-	-	-	**8,518**	-	-	**81,250**	**179,428**	**0%**
	2019	228,311	-	-	-	21,689	-	-	81,250	331,250	0%
Alexander Beard	**2020**	**28,176**	-	-	-	**2,677**	-	-	-	**30,853**	**0%**
	2019	13,736	-	-	-	1,305	-	-	-	15,041	0%
Current KMP Executives											
Jane Bennett	**2020**	**239,581**	-	-	**14,150**	**22,975**	-	-	**9,945**	**286,652**	**0%**
	2019	240,050	-	-	11,895	22,590	-	-	25,638	300,172	0%
Donna Wilson	**2020**	**201,039**	-	-	**12,191**	**19,146**	-	-	**6,608**	**238,984**	**0%**
	2019	194,115	-	-	15,213	18,393	-	-	13,226	240,948	0%

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DIRECTORS' REPORT CONT.

8. REMUNERATION TABLES – DIRECTORS AND KMP EXECUTIVES, CONT.

Table B: Shareholdings

	Year	Shares held at Start of Year	Issued as Remuneration	Share Buyback	Net other changes	Shares held at End of Year
Current Non-Executive Directors		No.		No.		No.
Craig Treasure	**2020**	**-**	**-**	**-**	**721,861**	**721,861**
	2019	Not applicable				
Roger McBain	**2020**	**2,844,370**	**-**	**-**	**426,656**	**3,271,026**
	2019	2,199,000	-	-	645,370	2,844,370
Ben Swain	**2020**	**-**	**-**	**-**	**1,150,000**	**1,150,000**
	2019	Not applicable				
Former Executive Chair and Non-Executive Directors						
Shane Noble^	**2020**	**3,968,055**	**-**	**-**	**-**	**3,968,055**
	2019	3,000,000	-	-	968,055	3,968,055
Alexander Beard^	**2020**	**-**	**-**	**-**	**500,000**	**500,000**
	2019	-	-	-	-	-
Current KMP Executives						
Jane Bennett	**2020**	**2,877,466**	**-**	**-**	**431,621**	**3,309,087**
	2019	2,175,472	-	-	701,994	2,877,466
Donna Wilson	**2020**	**-**	**-**	**-**	**-**	**-**
	2019	-	-	-	-	-

^ number of shares disclosed as being held at end of year is reflective of the number of shares held at the time of resignation.

DIRECTORS' REPORT CONT.

8. REMUNERATION TABLES – DIRECTORS AND KMP EXECUTIVES, CONT.

Table C: Movements during 2020 in performance rights or options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Performance Rights or Options held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Performance Rights or Options held at End of Year
Current Non-Executive Directors		No.		No.	No.	No.	No.
Craig Treasure	**2020**	-	-	-	-	-	-
	2019	Not Applicable					
Roger McBain	**2020**	-	-	-	-	-	-
	2019	2,500,000	-	-	-	(2,500,000)	-
Ben Swain	**2020**	-	-	-	-	-	-
	2019	Not Applicable					
Former Executive Chair and Non-Executive Directors							
Shane Noble	**2020**	-	-	-	-	-	-
	2019	5,000,000	-	-	-	-	5,000,000
Alexander Beard	**2020**	-	-	-	-	-	-
	2019						
Current KMP Executives							
Jane Bennett	**2020**	**2,775,913**	-	-	-	**(2,002,972)**	**772,941**
	2019	4,502,972	772,941	-	-	(2,500,000)	2,775,913
Donna Wilson	**2020**	**1,509,718**	-	-	-	**(967,250)**	**542,468**
	2019	967,250	542,468	-	-	-	1,509,718

As a part of the COVID-19 budget review completed in April 2020, Management elected to forfeit the right to have performance rights granted under the LTI plan in 2020. Management's decision to forfeit performance rights to be granted under the LTI plan in 2020 was approved by the Board in April 2020.

8. REMUNERATION TABLES – DIRECTORS AND KMP EXECUTIVES, CONT.

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

	Year	Grant Date	Number Granted	Value of Performance Rights or Options Granted	Number Vested	Percentage of Grant Forfeited
Current KMP Executives						
Jane Bennett	**2020**	Not Applicable				
	2019	24-Oct-19	772,941	32,464	-	0%
Donna Wilson	**2020**	Not Applicable				
	2019	24-Oct-19	542,468	22,784	-	0%

As a part of the COVID-19 budget review completed in April 2020, Management elected to forfeit the right to any performance rights to be granted under the LTI plan in 2020. Management's decision to forfeit performance rights to be granted under the LTI plan in 2020 was approved by the Board in April 2020.

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

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

ENVIRONMENTAL REGULATIONS

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

SHARES OPTIONS AND PERFORMANCE RIGHTS

No share options or performance rights were granted during the financial year. Further details regarding 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 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any proceedings during the year.

DIRECTORS' REPORT CONT.

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.

	2020	2019
	$	$
Auditors of the parent entity:		
Auditing the financial report	178,900	168,175
Other assurance services	-	-
	178,900	**168,175**

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 49 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/document_category/corporate_governance/#investor_nav

