ANNUAL REPORT 2021

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TASFOODS

50° S

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Craig Treasure
Non-Executive Chair

John Murphy
Independent Deputy Chair, Non-Executive Director

Ben Swain
Non-Executive Director

John O'Hara
Independent Non-Executive Director

COMPANY SECRETARY
Shona Croucher

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Facsimile: + 61 3 6256 9251
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Link Market Services
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Sydney New South Wales 2000 Australia
Telephone: + 61 2 8280 7100
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TasFoods Limited
ACN 084 800 902

AUDITOR
PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006 Australia

SOLICITORS
HWL Ebsworth
Level 26, 530 Collins Street
Melbourne Victoria 3000 Australia

O'Reilly Legal & Governance Pty Ltd
Maning Avenue,
Sandy Bay, Tasmania, 7005 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

CONTENT

OUR BRAND PORTFOLIO

Our brands embody authentic provenance that reflects the essence of premium Tasmanian products. Our diversified customer base enables us to deliver the essence of Tasmania to where consumers choose to shop.

PYENGANA DAIRY

ISLE & SKY TASMANIAN ORGANIC PRODUCE

SHIMA WASABI

PREMIUM

Brands that reflect artisan provenance and Tasmanian heritage, targeted at food lovers seeking authenticity.

MEANDER VALLEY DAIRY

NICHOLS ETHICAL FREE RANGE CHICKEN

EVERYDAY LUXURY

Brands that provide a piece of Tasmanian indulgence for everyday life, targeted at national retail and export markets.

TASSIE TASTE

Betta MILK

NICHOLS POULTRY

MAINSTREAM / VALUE

Brands that support loyal customers with local products providing profitable volume to underpin the operations.

CHAIRMAN & CEO'S REPORT

CRAIG TREASURE
NON-EXECUTIVE CHAIRMAN

SCOTT HADLEY
CHIEF EXECUTIVE OFFICER

ON BEHALF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT OF TASFOODS LTD (TFL, THE COMPANY), WE PRESENT TO YOU THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021.

2021 was a year of significant change at TasFoods and one that we are confident will lay the foundation for sustained future growth. TasFoods continued to see sales growth through 2021 which demonstrates strong consumer demand for the Company's products however operational impacts, input costs and environmental factors resulted in the top-line performance not translating into positive financial results.

> "2021 was a year of significant change at TasFoods and one that we are confident will lay the foundation for sustained future growth.

As announced to the market in 2021 the Board underwent significant restructure with the appointment of two new experienced directors and the resignation of Roger McBain. Roger McBain resigned from his position as Director in June after serving on the Board since 2016. Roger made a significant contribution to TasFoods and we thank him for his commitment and service to the Company. We were pleased to welcome John Murphy and John O'Hara to the Board in June and both Directors have already made a significant contribution to shape the future of TasFoods. As mentioned at the time of their appointment both come with extensive industry experience that will be invaluable in helping Tasfoods develop its strategic plan for the future.

In addition to the Board renewal, we made significant change to the Executive Leadership Team. Jane Bennett resigned her position as Managing Director & Chief Executive Officer in August and was replaced by Scott Hadley, who started his role as Chief Executive Officer in October. We thank Jane for her leadership, passion and dedication to TasFoods since the inception of the business.

CHAIRMAN & CEO'S REPORT, CONT.

Scott joins us with considerable experience in the FMCG sector throughout Australia and the Asia Pacific region. As a seasoned brand builder and product marketer the Board was very pleased to attract Scott's talents to further develop our existing brand portfolio and adjacent opportunities. Additionally, we appointed a new Chief Financial Officer, Shona Croucher, who started in October. Shona brings a wealth of ASX experience as well as deep industry knowledge.

COVID-19 continued to impact the business in many ways throughout 2021. The significant financial relief that was afforded the business in 2020 through payroll tax refunds and JobKeeper were not available in 2021 and this has negatively impacted the year-on-year financial results by $1.2m.

The Company's key mainland Australia distribution channels of restaurants, hotels and cafes were impacted by continued COVID-19 related closures along with lower levels of tourism within Tasmania to drive food service sales. As Tasmania's borders remained closed for the majority of 2021 the impact on Tasmanian staff was minimal however the Omicron strain entered Tasmania in late 2021 which impacted our workforce, particularly at Nichols Poultry, placing significant operational and financial pressure on the business towards the end of the year. We continue to experience disruptions into 2022, however we have operational plans in place to mitigate the impact of such disruptions.

Gross margins for the year were significantly impacted by input cost increases associated with milk, poultry feed and labour costs which were not reflected in customer pricing.

The Payroll Tax and JobKeeper benefits from 2020 in addition to rising costs associated with repairs, maintenance, utilities, and stock adjustments contributed significantly to the year-on-year financial performance variance.

The performance in 2021 coupled with subdued forward looking industry forecasts for the categories TasFoods participates in, has resulted in the Company recognising an impairment charge of $3.9 million. This comprises goodwill impairment of $1.1 million in the poultry division and $2.8 million in the dairy division. No goodwill remains on the balance sheet, however no impairment to brand values were recognised.

We are proud of the way our team responded to the challenges of 2021 and particularly for their continued management of a COVID-safe work environment. The team at TasFoods are passionate about the business and strive to deliver outstanding quality products.

CHAIRMAN & CEO'S REPORT, CONT.

FINANCIAL PERFORMANCE

	FY 2021				FY 2020				Change $'000	Change %
	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000		
Revenue	30,362	38,636	443	69,441	29,502	37,030	378	66,911	2,530	4%
Other Income	134	448	45	626	115	281	130	526	101	19%
Expenditure	(30,922)	(41,456)	(6,102)	(78,480)	(28,247)	(38,343)	(6,104)	(72,694)	(5,786)	8%
EBITDA	**(425)**	**(2,373)**	**(5,614)**	**(8,413)**	**1,370**	**(1,032)**	**(5,595)**	**(5,257)**	**(3,156)**	**-60%**
Acquisition Costs	0	0	0	0	0	0	(15)	(15)		
Movement in Fair Value	(32)	(113)	69	(76)	(38)	(107)	(1,154)	(1,300)		
Impairment Expense	(2,770)	(1,137)	0	(3,907)	(1,500)	(2,000)	0	(3,500)		
Operating EBITDA	**2,377**	**(1,123)**	**(5,683)**	**(4,429)**	**2,908**	**1,075**	**(4.426)**	**(443)**	**(3,986)**	**-900%**
GP Margin	33%	16%		24%	35%	20%		27%		-3%
NPAT				**(10,741)**				**(6,407)**		

The Company produced overall sales growth of 4% on 2020 which maintained momentum in a challenging market environment. Group operating EBITDA was a loss of $4.4 million which was driven by accelerating costs on key inputs on milk, grain, labour, utilities and materials, which were not reflected in customer pricing. There were some significant one-off items that impacted the result in 2021 notably stock valuation adjustments in the poultry business and marketing costs associated with the creation of the new Organic chicken brand, Isle & Sky.