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

Craig Treasure
Non-Executive Chair

26 February 2021

Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
26 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Revenue from operations	6	66,911	50,690
Other income	6	526	416
Fair value adjustment of biological assets	10	(1,300)	1,169
Impairment of goodwill		(3,500)	-
Raw materials used		(39,193)	(29,224)
Employment and contractor expense		(17,487)	(15,264)
Freight		(4,516)	(3,385)
Occupancy costs		(1,446)	(971)
Depreciation and amortisation		(2,107)	(1,839)
Finance costs		(346)	(261)
Travel and accommodation		(71)	(147)
Legal and professional fees		(472)	(292)
Marketing and event expenses		(514)	(396)
Repairs and maintenance		(889)	(638)
Research and development		(25)	(29)
Investment expenses		(15)	(497)
Other expenses		(3,265)	(2,533)
Loss before income tax		**(7,709)**	**(3,202)**
Income tax benefit/(expense)	8	1,302	(256)
Net Loss after tax for the year from continuing operations		**(6,407)**	**(3,459)**
Net profit after tax for the year from discontinued operations		-	-
Net Loss after tax for the year		**(6,407)**	**(3,459)**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Other comprehensive loss net of tax		-	-
Total comprehensive income		**(6,407)**	**(3,459)**
Net profit for the period attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(6,407)	(3,459)
		(6,407)	**(3,459)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(6,407)	(3,459)
		(6,407)	**(3,459)**
Basic loss per share (cents per share)	4	(2.21)	(1.48)
Diluted loss per share (cents per share)	4	(2.21)	(1.48)
Basic loss per share from continuing operations (cents per share)	4	(2.21)	(1.48)
Diluted loss per share from continuing operations (cents per share)	4	(2.21)	(1.48)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	19	7,635	2,209
Trade and other receivables	9	4,493	4,394
Biological assets	10	2,338	2,729
Inventory	11	4,504	4,123
Prepayments		905	699
Total Current Assets		**19,877**	**14,155**
Non-Current Assets			
Property, plant and equipment	12a	25,308	25,048
Right of use assets	12b	968	1,081
Intangible assets	13	10,953	14,013
Biological assets	10	38	1,170
Deferred tax assets	8	-	-
Total Non-Current Assets		**37,267**	**41,313**
Total Assets		**57,144**	**55,466**
Current Liabilities			
Trade and other payables	14	9,175	8,628
Borrowings	15	539	765
Lease Liabilities	12b	327	423
Provisions	16	1,172	976
Total Current Liabilities		**11,214**	**10,793**
Non-Current Liabilities			
Borrowings	15	5,278	4,500
Lease Liabilities	12b	1,258	1,477
Provisions	16	153	220
Deferred tax liabilities	8	-	-
Total Non-Current Liabilities		**6,688**	**6,197**
Total Liabilities		**17,903**	**16,990**
Net Assets		**39,241**	**38,477**
Equity			
Contributed Equity	17	61,053	53,982
Reserves	18	594	493
Accumulated Losses		(22,407)	(15,998)
Total Equity		**39,241**	**38,477**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
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	**53,982**	**493**	**(15,998)**	**38,476**
At 1 January 2020	**53,982**	**493**	**(15,998)**	**38,476**
Loss for the year	-	-	(6,407)	(6,407)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,407)	(6,407)
Issue of shares	7,134	-	-	7,134
Share issue costs	(64)	-	-	(64)
Share-based payment expense	-	101	-	101
As at 31 December 2020	**61,054**	**594**	**(22,406)**	**39,241**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		67,342	49,533
Payments to suppliers and employees		(68,225)	(50,030)
Interest received		2	60
Interest paid		(339)	(252)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(15)	(498)
Income taxes received		-	-
Other		712	282
Net cash used in operating activities	19	**(523)**	**(904)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,082)	(3,357)
Payments for other non-current assets		(16)	(28)
Proceeds from disposal of property, plant, and equipment		23	20
Net cash used in business combination		-	(11,423)
Net cash used in investing activities		**(1,075)**	**(14,788)**
Cash flows from financing activities			
Proceeds from issue of shares		7,134	8,000
Cost of issuing shares		(125)	(531)
Proceeds from borrowings and leases		1,123	4,645
Principal elements of lease payments		(732)	(954)
Transaction costs related to borrowings		(1)	(1)
Net cash provided by financing activities		**7,399**	**11,159**
Net (decrease)/increase in cash held		**5,801**	**(4,533)**
Cash and cash equivalents at the beginning of the year		1,444	5,977
Cash and cash equivalents at the end of the year	19	**7,245**	**1,444**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 26 February 2021 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 August 2020, the Company announced an equity raising to raise up to $4.13 million (before costs) via a placement and an entitlement offer of 3 new fully paid ordinary shares for every 20 existing fully paid shares at $0.085 per share. The equity raising was completed in October 2020.

In November 2020, the Company announced and completed an equity placement to the AgFood Opportunities Fund, a fund managed by AgFood Fund Pty Ltd through the issuing of 30 million new shares at a price of $0.10 per share to raise $3.0 million.

The proceeds from both equity raisings were to support the implementation of the Company's new strategic direction including funding investment in equipment and infrastructure to support and grow new products, market support for new product launches, reducing the Company's overdraft facility and general working capital support.

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

A detailed discussion of the Group's financial performance and position is included in the Operating and Financial Review on pages 14 to 27 at the start of this Annual Report.

There have been no changes in accounting policies since the previous financial report at 31 December 2020.

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 CONT.

3. SEGMENT INFORMATION, CONT.

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated - 2020				
Revenue				
Total segment sales revenue	29,502	37,030	378	66,911
Other income	115	281	130	526
	29,617	37,311	508	67,436
Segment profit/(loss)	379	(2,272)	(5,816)	(7,709)
Profit after tax from discontinued operation				-
Loss before income tax expense				(7,709)
Income tax (expense)/benefit				1,302
Loss after income tax expense				**(6,407)**
Assets				
Segment assets	24,116	25,098	7,931	57,145
Unallocated assets from continuing operations:				-
Total Assets				**57,145**
Total assets include:				
Goodwill on acquisition of net assets	2,770	1,137	-	3,907
Liabilities				
Segment liabilities	5,109	11,061	1,732	17,903
Deferred tax liability/(asset)				-
Total liabilities				**17,903**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

3. SEGMENT INFORMATION, CONT.

	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)	(3,202)
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 net 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**

Refer to note 13 and 24 for further detail regarding movement in goodwill on acquisition of net assets between 2019 and 2020 financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

SHAREHOLDER RETURNS

4. EARNINGS PER SHARE

	2020 Cents	2019 Cents
Basic loss per share	(2.21)	(1.48)
Diluted loss per share	(2.21)	(1.48)

	2020 $'000	2019 $'000
Net (loss)/profit from continuing operations attributable to the shareholders of TasFoods Limited used in calculation of basic and diluted earnings per share for:		
All operations	(6,407)	(3,459)

	2020 Number	2019 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	290,119,774	233,882,763
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	290,119,774	233,882,763

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 2020 (31 December 2019: 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 2020 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 shareholders, 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 shareholders, 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 2020 (31 December 2019: Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

PROFIT AND LOSS INFORMATION

6. REVENUE

	2020 $'000	2019 $'000
Revenue from continuing operations		
Sales revenue	66,911	50,690
Other income		
Interest received	2	53
Sundry income	524	363
	526	**416**

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).

Revenue is recognised when control of the goods transfer to the customer i.e when the goods have been delivered to a customer pursuant to a sales order. 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.

Interest revenue

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

7. EXPENSES

	2020 $'000	2019 $'000
Profit before income tax expenses includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	15,510	13,845
Temporary employees	595	280
Share based payments	101	103
Superannuation expenses (defined contribution)	1,281	1,036
Total employee benefits	**17,487**	**15,264**
Investment expense	15	497

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

8. INCOME TAX

	2020 $'000	2019 $'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	-	-
Deferred tax movements	(1,302)	256
	(1,302)	**256**
Deferred income tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(981)	(179)
Increase/(decrease) in deferred tax liabilities	(321)	436
	(1,302)	**256**
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	(7,709)	(3,202)
Tax benefit at Australian tax rate of 30% (2019: 30%)	(2,313)	(961)
Tax effect of amounts which are not deductible in calculating taxable income	1,069	36
Derecognition/(recognition) of prior year tax losses	(58)	1,181
	(1,302)	**256**
Deferred taxes not recognised	-	-
Income tax (benefit)/expense for the period	**(1,302)**	**256**
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	(38)	(159)
	(38)	**(159)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

8. INCOME TAX, CONT.

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Opening Balance $000	Adjustment recognised for prior period $000	Charged to Income $000	Charged to Equity $000	Closing Balance $000
Gross deferred tax assets:					
Provisions	375	17	23	-	416
Trade and other payables	41	-	(6)	-	35
Share issue expenses	370	-	(254)	38	153
Trade and other receivables	6	-	(2)	-	4
Property, plant and equipment	(311)	-	27	-	(284)
Intangibles	22	-	(2)	-	20
Tax Losses	1,345	24	1,129	-	2,498
Interest bearing liabilities	351	-	(37)	-	314
Acquisition costs	-	-	96	-	96
Lease liability	-	-	7	-	7
	2,200	**41**	**981**	**38**	**3,260**
Gross deferred tax liabilities:					
Biological assets	(995)	-	465	-	(531)
Inventory	(313)	-	21	-	(292)
Property, plant and equipment	-	(214)	(167)	-	(381)
Intangibles	(873)	(1,167)	-	-	(2,040)
Other	(18)	-	2	-	(16)
	(2,200)	**(1,381)**	**320**	**-**	**(3,260)**
Net deferred tax asset/(liability)	**-**	**(1,339)**	**1,302**	**38**	**-**

(d) Tax losses

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

	2020 $'000	2019 $'000
Capital losses	-	-
Revenue losses	27,622	27,173
	27,622	**27,173**
Potential tax benefit at 30%	**8,287**	**8,152**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

UNUSED TAX LOSSES

The Group has recognised tax losses in the year ended 31 December 2020 only to the extent of the Group's taxable temporary differences. After recognition of these losses the Group had a further $27.622 million of carry forward tax losses for which no deferred tax asset has been recognised (31 December 2019: $27.173 million). The losses relate to both Group's current operations and 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 finalise 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

CURRENT ASSETS

9. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade Receivables	3,610	3,907
Loss allowance	(13)	(20)
Other receivables	897	508
	4,493	**4,394**
Loss Allowance		
Movements in the loss allowance were as follows:		
Carrying value at the beginning of the year	19	26
Increase/(decrease) in loss allowance recognised	(7)	(7)
Receivables written off as uncollectable	-	-
Unused amount reversed	-	-
Carrying value at the end of the year	**13**	**19**
Trade receivables past due but not impaired		
Under one month	224	462
One to three months	14	38
Over three months	25	36
	264	**536**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

9. TRADE AND OTHER RECEIVABLES, CONT.

The loss allowance is determined as follows for trade receivables:

	Current	30 days	60 days	90+ days	Total
31 December 2020					
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Cross Carrying Amount ($'000)	3,347	224	14	25	3,610
Loss Allowance ($'000)	-	-	-	**13**	**13**
31 December 2019					
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Cross Carrying Amount ($'000)	3,369	462	38	38	3,907
Loss Allowance ($'000)	**-**	**-**	**-**	**19**	**19**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

10. BIOLOGICAL ASSETS

	Poultry $000	Goats $000	Wasabi Plants $000	Total $000
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**
Balance as at 1 January 2020	2,235	253	1,412	3,900
Increases due to purchases and production	2,144	-	13	2,157
Decreases due to sales/processing/mortality (i)	(2,235)	(48)	(99)	(2,382)
Movement in fair value as a result of physical and/or price changes (ii)	(107)	(38)	(1,154)	(1,300)
Balance as at 31 December 2020	**2,037**	**167**	**172**	**2,376**
Current	2,037	167	134	2,338
Non-current	-	-	38	38
	2,037	**167**	**172**	**2,376**

(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 2020, the Group held 557,537 live poultry (2019: 531,280), 575 goats (2019: 585) and 3,780 mature wasabi plants (2019: 6,576) and 4,923 immature wasabi plants (2019: 549) that are less than 12 months of age and not suitable for harvest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

10. BIOLOGICAL ASSETS, CONT.

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 2020, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $84,346 (2019: $103,334) 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. On 31 December 2020 the Group's wasabi plants were an average of 20 months of age (31 December 2019: 24 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.