The impairment expense of $3.9m million contributed to the full-year financial result of a net loss after tax of $10.7 million. The impairment of goodwill did not impact the cash position of the Company. We remain focused on careful cash management with cash holdings of $1.5 million and total available funds of $4.0 million (including unused overdraft facilities of $2.5 million as at 31 December 2021).

Our two major operating divisions both achieved revenue growth with poultry sales representing 55% of total sales revenue and dairy sales revenue representing 44% of total sales revenue.

Sales to interstate markets grew by 17% 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.

PEOPLE & SYSTEMS CAPABILITY

In addition to the Chief Executive Officer and Chief Financial Officer roles, the Chief Sales & Marketing Officer and Chief Operating Officer positions changed in the last quarter of the year. A General Manager Supply Chain has been appointed who comes with extensive experience in Logistics, Procurement, Planning, Maintenance and Capital Projects who will join the Executive Leadership Team in the first half of 2022.

CHAIRMAN & CEO'S REPORT, CONT.

The Company has set out to build commercial capability through a dedicated procurement resource, commercial finance professional and in-house IT specialist. The business has increased capability in the sales function with the employment of a dedicated Melbourne-based Business Development Executive who will focus on building our route trade distribution channel and a new Head of Sales Tasmania to capitalise on the strength of our branded business in Tasmania.

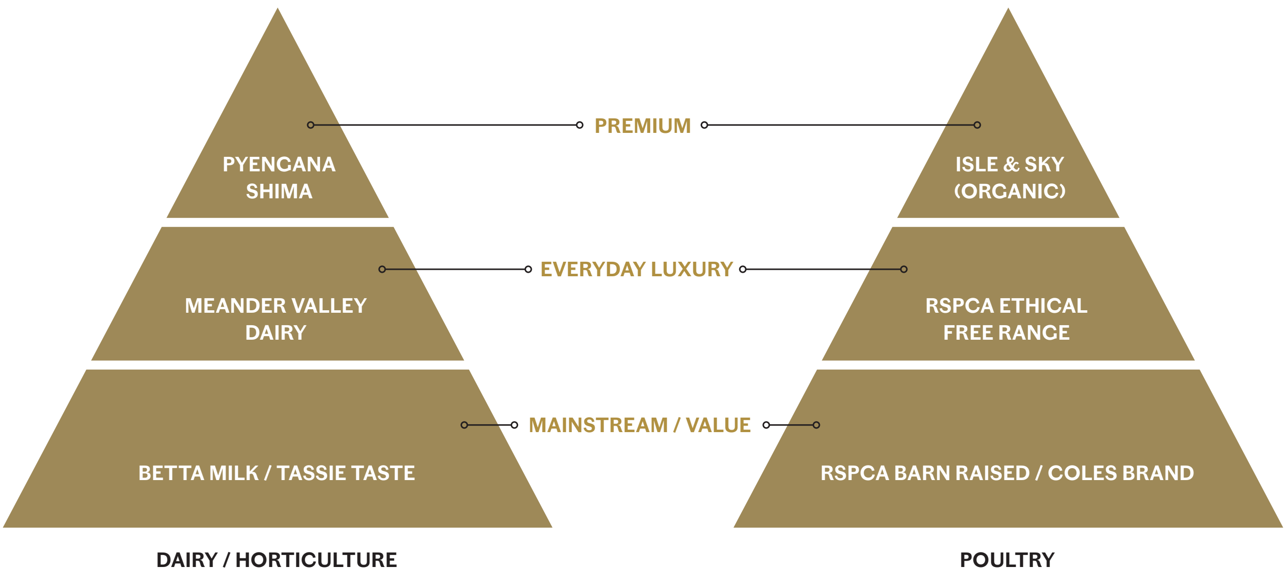
An enabler of operational efficiencies will be the implementation of the Company's first ERP system. This will enable a level of integration of the operating units to unlock efficiencies in customer service, route to market and support functions which will allow TasFoods to operate as a truly consolidated branded food and beverage group. The ERP is expected to be operational in Q4 2022.

MARKETING AND NEW PRODUCTS

We launched our new organic chicken brand, Isle & Sky, in September which is starting to gain momentum. The range is available in selected Coles stores across Australian States on the east coast and through premium butcher and retail outlets.

Our dairy division launched a wide variety of new products during the year including a lactose free range of milk under our Betta brand available in Coles and Independent retail in Tasmania and a new specialty range of cheese launched under the Meander Valley Dairy brand which is available in Independent retail in Tasmania.

Our marketing efforts going forward will be aimed at supporting our current brands through building awareness and distribution whilst ensuring our products are meeting consumer's needs. We have simplified our brand pyramid as follows.



Our efforts will be focused on building brands in the premium and everyday luxury segments.

CHAIRMAN & CEO'S REPORT, CONT.

Developing and building capabilities in the following areas will be the enabler for immediate profitability and future growth.

OUR WINNING CAPABILITIES

PEOPLE & CAPABILITY

Tasfoods will invest in our people and their capability to ensure they thrive, develop and grow in the support of our business.

BRAND BUILDING

Tasfoods will invest behind our premium brands to ensure we remain relevant to evolving consumer needs.

CUSTOMER SERVICE

Tasfoods will deliver exceptional service to all customers and be known for being easy to do business with for mutual growth.

OPERATIONAL EXCELLENCE

Tasfoods will deliver the highest quality products and be known for being best in class in efficiency and effectiveness.

CAPITAL MANAGEMENT

Tasfoods will pro actively manage our portfolio of business' and brands to maximise returns to all stakeholders.