AASB 141 Agriculture applies to all biological assets (excluding bearer plants) and agricultural produce at the point of sale and is applied to the valuation of the wasabi crop (the biological asset) as well as harvested material. Changes in market conditions due to COVID-19 and the resulting change in product sales mix necessitated a review of the crop valuation focused on fair value less costs to sell in June 2020. This review resulted in a reduction in fair value of biological assets of $1.179 million (recorded in 30 June 2020), primarily driven by a reduction in the selling price per kilogram as the Company transitions from high value fresh wasabi sales towards industrial and ingredient powder commodity markets.
The write-down was non-cash in nature and did not impact the biomass of the wasabi crop available for future use.

Based on market prices and estimated yields utilised within the valuation methodology at 31 December 2020, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $8,272 (31 December 2019: $93,585) by a price increase/decrease of 5%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

10. BIOLOGICAL ASSETS, CONT.

FAIR VALUE MEASUREMENT

	2020			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Recurring fair value measurements				
- Poultry	-	2,037	-	2,037
- Goats	-	167	-	167
- Wasabi plants	-	-	172	172
Total biological assets recognised at fair value	-	**2,204**	**172**	**2,376**

	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**

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: 0.36 kilograms (31 December 2019: 0.46 kilograms)
Relationship to unobservable inputs to fair value	An increase/decrease in yield would result in a direct increase/decrease in the fair value

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

11. INVENTORY	2020 $'000	2019 $'000
Finished goods	1,983	2,025
Raw materials and packaging	1,656	1,550
Other	865	548
	4,504	**4,123**

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.

NON-CURRENT ASSETS

12. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment	2020 $'000	2019 $'000
Land and buildings - at cost	14,273	13,334
Less accumulated depreciation	(1,087)	(747)
	13,186	**12,586**
Plant and equipment - at cost	15,484	14,751
Less accumulated depreciation	(4,496)	(3,039)
	10,987	**11,712**
Office equipment - at cost	233	221
Less accumulated depreciation	(173)	(153)
	60	**68**
Motor vehicles - at cost	810	787
Less accumulated depreciation	(275)	(183)
	535	**603**
Capital Work in Progress - at cost	539	78
Total Property, Plant and Equipment	**25,308**	**25,048**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

RECONCILIATIONS

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

	Land and buildings $000	Plant and equipment $000	Office equipment $000	Motor vehicles $000	Capital work in progress 000	Total $000
Carrying value						
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**
As at 1 January 2020	12,593	11,710	69	598	78	25,048
Additions	27	729	12	53	461	1,283
Additions as a part of a business combination	913	-	-	-	-	913
Capitalisation to asset categories	-	-	-	-	-	-
Disposals	-	-	-	(14)	-	(14)
Depreciation expense	(347)	(1,452)	(21)	(103)	-	(1,921)
Balance as at 31 December 2020	**13,186**	**10,987**	**61**	**535**	**539**	**25,308**

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.

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

(b) Right of Use Assets and Lease Liabilities

Right of Use Assets

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

	2020 $'000	2019 $'000
Right of use assets		
Land and buildings	968	1,075
Motor vehicles	-	5
Total right-of-use assets	**968**	**1,081**

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

	Right-of-use assets		
	Land and buildings $'000	Motor vehicles $'000	Total $'000
Balance at 1 January	1,075	5	1,081
Additions	68	-	68
Depreciation expense	(175)	(5)	(180)
Net carrying amount at 31 December 2020	**968**	**-**	**968**

Lease Liabilities

	2020 $'000	2019 $'000
Current	327	423
Non-Current	1,258	1,477
	1,585	**1,901**

RECOGNITION AND MEASUREMENT

The Group leases property. 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.

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

13. INTANGIBLE ASSETS

	2020 $'000	2019 $'000
Goodwill	3,907	6,957
Brands and trademarks	6,835	6,835
Other	211	222
	10,953	**14,013**
Gross carrying value		
At cost	17,181	16,731
Accumulated impairment and amortisation	(6,228)	(2,717)
Total net carrying amounts	**10,953**	**14,013**
Reconciliations		
Carrying amount at beginning	14,013	8,673
Transfers from other asset classes as a result of finalisation of accounting for business combinations	451	-
Additions	-	28
Business combinations during the year	-	5,312
Impairment and amortisation during the year	(3,511)	-
Carrying amount at end	**10,953**	**14,013**

Goodwill relates to the acquisition of the assets of 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.

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.

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

	2020				2019			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Goodwill	Brands & Trademarks	Other	Total	Goodwill	Brands & Trademarks	Other	Total
Dairy	2,770	3,925	10	6,705	3,820	3,925	20	7,764
Poultry	1,137	2,910	194	4,241	3,137	2,910	194	6,241
Corporate and Other	-	-	7	7	-	-	9	9
Total	**3,907**	**6,835**	**211**	**10,953**	**6,957**	**6,835**	**222**	**14,013**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

13. INTANGIBLE ASSETS, CONT.

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

30 June 2020

In accordance with the Company's accounting policy, impairment testing was completed at 30 June 2020 in accordance with AASB 136 Impairment. The impact of COVID-19 on both the Company and the Australian economy, in addition to the market capitalisation deficiency of the Company were considered as indicators of impairment requiring full impairment testing to be conducted.

The impairment testing process completed at 30 June 2020 identified impairment charges totalling $3.5 million, $1.5 million for the Dairy CCU and $2.0 million for the Poultry CGU which were recorded in the financial statements for the half-year ended 30 June 2020.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

13. INTANGIBLE ASSETS, CONT.

The key assumptions used in the 30 June 2020 value-in-use calculations for the Dairy and Poultry CCUs are outlined in further detail below.

31 December 2020

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2020 in accordance with AASB 136 Impairment for all groups of cash generating units (CCUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

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

Dairy CCU

The recoverable amount of the Dairy CCU 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 CCU include:

	31 December 2020	30 June 2020	31 December 2019
Sales Growth Rate (5 year avg)	8.1%	5.2%	9.2%
Production Costs (5 year avg)	69.0%	69.0%	72.0%
Indirect Cost Growth Rate per annum	5.0%	5.0%	5.0%
Long-term Growth Rate	2.0%	2.0%	2.5%
Pre-tax Discount Rate	15.4%	15.4%	13.5%

Based on the above assumptions the recoverable amount of the CCU at 31 December 2020 is estimated to be $23.97 million, which exceeds the CCU's carrying amount by $5.904 million.

Poultry CCU

The recoverable amount of the Poultry CCU 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 CCU include:

	31 December 2020	30 June 2020	31 December 2019
Sales Growth Rate (5 year avg)	8.1%	6.6%	9.2%
Production Costs (5 year avg)	80.0%	79.0%	77.0%
Indirect Cost Growth Rate per annum	5.0%	5.0%	5.0%
Long-term Growth Rate	2.0%	2.0%	2.5%
Pre-tax Discount Rate	15.4%	15.4%	13.5%

Based on the above assumptions the recoverable amount of the CCU at 31 December 2020 is estimated to be $20.979 million, which exceeds the CCU's carrying amount by $1.033 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

13. INTANGIBLE ASSETS, CONT.

Changes to Key Inputs

Changes to key inputs within the value-in-use calculations include:

- *Sales Growth Rate* – Whilst the Poultry and Dairy CGUs continue to report year on year growth higher than market growth rates, future market growth rates have a higher degree of volatility. Sales growth rates were reduced at 30 June 2020 to market growth rates rather than historical CGU growth rates achieved. Due to market recovery and actual sales growth achieved in 2020 the five-year average sales growth rates as at 31 December 2020 have been increased to reflect anticipated growth in FY2021 which has provided a higher base for market growth rates to be applied to in FY2022 onwards.
- *Long-term Growth Rate* – Was reduced to 2% which is in line with the Reserve Bank of Australia's economic outlook.
- *Pre-tax Discount Rate* – Was increased as a result of the inclusion of a risk premium due to the heightened risk associated with economic conditions resulting from COVID-19 and its ongoing impact on the economy.

The recoverable amount of the CGUs would equal its carrying amount if the key assumptions were to change as follows:

	Dairy	Poultry
Sales Growth Rate (5 year avg)	Reduction from 8.1% to 6.5%	Reduction from 8.1% to 7.7%
Production Costs (5 year avg)	Increase from 69.2% of revenue to 75%	Increase from 79.7% of revenue to 80.5%
Pre-tax discount rate	Increase from 15.4% to 19.6%	Increase from 15.4% to 16.0%

LIABILITIES

14. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Trade and other payables	9,175	8,628
	9,175	**8,628**

RECOGNITION AND MEASUREMENT

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

FAIR VALUE OF TRADE AND OTHER PAYABLES

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

15. BORROWINGS

	2020 $'000	2019 $'000
Current		
Bank Overdraft	391	765
Bank Loans	148	-
	539	**765**
Non-Current		
Bank Loans	5,278	4,500
	5,278	**4,500**
Total borrowings	**5,817**	**5,265**

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 2020					
Non-derivatives					
Trade payables	9,175	-	-	9,175	9,175
Bank Overdraft	391	-	-	391	391
Bank Loans	148	5,278	-	5,426	5,426
	9,715	**5,278**	**-**	**14,992**	**14,992**
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
	9,394	**4,500**	**-**	**13,894**	**13,894**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

15. BORROWINGS, CONT.

Available facilities:

	2020 $'000 Limit	2020 $'000 Undrawn Balance	2019 $'000 Limit	2019 $'000 Undrawn Balance
Bank Bill Facility	2,000	-	2,000	-
Bank Loan Facilities	3,426	-	2,500	-
Bank Overdraft	2,250	1,859	2,000	1,235
	7,676	**1,859**	**6,500**	**1,235**

RECOGNITION AND MEASUREMENT

Borrowings 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 March 2020, the Company renewed its finance facilities across the Group with Australia and New Zealand Banking Group Limited (ANZ) to include the Company and all subsidiaries. This renewal included restructuring the Nichols Poultry overdraft facility and entering into a $1.0 million variable rate business loan.

The Group has a number of finance facilities with ANZ which were renewed during the reporting period. Available facilities include overdrafts, a bank bill and bank loan facilities which are secured by mortgage over the property and water rights owned by Nichols Poultry Pty Ltd and property owned by Van Diemen's Land Dairy Pty Ltd. The facilities are also secured by a general security agreement over the property of Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd not otherwise secured.

FINANCIAL COVENANTS

The renewed financing arrangements with ANZ resulted in a change to the financial covenants applicable to the Company. Under the terms of the renewed financing arrangements the Group is required to comply with an interest cover ratio financial covenant.