STRATEGY

With a refreshed Board and management team we have taken the opportunity to review the current strategic plan for TasFoods. The immediate priority is to stabilise the foundations of the business and then leverage our core competencies for profitable growth.

TasFoods priority will be to simplify our business and focus our efforts on building premium provenance brands that deliver superior customer and consumer experience whilst providing leading shareholder returns.

Craig Treasure

Scott Hadley

OPERATING & FINANCIAL REVIEW

POULTRY DIVISION

POULTRY DIVISION

Sales revenue for the poultry division grew by 4% on the pcp in 2021 to $38 million. Revenue growth was largely driven by the launch of our new organic range, Isle & Sky, which contributed $0.6m of sales in only 3 months of the financial year having been launched in September 2021. We anticipate further growth led by this organic range in 2022.

ISLE & SKY
TASMANIAN
ORGANIC PRODUCE

Australian Certified Organic
ACO CERT. NO. 13247

NEW ORGANIC RANGE

NICHOLS
ETHICAL FREE RANGE
CHICKEN

NICHOLS
POULTRY

NICHOLS POULTRY WAS ESTABLISHED IN THE EARLY 1980S.

THE BUSINESS HAS GROWN TO BECOME ONE OF THE MOST TRUSTED AND RESPECTED MEAT BRANDS IN TASMANIA.

NICHOLS
KITCHEN

Despite a solid top-line performance overall gross margin was significantly impacted in this division by increased input costs including grain costs associated with feed, increased labour processing costs as the business dealt with continued COVID-19 related operating implications, significant increases in freight and distribution and a re-evaluation of stock valuations.

Volume sold increased on 2020 levels and revenue per kg increased however this was unable to offset the increase in costs. Consequently, gross profit margins declined by 4%. During Q4 2021 the Company re-calibrated the supply side of the division to better match consumer demand and this resulted in some one-off operational impacts that will set the business on a more stable footing going forward.

The Poultry division reported an operating EBITDA loss for 2021 primarily due to the increased input costs. Whilst the new organic range contributed positively to revenue, it was not EBITDA positive for the 3 month contribution to the financial year as the business established operating procedures to produce this new range in organic farming conditions. Other contributors to the result were an increase in repairs and maintenance due to the aging nature of equipment, and material increases in utilities.

The Company extended its partnership with Coles during the year which is a great testament to the quality of our product and the service we provide to this valued partner. We believe Nichols Poultry is uniquely placed in the market given its chemical and chlorine free characteristics as a result of our air-chilling process.

POULTRY DIVISION, CONT.

We believe Nichols will have strong consumer cut-through not only in Tasmania but importantly in the mainland market where customers are demanding better tasting poultry products. Poultry remains Australian consumers first choice for protein and Nichols is well placed to gain more share of this market.

Sales of premium chicken under the Nichols Ethical Free-Range brand continued to increase throughout 2021, achieving 15% growth over 2020. Despite the COVID-19 related market impacts, sales to interstate markets increased by 22% over 2020 levels which is a pleasing performance given sector headwinds through the year.

DAIRY DIVISION

DAIRY DIVISION

Our dairy division comprises three business units, Betta Milk, Meander Valley Dairy and Pyengana Dairy. Each business unit plays a unique role within the TasFoods dairy division however there are opportunities for further growth and efficiencies as we better integrate the dairy division within the wider TasFoods group.

PYENGANA DAIRY

MEANDER VALLEY DAIRY

Betta MILK

THE DAIRY DIVISION HAS THREE CENTRES OF EXCELLENCE;

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

The division reported a reasonable financial contribution at both the revenue and EBITDA levels. Sales revenue for the dairy division grew by 3% to $30 million. The sales growth was primarily driven by increases in Pyengana Cheese and Milk, Meander Valley Cream range and our new Lactose Free Milk.

Input costs in the dairy division increased significantly during the year, predominately on the back of rises in farm gate milk prices. During 2021, the business absorbed the majority of these increases which resulted in Gross Margin decline from 2020. This translated into a lower EBITDA contribution of $2.4 million, a 18% decline on 2020 results. Increased labour and logistics costs similarly contributed to the lower level of EBITDA performance.

Pleasingly, the Pyengana business unit was a highlight in this division. Sales (including our Farm Gate Café) increased by 37% which flowed through to an improve EBITDA performance. The premium brand positioning of this high-quality product resonates strongly with customers who are looking for more indulgent experiences, particularly through COVID-19 lockdowns. Management is buoyed by the growth of this brand and believes it will provide a platform for future growth into the Hotel, Restaurant and Café sector.

The Meander Valley Dairy business unit recorded sales growth across all its key categories of Cream, Butter, Cheese & Buttermilk. The cream range makes up the majority of sales in this division and continues to grow on the back of national distribution in key distribution channels along with an increased ranging in independent channels. We launched a new range of Meander Valley cheese late in 2021 which has been positively received by customers.

DAIRY DIVISION, CONT.

White milk sales under the Betta Milk brand declined from 2020 levels as competition intensified within the Tasmanian market in this commodity category. White milk remains a competitive category but new products such as Lactose Free has helped maintain the relevance of the Betta Milk brand.

Management is confident in Betta Milk continuing to contribute to the overall group performance given the strong brand equity within Tasmania however management will look to explore new product development to take the brand into less cost-competitive adjacencies.


MEANDER VALLEY
DAIRY
TRADITIONAL
BUTTERMILK
600mL
The TASMANIAN FOOD Co

WASABI

SHIMA WASABI

Whilst not a material contributor to group revenue Shima Wasabi is positioned as a unique, premium, provincial offering which opens access to premium food channels such as high-end restaurants for other TasFoods products. Shima sales performed strongly with an increase of 46% on 2020 and a significant improvement in EBITDA contribution.

SHIMA WASABI

A UNIQUE, PREMIUM, PROVINCIAL OFFERING

Our unique ready-to-use wasabi paste made from real wasabi was a key driver of growth after being launched in 2021 and this provides a user-friendly option for customers seeking an authentic wasabi flavour. There are few alternative options within the Australian domestic market and our access to the premium route trade market is assisted by having Shima in our product portfolio.

As the market conditions improve during 2022, we expect an improvement in Shima reach, sales and profitability.

CORPORATE

The Head Office centre for TasFoods saw an increase in expenditure compared to 2020. An increase in marketing expense was the main driver of this variance given the creation of the new organic poultry offering, Isle & Sky, and a new television commercial for Betta Milk. Employment expenses were increased on the prior year due to the payroll tax refund and Job Keeper payments the Company received in 2020 not being available in 2021. Severance costs associated with the prior Chief Executive Officer and a prior Board Member were also accounted for in this period.

BALANCE SHEET AND CASHFLOWS

The Group is supported by a balance sheet with net assets at 31 December 2021 of $28.60 million (31 December 2020: $39.24 million), including property, plant and equipment balances of $25.90 million (31 December 2020: $25.31 million). Cash balances were $1.45 million (31 December 2020: $7.63 million) and the Group had an undrawn overdraft facility of $2.5 million.

The decrease in group net assets is mainly due to the operating loss of $10.74 million, which includes a non-cash impairment charge of $3.91 million. Inventory at 31 December 2021 was $4.65 million (31 December 2020: $4.50 million).

During 2021 the group invested $2.4 million into fixed assets including $1.6 million for new organic chicken farming sheds located at Flowerdale, Tasmania (which was later recapitalised through a funding arrangement of $1.5 million).

Net cash outflows from operating activities were $4.46 million (2020: $0.52 million). This is reflective of the increased input costs including grain costs associated with feed, increased labour processing costs and significant increases in freight and distribution costs.

Management continue to focus on a disciplined approach to working capital management and is in the process of undertaking a number of steps to improve profitability and cash flows. These include embedding new ways of working through the business in areas of value chain profitability analysis, pricing reviews, major input cost contract reviews, and implementing improved trading terms with suppliers.

Included in the Consolidated Financial Statements for the year ended 31 December 2021 is an independent auditor's report which includes an Emphasis of Matter paragraph in relation to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 1 in the Financial Statements, together with the auditor's report.

2022 OUTLOOK

2022 OUTLOOK

The performance of the business in 2021 was challenged by numerous factors both internal and external. New management have identified the need to enhance the shared service capability and systems which will enable the business to develop and grow TasFoods owned brands through enhanced consumer insights, investment in brand architecture and premiumisation, and improved route to market capability which is scalable as the business grows. Management will be focussed on ensuring the Company has a solid integrated operational centre of excellence to allow both of our branded divisions to grow.

Going forward, TasFoods will be an integrated business distributing premium, authentic brands with a rich provincial story that consumers will trust and love. Understanding the consumer and meeting their needs will be at the heart of what we do and we need to communicate our unique story and attributes to them in a compelling way.

We have already made some fundamental changes to our business that will establish the foundations for profitable growth. We have employed our first ever procurement specialist and in house IT manager and expanded our sales team in both Tasmania and the mainland. Understanding the value chain and our cost base is critical to operate a consumer products business and we have enhanced our commercial capability in this area. We have already removed unprofitable SKU's, re-set pricing in relevant categories and re-negotiated contracts to provide favourable commercial outcomes.

A major initiative for 2022 is the implementation of a TasFoods enterprise resource planning (ERP) system. This will be operational by Q4 2022 and will be critical in running a multi brand and channel consumer products business. It will provide vital information to ensure profitable decision making whilst making TasFoods easier to do business with.

The ERP will provide the foundational support to improve operational efficiencies, particularly in the areas of logistics and manufacturing. TasFoods will be able to operate as one integrated business for the first time and it will help un-lock our true potential.

Growth in demand for online sales is anticipated to continue and the plan to recruit an e-Commerce manager in 2021 did not eventuate. We will fast-track our growth platform online as we believe we have a unique position from which to grow in this channel with both our own brands along with the ability to partner with other third-party premium brands to offer a wider range of consumer solutions.

The Board endorsed an updated strategy in January 2022 that will focus strongly on setting the foundations of the business up for the future, capitalising on our strength in Tasmania through delivering a positive financial return, aggressively expanding our interstate and on-line offerings and being continuously aware of opportunities in adjacent categories that fit with the strategy of TasFoods premium authentic business. In order to evaluate all opportunities presented, the Board has endorsed a company first Capital Management Framework that assesses all opportunities through a lens of strategic alignment, financial return, risk management and our capability to execute. We believe that instilling this discipline into the business will put TasFoods on the path to short term profit and long term prosperity to bring to life the vision to create the most reputable, sustainable and authentic premium products collective.

RISK

RISK

TasFoods is committed to the effective management of risk to reduce uncertainty in the Groups business outcomes and to protect and enhance shareholder value. There are various internal and external risks that may have a material impact on the Groups 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/corporate-governance/

During 2021 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.

RISK, CONT.

MARKET RISK

Delivering on our customer promises and growing our customer base

TasFoods has a number of large key customers and the loss of one or more would have a detrimental impact on the Group. TasFoods mitigates this risk by investing in the quality of its relationships with key customers, and ensuring we manufacture product in accordance with our customer's required specification and standard. The Company continues to grow and diversify its customer base. In addition, TasFoods responds to changing customer compliance requirements through 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 surety of crop for key inputs such as grain and dairy. Drought or extreme weather events in other regions of Australia may impact commodity pricing for inputs to TasFoods operations.


PYENGANA
DAIRY
REAL FLAVOUR, REAL CHEESE
PYENGANA
DAIRY
TASMANIA
CHEDDAR
TRUCKLE

BOARD OF DIRECTORS

CRAIG TREASURE NON-EXECUTIVE CHAIR

Appointed Non-Executive Chair on 4 June 2020.

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.

BEN SWAIN NON-EXECUTIVE DIRECTOR

Appointed Non-Executive Director on 4 June 2020.

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.

JOHN MURPHY INDEPENDENT DEPUTY CHAIR

Appointed Independent Non-Executive Director on 23 June 2021
Appointed Deputy Chair on 31 January 2022.

John has over 35 years' experience in the Australian and International Beverage, Food, Fast Moving Consumer Goods and Packaging Industries. He has held a range of leadership roles in large multinational organisations including Managing Director of Coca-Cola Amatil Australia; the CEO of Visy Industries paper, packaging and recycling business; and the Managing Director of Carlton & United Breweries Australian beer business after an extensive career with the company. John has served on the boards of both public and private companies and is currently the Chairman of Tribe Breweries (craft beverages) and a start-up founder of the Turner Stillhouse craft distillery in Tasmania. John has previously served as Deputy Chairman of Bellamy's Organic, Non Executive Chairman of PFD Foods Australia and Chairman of the Lantern Hotel Group. He has also had a long association with the Alannah & Madeline Foundation focused on keeping children safe today and into the future.