The first assessment date for the covenant is 30 June 2021.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

16. PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits	1,172	976
	1,172	**976**
Non-current		
Employee benefits	153	220
	153	**220**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

EQUITY

17. CONTRIBUTED EQUITY

Commitments in relation to financing arrangements are payable as follows:

	Number of Shares		Share Capital	
	2020	2019	2020 $'000	2019 $'000
Ordinary shares - fully paid (no par value)	351,902,660	273,265,740	61,053	53,983
Total share capital			**61,053**	**53,983**

Movements in ordinary share capital:

Date	Details	Ordinary Shares	Price	$'000
1/01/20	Balance at beginning of period	273,265,740		53,983
31/8/20	Issue of shares - accelerated rights issue and placement	23,751,833	$0.085	2,019
2/10/20	Issue of shares - rights issue	19,790,929	$0.085	1,682
9/10/20	Issue of shares - shortfall placement	5,094,158	$0.085	433
27/11/20	Issue of shares - placement	30,000,000	$0.100	3,000
	Issue costs - net of tax			(64)
		351,902,660		**61,053**

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 5,000,000 share options on issue and 1,653,571 performance rights granted as at 31 December 2020 (2019: 6,500,000 share options and 5,149,822 performance rights).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

17. CONTRIBUTED EQUITY, CONT.

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

	2020 $'000	2019 $'000
Employee share option reserve	594	493
	594	**493**

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.

	2020 $'000	2019 $'000
Balance at start of year	493	390
Net Movement during the year	101	103
Balance at end of year	**594**	**493**

OTHER NOTES

19. ADDITIONAL CASH FLOW INFORMATION

	2020 $'000	2019 $'000
Cash and cash equivalents	**7,635**	**2,209**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

19. ADDITIONAL CASH FLOW INFORMATION, CONT.

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:

	2020 $'000	2019 $'000
Cash and cash equivalents	7,635	2,209
Bank overdraft	(391)	(765)
	7,245	**1,444**

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

	2020 $'000	2019 $'000
Net loss after income tax	(6,407)	(3,459)
Depreciation and amortisation	2,107	1,839
Goodwill impairment	3,500	-
Movement in fair value of biological assets	1,300	(1,169)
Share based payments	101	103
Interest on leased assets	48	53
Other	141	267
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(99)	(1,785)
(Increase)/decrease in inventories	(381)	(974)
(Increase)/decrease in prepayments	(206)	(145)
(Increase)/decrease in deferred taxes	(1,302)	256
(Decrease)/Increase in trade and other payables	547	4,072
Increase/(decrease) in provisions	129	37
Net cash (outflow)/inflow from operating activities	**(523)**	**(905)**

(c) Non-cash activities

There were no non-cash financing activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

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.

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 principal 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:

	2020 $'000	2019 $'000
Financial Assets		
Cash and cash equivalents	7,635	2,209
	7,635	**2,209**

20. FINANCIAL RISK MANAGEMENT, CONT

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 2020, 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:

	2020 $'000	2019 $'000
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	38	11
- 0.5% (50 basis points)	(38)	(11)

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 $17.903 million (2019: $16.990 million) of which $11.214 million (2019: $10.793 million) is recorded as current liabilities and Total Current Assets of $19.877 million (2019: $14.155 million) of which $7.635 million (2019: $2.209 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.

20. FINANCIAL RISK MANAGEMENT, CONT.

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.

	2020 $'000	2019 $'000
Borrowings	5,817	5,265
Trade and other payables	9,175	8,628
Total debt	14,992	13,894
Less cash and cash equivalents	(7,635)	(2,209)
Net (cash)/debt	**7,357**	**11,685**
Total equity	39,241	38,477
Total capital	61,053	53,982
Gearing ratio (total debt / total equity)	38.2%	36.1%

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

GROUP MANAGEMENT

22. PARENT ENTITY SUPPLEMENTARY INFORMATION

Information relating to TasFoods Limited:

	2020 $'000	2019 $'000
Financial position		
Current assets	32,614	28,356
Non-current assets	7,053	12,599
Total assets	**39,667**	**40,955**
Current liabilities	2,648	2,699
Non-current liabilities	275	386
Total liabilities	**2,923**	**3,085**
Net assets	**36,743**	**37,869**
Contributed equity	61,053	53,983
Reserves	594	493
Accumulated losses	(24,904)	(16,606)
Total equity	**36,743**	**37,869**
Financial performance		
Total revenue	**6,655**	**6,028**
Loss for the period	(5,075)	(5,679)
Comprehensive loss for the period	(5,075)	(5,679)

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 2020 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 was 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

23. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding	
			2020 %	2019 %
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

Finalisation of Prior Year Acquisition - Betta Milk

On 31 July 2019, the Company acquired via its subsidiary Van Diemen's Land Dairy Pty Ltd, the milk processing assets, distribution assets 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.

In the financial statements for the year ended 31 December 2019, the net asset valuation and allocation of the purchase price to acquired assets and fair values assigned to intangible assets were preliminary. In accordance with the Company's accounting policy, the accounting for the acquisition of the Betta Milk processing and distribution assets and brands was finalised during the current period and the preliminary balances updated accordingly.

The final fair value of the assets arising from the acquisition is as follows:

	Preliminary Fair Value as presented at 31 December 2019 $'000	Final Fair Value as presented at 31 December 2020 $'000
Land and Buildings	2,762	3,675
Plant and equipment	2,920	2,920
Motor vehicles	214	214
Brand name	3,890	3,890
Inventory on hand	498	498
Deferred tax asset/(liability)	97	(1,267)
Provisions	(380)	(380)
Net identifiable assets acquired	**10,001**	**9,550**
Add: Goodwill	1,422	1,873
Consideration paid	**11,423**	**11,423**

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

24. BUSINESS COMBINATIONS, CONT.

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 acquiree, 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 was 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:

	2020 $'000	2019 $'000
Payable:		
- Not longer than one year	33	33
- Longer than one year and not longer than five years	-	33
- Longer than five years	-	-
	33	**65**

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:

	2020 $	2019 $
Short term benefits	687,056	951,164
Post-employment benefits	63,030	86,370
Share based payments	97,803	90,264
Termination payments	-	-
	847,889	**1,127,798**

29. AUDITOR'S REMUNERATION

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

	2020 $	2019 $
Auditors of the parent entity:		
Auditing the financial report	178,900	168,175
Other assurance services	-	-
	178,900	**168,175**

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 are 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

30. SHARE BASED PAYMENTS, CONT.

(b) Performance rights granted

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

2020

	Performance Period							
Grant Date	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	2,333,619	-	(2,333,619)	-	-	$0.068
26/7/18	1/1/18	31/12/20	1,162,632	-	(1,162,632)	-	-	$0.044
24/10/19	1/1/19	31/12/21	1,653,571	-	-	-	1,653,571	$0.042

2019

	Performance Period							
Grant Date	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

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

There were no performance rights granted under the LTIP during the year ended 31 December 2020.