JOHN O'HARA INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Independent Non-Executive Director on 23 June 2021.

John is a highly accomplished Executive and Non-Executive Director with a track record of substantive contribution to strategic development and growth, cultural reform, value creation, building reputation and stakeholder relationships. John's Director experience spans across large private entities, corporations, and Not For Profit. His executive roles have encompassed ASX organisations, Co-Operatives and large private companies with national and international operations. John spent the last 18 years with Sunny Queen Australia, the last 8 as CEO & Managing Director. Prior to that he has held Senior Executive roles in both Dairy Farmers Cooperative and National Foods. He is currently the Chairman of Mulgowie Farming Company and Priestley's Gourmet Delights and Advisory Board Chair of Morgan's Pastoral Company, Priestley's Gourmet Delights and Simon George & Sons.

EXECUTIVE TEAM

SCOTT HADLEY

CHIEF EXECUTIVE OFFICER

Appointed CEO in October 2021.

Scott is a proud Tasmanian with over 20 years experience in a range of companies in Australia building premium brands, leading teams and developing go to market and supply chain organisations. Scott was previously CEO of Asahi Beverages Alcohol Division and has held senior positions with TT-Line, Fosters Group, GlaxoSmithKline and Cadbury. Scott is a member of the AICD, has an MBA (Executive) from AGSM, completed the Senior Executive Programme at London Business School and is a CPA.

SHONA CROUCHER

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Appointed CFO in October 2021.
Appointed Company Secretary in November 2021.

Shona is a Tasmanian and is an experienced professional. For the last 7 years, Shona has worked at Bellamy's Organic where she has held the roles of Chief Financial Officer, and Director of Finance and People. Prior to these roles, Shona was a Director at KPMG (16 years experience) where she specialised in taxation, corporate business advisory, and business valuation. Shona's advisory experience covered a diverse range of industry sectors including agriculture, manufacturing, and professional services. Shona holds a Master of Applied Finance (Kaplan Professional), is a Fellow of the Taxation Institute of Australia, has a Graduate Diploma of Financial Planning (Securities Institute of Australia), and is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ). Shona has also completed the Emerging CFO: Strategic Leadership Financial Program at the Stanford University Graduate School of Business.

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 2021.

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 Independent Non-Executive Chair on this date. During FY21 Craig joined the Board of substantial shareholder CVC Limited as Executive Chairman. The TasFoods Board designated Craig a Non-Independent Non-Executive Director and Chair on 31 January 2022. Craig is a member of the Audit and Risk Committee and during FY21 was the Chair of the Nomination and Remuneration Committee. Craig ceased to be the Chair of the Nomination and Remuneration Committee on 31 January 2022, remaining as a member.
Experience and qualifications	Craig has over 35 years' experience in business and property development. Craig's most recent executive role was as 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:	CVC Limited
Former Directorships in listed entities in the last 3 years:	Villa World Limited; Eildon Capital Limited
Interest in shares and options:	721,861 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. 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.
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.

DIRECTORS

John O'Hara	Independent Non-Executive Director since 23 June 2021
	John was appointed to the Board as an Independent Non-Executive Director on 23 June 2021. During FY21 John was a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee. John became the Chair of the Nomination and Remuneration Committee on 31 January 2022.
Experience and qualifications	John is a highly accomplished Executive and Non-Executive Director with a track record of substantive contribution to strategic development and growth, cultural reform, value creation, building reputation and stakeholder relationships. John's Director experience spans across large private entities, corporations, and Not For Profit. His executive roles have encompassed ASX organisations, Co-Operatives and large private companies with national and international operations. John spent the last 18 years with Sunny Queen Australia, the last 8 as CEO & Managing Director. Prior to that he has held roles in both Dairy Farmers Cooperative and National Foods. He is currently the Chairman of Mulgowie Farming Company and Priestley's Gourmet Delights, and Advisory Board Chair of Morgan's Pastoral Company, Priestley's Gourmet Delights, and Simon George & Sons.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	Nil

John Murphy	Independent Non-Executive Director since 23 June 2021. John became the Deputy Chair on 31 January 2022.
	John was appointed to the Board as an Independent Non-Executive Director on 23 June 2021. John is the Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.
Experience and qualifications	John has over 35 years' experience in the Australian and International Beverage, Food, Fast Moving Consumer Goods and Packaging Industries. He has held a range of leadership roles in large multinational organisations including Managing Director of Coca-Cola Amatil Australia; the CEO of Visy Industries paper, packaging and recycling business; and the Managing Director of Carlton & United Breweries Australian beer business after an extensive career with the company. John has served on the boards of both public and private companies most recently as Non-Executive Chairman of PFD Foods and Deputy Chairman of Bellamy's Organic and is currently the Chairman of Tribe Breweries (craft beverages) and a start-up founder of the Turner Stillhouse craft distillery in Tasmania.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	Nil

DIRECTORS' REPORT, CONT.

DIRECTORS

Jane Bennett	**Chief Executive Officer (CEO) and Managing Director until 1 October 2021.**
	Jane joined the Company in September 2015, and became the CEO and Managing Director on 18 February 2016 until she resigned effective 1 October 2021.
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

Roger McBain	**Independent Non-Executive Director until 22 June 2021**
	Roger joined the Board as an Executive Director on 3 September 2015 and transitioned to a Non-Executive Director role on 1 July 2016, until he resigned effective 22 June 2021. Roger was the Chair of the Audit and Risk Committee and 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.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	741,026 Ordinary Shares (at the time of resignation)

DIRECTORS' REPORT, CONT.

COMPANY SECRETARY

Shona Croucher	**Company Secretary and Chief Financial Officer**
	Shona joined the Company as Chief Financial Officer on 25 October 2021. She was appointed as Company Secretary on 26 November 2021.
Experience and qualifications	Shona is an experienced finance professional. Previously Shona has worked at Bellamy's Organic where she has held the roles of Chief Financial Officer and Director of Finance and People. Prior to this role, Shona was a Director at KPMG where she specialised in taxation, corporate business advisory, and business valuation. Shona holds a Master of Applied Finance (Kaplan Professional), is a Fellow of the Taxation Institute of Australia, has a Graduate Diploma of Financial Planning (Securities Institute of Australia), and is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ).
Marta Button	**Company Secretary until 26 November 2021**
	Marta joined TasFoods on 12 April 2021 until 26 November 2021
Experience and qualifications	Marta is an experienced governance, investor relations and financial strategy professional, with over 15 years' experience in ASX listed organisations. Marta holds a Masters in Applied Finance and is a Chartered Secretary. She is currently the Company Secretary for a number of Not-For-Profit Organisations.

DIRECTORS' REPORT, CONT.

MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2021 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 20 May 2021.

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[1]	14	14	6	6	4	4
B Swain[1]	14	14	6	6	4	4
J O'Hara[2]	8	8	2	2	0	0
J Murphy[2]	8	8	2	2	0	0
R McBain[3]	6	6	4	4	4	4
J Bennett[4,5]	10	10	6	6	4	4

[1]Mr Treasure and Mr Swain were on the Board for the entire financial year.

[2]Mr O'Hara and Mr Murphy joined the Board on 23 June 2021.

[3]Mr McBain resigned from the Board effective 22 June 2021.

[4]Ms Bennett resigned from the Board effective 1 October 2021.

[5]Ms Bennett was not a member of the Audit and Risk Committee or the Nomination and Remuneration Committee however attended the meetings as an invitee.

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

There were no 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 2021, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

DIRECTORS' REPORT, CONT.

REMUNERATION REPORT (AUDITED)

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 31 December 2021, outlining the nature and amount of remuneration for Tasfood's Non-Executive Directors and other Key Management Personnel ("KMP").

TasFood's remuneration strategy is designed to be responsible and sufficiently competitive to attract and retain valued executives and directors who create value for shareholders whilst maintaining alignment with the short term and long term objectives of the Company. In June 2021 Tasfoods appointed two new Non-Executive Directors, John Murphy and John O'Hara. Both appointments strengthen the Board's diversity and depth. During 2H21 Tasfoods appointed Scott Hadley as Chief Executive Officer and Shona Croucher as Chief Financial Officer. Whilst 2H21 has been a period of significant leadership change for the business, a continued focus of the business is to continue to build the leadership team to support sustainable business growth and strategic initiatives.

The Nominations and Remuneration Committee has engaged independent remuneration experts late in FY21 to conduct executive benchmarking and also to assist with the development of the new short term and long term incentive plans which improve strategy alignment and support sustainability of returns for shareholders. It is especially important that any reward for executives under the long-term incentive plan is clearly linked to business performance and our shareholders' expectations. Furthermore, the remuneration consultants are being used to ensure alignment between the Company's remuneration practices and best-practices evident in the market, while being tailored to the Company's circumstances. The Board will, over the course of FY22, consider what further improvements to remuneration governance, policies, procedures and practices could be made, implement them, provide updates and respond to feedback in future Remuneration Reports.

We look forward to your comments, and support for remuneration related resolutions, at the upcoming AGM.

On behalf of the Committee, I recommend the Report to you.

Yours sincerely,

John O'Hara
Chair – Remuneration and Nomination Committee

DIRECTORS' REPORT, CONT.

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 2021, 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 2021 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 2021 relate to those activities and the current remuneration structure.

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

The Report has been set out as follows:

1. Key management personnel
2. Role of the Nomination and Remuneration Committee
3. Engagement of remuneration consultants
4. Remuneration strategy and framework
    - 4.1. Executive remuneration schedule
    - 4.2. Remuneration mix and linking pay to performance
    - 4.3. 2021 fixed remuneration
    - 4.4. 2021 short-term incentive arrangements
    - 4.5. 2021 long-term incentive arrangements
    - 4.6. KMPs 2021 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

DIRECTORS' REPORT, CONT.

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 2021 were:

Current Non-Executive Directors	Role	Appointment Date
Craig Treasure	Non-Executive Chair	4 June 2020
Ben Swain	Non-Executive Director	4 June 2020
John O'Hara	Non-Executive Director	23 June 2021
John Murphy	Non-Executive Director	23 June 2021
Former Executive and Non-Executive Directors	**Role**	**End Date**
Roger McBain	Non-Executive Director	22 June 2021
Current KMP Executives	**Role**	**Appointment Date**
Scott Hadley	Chief Executive Officer	1 October 2021
Shona Croucher	Chief Financial Officer	25 October 2021
Former KMP Executives	**Role**	**End Date**
Jane Bennett	Chief Executive Officer	30 September 2021
Donna Wilson	Chief Financial Officer	24 October 2021

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.

DIRECTORS' REPORT, CONT.

2. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE, CONTINUED.

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. During 2021 Mercer Consulting Australia Pty Ltd (Mercer) was engaged to provide the valuation of rights to senior executives (issued under the existing LTI Plan), but did not provide any recommendations on the participants, quantum for participants, or the hurdles.

In November 2021, the Remuneration Committee engaged Godfrey Remuneration Group Pty Ltd (GRG) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design. GRG was paid $60,000 for these services.

GRG have confirmed that any remuneration recommendations have been made free from undue influence by members of the group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- GRG was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by GRG directly to the chair of the remuneration committee; and
- GRG was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, GRG was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

DIRECTORS' REPORT, CONT.

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)

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.1. Executive remuneration structure, continued.

	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 2021 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.
Long Term Incentive (LTI) An award of rights with performance assessed over 3 years	LTI awards for the 2021 grants were provided under the LTIP approved by shareholders at the 2017 AGM. A three-year performance period provides a reasonable period to align reward with shareholder return and also acts as a vehicle to help retain the KMP, align the business planning cycle, and provide sufficient time for the longer-term performance to be achieved. Due to the importance that the Board places on an improvement in share price a single measure based on share price growth was chosen for the 2021 grant.	The purpose of the LTI is to focus the executives' efforts on the achievement of sustainable long-term shareholder value creation and the long-term financial success of TasFoods. The provision of LTIP awards via performance rights for ordinary shares in TasFoods encourages long-term share exposure for the executives and, therefore, aligns the long-term interests of executives and shareholders.