(c) Fair value of performance rights granted

As a part of the COVID-19 budget review completed in April 2020, Management elected to forfeit the right to have performance rights granted under the LTI plan in 2020. Management's decision to forfeit performance rights to be granted under the LTI plan in 2020 was approved by the Board in April 2020.

With respect to prior year rights issues, 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 2020 is nil (31 December 2018: $59,811).

SHARE OPTIONS

(a) Share based payment arrangements

On 30 November 2017 TasFoods Limited issued 5,000,000 share options to Shane Noble upon his appointment as a Director of the Company. The options granted were for nil cash consideration and will entitle the option holder to acquire one ordinary share in the Company at an exercise price of $0.1884 until 30 November 2021 (subject to any further 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).

30. SHARE BASED PAYMENTS, CONT.

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 entitled 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). As Cathy Zeppieri did not exercise the options within one month of her employment ending, the options granted expired after her departure in 2020.

(b) Share options granted

Share options outstanding at 31 December 2020 are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year	Granted	Exercised	Expired/ forfeited/ other	Balance at End of Year
30/11/17	30/11/2021	$0.1884	5,000,000	-	-	-	5,000,000
16/10/19	24/10/2022	$0.2050	1,500,000	-	-	(1,500,000)	-
			6,500,000	-	-	**(1,500,000)**	**5,000,000**
Weighted average exercise price							**$0.1884**

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 2020 is $81,250 (31 December 2019: $86,039).

(d) Share Options at 31 December 2020

Details of share options held by current or former Directors outstanding as at end of year:

Grant Date	Exercisable Date	Expiry Date	Share Price at Grant Date	Exercise Price	Fair Value at Grant Date	Balance at End of Year
30/11/17	30/11/21	30/11/21	$0.1650	$0.1884	$0.0650	5,000,000

There are no performance hurdles or service conditions attached to the options granted.

RECOGNITION AND MEASUREMENT

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

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 2020. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

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 Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

(h) 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

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 2020 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 2020.

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.

Craig Treasure
Non-Executive Chair

26 February 2021
Launceston

Independent auditor's report

To the members of TasFoods Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 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 2020
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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

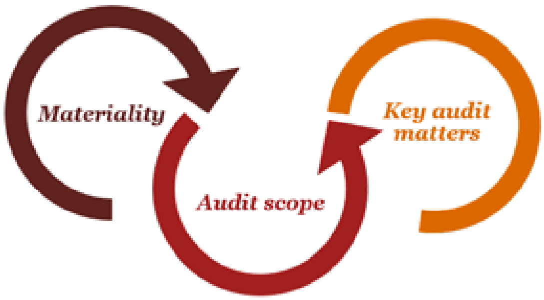
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

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

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.



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of \$660,000, 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 a 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 – Accounting for acquisition of Betta Milk • 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 indefinite lived intangible assets totalling \$10.7m as at 31 December 2020, across its Dairy and Poultry Cash Generating Units (CGUs). Under Australian Accounting Standards, the Group is required to assess goodwill and indefinite life intangibles for impairment at least annually. At 30 June 2020, indicators of impairment of the intangible assets were identified and as a result the Group assessed the carrying value of the assets based on financial models using forecast future cash flows, discounted to present value. The impairment assessment resulted in impairment losses of \$1.5m for the Dairy CGU and \$2.0m for the Poultry CGU, as disclosed in note 13. The Group performed the annual impairment assessment on the carrying value of the Dairy and Poultry CGUs at 31 December 2020. The Group prepared financial models based on forecast future cash flows, discounted to present value. This assessment did not identify a need for further impairment for the CGUs. This was a key audit matter due to the financial significance of the goodwill and indefinite lived intangibles and the significant judgements and assumptions applied in estimating future cash flows and the discount rate.	We performed the following procedures, amongst others, in respect of the Dairy and Poultry CGUs: • 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. • Assessed whether each CGU appropriately included all directly attributable assets and liabilities. • Tested the mathematical accuracy of the calculations in the financial models used to assess impairment ("the models") at 30 June 2020 and 31 December 2020. • Considered the allocation of the impairment charge recognised during the year against the goodwill. • Assessed whether the forecast cash flows in the impairment assessments were appropriate by performing the following procedures, amongst others: – Compared the 2021 forecasted cash flows used in the models with the forecast formally approved by the Board. – Evaluated 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 external economic forecasts.
- With the assistance of PwC valuation experts, assessed whether the discount rates used in the models were appropriate by comparing them to market data, comparable companies and industry research.

• Evaluated the reasonableness of the disclosures made in note 13, including key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Accounting for biological assets
(Refer to note 10 in the financial report)
The Group holds biological assets of $2.4m at 31 December 2020. 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.
We consider the valuation of biological assets to be a key audit matter due to the significant judgement involved in estimating:

the weight of poultry, based on the estimated growth rates and yields
market selling prices.