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

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 2021 were as follows:

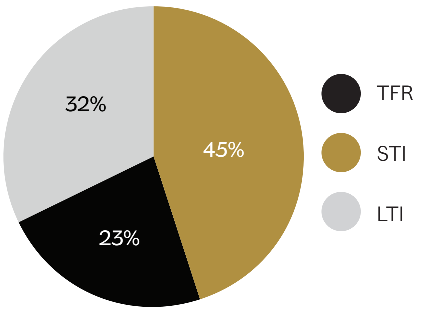
	TFR	Short Term Incentive (At-Target)[1]	Short Term Incentive (Stretch)[2]	Long Term Incentive (Target Opportunity)[3]	Long Term Incentive (Maximum Opportunity)
Current KMP Executives					
Scott Hadley	$450,000	50.0%	62.5%	70.0%	140.0%
Shona Croucher	$280,000	25.0%	31.3%	50.0%	100.0%
Former KMP Executives					
Jane Bennett	$264,000	30.0%	37.5%	20.0%	40.0%
Donna Wilson	$220,000	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.

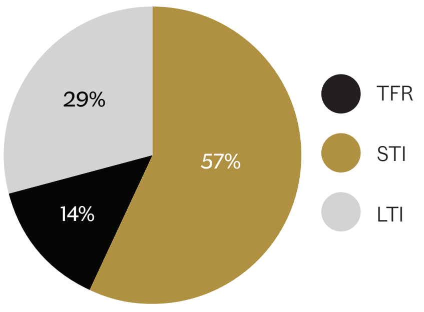
DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.2. Remuneration mix and linking pay to performance, continued.



Scott Hadley



Shona Croucher

4.3. 2021 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 2021 (and 31 December 2020) can be found in the 'Remuneration Tables' section of this report.

4.4. 2021 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).

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.4. 2021 short-term incentive arrangements, continued.

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 2021 are set out in section 4.6.

4.5. 2021 long-term incentive arrangements

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

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

The key elements of the LTI plan are:

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

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

Maximum number of Performance Rights: The maximum number of Performance Rights is calculated by multiplying the total fixed remuneration (TFR) of the Participant at the beginning of the financial year by the maximum LTI % and then dividing that figure by a 10-day volume weighted average share price (VWAP) related to the time of calculation. The VWAP used to calculate the maximum number of performance rights for 2021 was $0.123 cents based on the share price over a 10-day period (to 15 February 2021).

Measurement Period: The Measurement Period is the three financial years from 1 January 2021 to 31 December 2023.

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.5. 2021 long-term incentive arrangements, continued.

Vesting Conditions: In order for Performance Rights to vest, the Participant must remain employed by the Company during the Measurement Period (except in the case of a "Good Leaver") and the performance conditions must be satisfied. The performance condition in relation to the 2021 grant of Performance Rights is Share Price growth, with the vesting percentages (of the grant/stretch/maximum level of LTI) to be determined by the following scale:

Performance Level	TFL Share Price	% of the Grant/Stretch /Maximum Vesting
>Stretch	>$0.32	100%
Stretch	$0.32	100%
Between Target and Stretch	>$0.27, < $0.32	Pro-rata
Target	$0.27	50%

The targets for share price growth are based on a starting share price of $0.20 (being the weighted average share price of all capital raisings undertaken by the Company since 2016) which is a Compound Annual Growth Rate (CAGR) from December 2020 of 10.0% to achieve 'target' share price and a CAGR of 30.0% to achieve 'stretch' share price; noting that the share price at the beginning of 2021 was lower than the weighted average capital raise price, using the VWAP of $0.123 cents as a base, a CAGR of 30.0% over the years 2021 to 2023 is required to achieve 'target' share price and a CAGR of 37.5% is required to achieve 'stretch' share price.

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

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 2021 short-term incentive arrangement results.

The measures and targets for the 2021 STI were set by the Board in February 2021 and were based on the priorities for 2021. The key performance indicators were based upon stretch targets, with operating EBITDA set as a hurdle requirement for payment of the 2021 STI.

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.6. KMPs 2021 short-term incentive arrangement results, continued.

The following table shows the Company's 2021 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

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	2021	2020	2019	2018	2017
Revenue ($000)	$69,441	$67,436	$51,105	$38,920	$31,112
Net (loss)/profit before tax ($'000)	($10,741)	($7,709)	($3,202)	($2,273)	($6,639)
Net (loss)/profit after tax ($'000)	($10,741)	($6,407)	($3,459)	($1,358)	($6,808)
Share price at start of year	$0.120	$0.120	$0.135	$0.190	$0.180
Share price at end of year	$0.105	$0.120	$0.120	$0.135	$0.190
Share price growth	-12.50%	0.00%	-11.11%	-28.95%	5.56%
Dividends	$0.00	$0.00	$0.00	$0.00	$0.00
Basic (loss)/earnings per share (cents)	(3.05)	(2.56)	(1.48)	(0.67)	(4.14)
Diluted (loss)/earnings per share (cents)	(3.05)	(2.56)	(1.48)	(0.67)	(4.14)
Average STI payout as a % at-target for eligible KMP executives	**0%**	**N/A**	**0%**	**0%**	**20%**

The average STI payout as a % of the at-target for eligible KMP executives for FY21 was 0% as the EBITDA hurdle was not met.
The EBITDA hurdle was also the gate for all non-financial STI awards.

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 Executives			
Scott Hadley	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 his role, or if he is made redundant then he is entitled to a severance payment equivalent to 12 months' salary."
Shona Croucher	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."

Sign on agreement with CEO

A sign on agreement was made with the new CEO, Scott Hadley, as part of his employment contract regarding the grant of 5,000,000 options.

The terms of the sign on agreement are as follows:

- Instrument – Share options to be granted, subject to receiving any required shareholder approval for the grant;
- Maximum number of options to be granted – 5,000,000
- Vesting period – 50% may be exercised after 3 years service so long as the employee remains CEO of TasFoods Limited. The remaining 50% may be exercised after 4 years service so long as the employee remains CEO of TasFoods Limited;
- Exercise price - $0.10 per share
- Grant date – 27 August 2021
- Other conditions – if for any reason the share options are not granted to the employee, the Company will instead pay to the employee an amount of $500,000 as follows:

    1. 50% after the employee completes 3 years service, so long as the employee remains CEO of TasFoods Limited.

       50% after the employee completes 4 years service, so long as the employee remains CEO of TasFoods Limited.

DIRECTORS' REPORT, CONT.