</td><td>
We performed the following procedures, amongst others, on all biological assets:

Considered the appropriateness of the valuation methodologies against the relevant Australian Accounting Standard
Tested the mathematical accuracy of the calculations in the valuation models
On a sample basis, compared the fair value recognised as at 31 December 2020 to the actual selling price once biological assets were reclassified into inventory
Assessed the reasonableness of the disclosures in note 10, 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 conversion rate for poultry weight used in the Group's calculation as at 31 December 2020 to the industry valuation methodology standard and the Group's performance for such biological assets to assess its appropriateness
Compared the number and age of chickens recognised as at 31 December 2020 based on a sample of purchase information for chickens for

</td></tr>
</table>

- the December period and physical observation of chickens as at 31 December 2020
- Agreed the cost of feed, grower and other costs to sell used in the Group's calculation as at 31 December 2020 using a sample of supplier invoices.

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

- Compared the market price used in the valuation model to external market data to assess its appropriateness.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Accounting for acquisition of Betta Milk
(Refer to note 24 in the financial report)
In July 2019, the Group acquired the milk processing assets, distribution assets and brands of the Betta Milk Co-operative Society Ltd business, for cash consideration of $11.4m.
Under Australian Accounting Standards the Group is required to identify all assets and liabilities acquired and estimate the fair value of each item. Any excess consideration that is not attributed to an asset or liability is to be recognised as goodwill.
At 31 December 2020, the acquisition accounting by the Group is final. The acquisition resulted in the recognition of goodwill of $1.9m and an indefinite lived brand of $3.9m.
We focused on the finalisation of accounting for the acquisition of the Betta Milk business assets due to the:

magnitude of the business acquisition transaction
significant judgement involved in identifying the assets and liabilities acquired and determining their fair value.

</td><td>
We performed the following procedures for the acquisition, amongst others:

Agreed the purchase price to the sale and purchase agreement and agreed the cash paid to banking and accounting records
Agreed the recognised fair value of the brand name, land and buildings to third party valuation reports, where available, and assessed the appropriateness of the valuation methodology used in the reports
Testing, on a sampling basis, acquired net asset balances to supporting documentation
Tested the mathematical accuracy of the calculation of the resultant goodwill
Assessed the accuracy and completeness of business combination disclosures in the financial statements.

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</table>

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 2020, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 34 to 47 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2020 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
26 February 2021

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 11 February 2021.

A. DISTRIBUTION OF EQUITY SECURITIES

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

HOLDING DISTRIBUTION

As at 11th February 2021

Range	Securities	%	No of Holders	%
100,001 and over	323,781,431	92.01	267	15.21
10,001 to 100,000	25,131,838	7.14	645	36.73
5,001 to 10,000	1,682,265	0.48	215	12.24
1,001 to 5,000	1,226,420	035	387	22.04
1 to 1,000	80,706	0.02	242	13.78
Total	**351,902,660**	**100.0**	**1,756**	**100.0**
Unmarketable Parcels	847,476	0.24	534	30.41

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	Percentage %
1	Janet H Cameron held via: JBWere (NZ) Nominees Limited <50645 A/C> JBWere (NZ) Nominees Limited <45230 A/C>	**61,950,725**	**17.6**
2	CVC Limited	**51,769,199**	**14.71**
3	Tasplan Superannuation Fund Held Via National Nominees	**33,779,663**	**9.59**
4	Melbourne Securities Corporation <Agfood Opportunity Fund>	**32,674,307**	**9.29**
5	HSBC Custody Nominees (Australia) Limited HSBC Custody Nominees (Australia) Limited - A/C 2 Includes Ellerston Capital Limited And Its Associates Shares	**22,031,993**	**8.15**
6	Mr Jimmy Thomas And Ms Ivy Ruth Ponniah < Thomas Super Fund A/C>	**9,000,000**	**2.56**
7	Nichols Investments Pty Ltd <The R & J N Family A/C> And Trebor Slochin Pty Ltd <Wotwold Superannuation Fund>	**7,400,000**	**2.1**
8	Buduva Pty Ltd <Baskerville Super Fund A/C>	**7,000,000**	**1.99**
9	Helbern Investments Pty Ltd	**6,900,000**	**1.96**
10	Shane Alexander Noble	**3,968,055**	**1.13**

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SHAREHOLDER INFORMATION CONT.

Rank	Name	Units	Percentage %
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>	**3,309,087**	**0.94**
12	Roger McBain held via: Vermilion 21 Pty Ltd <The McNelhaus Super Fund A/C> Cerulean 37 Pty Ltd Vermilion 21 Pty Ltd <McNelhaus Family A/C> Vermilion 21 Pty Ltd <The McNelhaus Super Fund A/C>	**3,271,026**	**0.93**
13	Mr Darius Isaac	**3,065,316**	**0.87**
14	Budleaf Pty Ltd	**2,100,000**	**0.60**
15	Quality Life Pty Ltd <The Neill Family A/C>	**2,541,070**	**0.72**
16	Ilwella Pty Ltd	**2,394,475**	**0.68**
17	J P Morgan Nominees Australia Pty Limited	**1,900,807**	**0.54**
18	Elphinstone Holdings Pty Ltd	**2,000,000**	**0.57**
19	Custodial Services Limited <Beneficiaries Holding A/C> (various private holders)	**1,767,281**	**0.50**
20	Bob Wilson <RT Wilson Family Trust>	**1,600,000**	**0.45**
Totals: Top 20 holders of TFL ORDINARY FULLY PAID		**260,423,004**	
Total Remaining Holders Balance		**91,479,656**	
Total Holders Balance		**351,902,660**	

As at 11 February 2021, the 20 largest shareholders held ordinary shares representing 74 % of the issued share capital.

SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

Name	Number Of Shares Held	%
Janet H Cameron	61,950,725	17.6%
CVC Limited.	51,769,199	14.71
Tasplan Superannuation Fund	33,779,663	9.59%
Melbourne Securities Corporation <Agfood Opportunity Fund>	32,674,307	9.29 %

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.

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