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 2021 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
Ben Swain	45,000	-	45,000
John O'Hara	45,000	-	45,000
John Murphy	45,000	-	45,000
Former Directors			
Roger McBain	45,000	-	45,000

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

A non-executive director may be paid such additional or special remuneration as the Board decides is appropriate where a director performs extra work or services. No fees were paid during 2021 as additional or special remuneration.

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

7. RESTRICTIONS ON LTIP SHARES PRIOR TO VESTING

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

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

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 2021

	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	**2021**	**63,955**	-	-	-	**6,317**	-	-	-	**70,272**	**0%**
	2020	35,641	-	-	-	3,386	-	-	-	39,027	0%
Ben Swain	**2021**	**41,114**	-	-	-	**4,061**	-	-	-	**45,175**	**0%**
	2020	22,912	-	-	-	2,177	-	-	-	25,089	0%
John O'Hara[1]	**2021**	**23,548**				**-**	-	-	-	**23,548**	**0%**
	2020	Not applicable									
John Murphy[1]	**2021**	**21,519**				**2,152**				**23,671**	**0%**
	2020	Not applicable									
Former Executive Chair and Non-executive Directors											
Roger McBain	**2021**	**19,478**	-	-	-	**1,850**	-	-	**-**	**21,328**	**0%**
	2020	43,695	-	-	-	4,151	-	-	-	47,846	0%
Current KMP Executives											
Scott Hadley[2]	**2021**	**108,248**	-	-	**7,065**	**5,983**	-	-	**36,650**	**157,946**	**0%**
	2020	Not applicable									
Shona Croucher[3]	**2021**	**49,314**	-	-	**3,034**	**4,532**	-	-	**-**	**56,880**	**0%**
	2020	Not applicable									
Former KMP Executives											
Jane Bennett[2]	**2021**	**368,244**	-	-	**13,561**	**36,266**	-	-	**10,681**	**428,752**	**0%**
	2020	239,581	-	-	14,150	22,975	-	-	9,945	286,651	0%
Donna Wilson[3]	**2021**	**227,418**	-	-	**14,142**	**20,636**	-	-	**7,640**	**269,836**	**0%**
	2020	201,039	-	-	12,191	19,146	-	-	6,608	238,984	0%

[1] John O'Hara and John Murphy were appointed to the Board on 23 June 2021.

[2] Jane Bennett ceased employment with the Company on 30 September 2021 and Scott Hadley commenced employment on 1 October 2021. The salary payments to Jane Bennett for 2021 include a termination payment of $132,000.

[3] Donna Wilson ceased employment with the Company on 12 November 2021 and ceased being a KMP on 24 October 2021. Shona Croucher commenced employment on 25 October 2021.

DIRECTORS' REPORT, CONT.

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

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	**2021**	**721,861**	-	-	-	**721,861**
	2020	-	-	-	721,861	721,861
Ben Swain	**2021**	**1,150,000**	-	-	-	**1,150,000**
	2020	-	-	-	1,150,000	1,150,000
John O'Hara	**2021**	-	-	-	-	-
	2020	Not applicable				
John Murphy	**2021**	-	-	-	-	-
	2020	Not applicable				
Former Executive Chair and Non-executive Directors						
Roger McBain	**2021**	**3,271,026**	**-**	**-**	**(2,530,000)**	**741,026**
	2020	2,844,370	-	-	426,656	3,271,026
Current KMP Executives						
Scott Hadley	**2021**	-	-	-	-	-
	2020	-	-	-	-	-
Shona Croucher	**2021**	-	-	-	-	-
	2020	-	-	-	-	-
Former KMP Executives						
Jane Bennett[1]	**2021**	**3,309,087**	-	-	-	**3,309,087**
	2020	2,877,466	-	-	431,621	3,309,087
Donna Wilson[1]	**2021**	-	-	-	-	-
	2020	-	-	-	-	-

[1] number of shares disclosed as being held at end of year is reflective of the number of rights held at the time of cessation of employment.

DIRECTORS' REPORT, CONT.

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

Table C: Movements during 2021 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 Executive Chair and Non-executive Directors		No.		No.	No.	No.	No.
Craig Treasure	**2021**	-	-	-	-	-	-
	2020	-	-	-	-	-	-
Ben Swain	**2021**	-	-	-	-	-	-
	2020	-	-	-	-	-	-
John O'Hara	**2021**	-	-	-	-	-	-
	2020	Not Applicable					
John Murphy	**2021**	-	-	-	-	-	-
	2020	Not Applicable					
Current KMP Executives							
Scott Hadley	**2021**	-	5,000,000	-	-	-	5,000,000
	2020	Not Applicable					
Shona Croucher	**2021**	-	-	-	-	-	-
	2020	Not Applicable					
Former KMP Executives							
Jane Bennett[1,2]	**2021**	**772,941**	**854,634**	**-**	**-**	**-**	**1,627,575**
	2020	2,775,913	-	-	-	(2,002,972)	772,941
Donna Wilson[1,2]	**2021**	**542,468**	**623,171**	**-**	**-**	**-**	**1,165,639**
	2020	1,509,718	-	-	-	(967,250)	542,468

[1] number of options disclosed as being held at end of year is reflective of the number of rights held at the time of cessation of employment.

[2] Designated as a good leaver by the Board with Rights issued remaining on foot in accordance with the Rights Plan Rules.

DIRECTORS' REPORT, CONT.

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

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						
Scott Hadley	**2021**	**27-Aug-21**	**5,000,000**	**316,000**	**0**	**0%**
	2020	Not Applicable				
Shona Croucher	**2021**	**Nil**				
	2020	Not Applicable				
Former KMP Executives						
Jane Bennett	**2021**	**6-Sep-21**	**854,634**	**31,621**	**0**	**0%**
	2020	Nil				
Donna Wilson	**2021**	**6-Sep-21**	**623,171**	**23,057**	**0**	**0%**
	2020	Nil				

End of Remuneration Report (Audited)

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.

SHARE 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.

DIRECTORS' REPORT, CONT.

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.

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.

	2021 $	2020 $
Auditors of the parent entity:		
Auditing the financial report	172,250	178,900
Other assurances services	-	-
	172,250	**178,900**

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 53 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.

DIRECTORS' REPORT, CONT.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The Group continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Group has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at http://www.tasfoods.com.au/corporate-governance/

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors

Craig Treasure
Non-Executive Chair

28 February 2022

pwc

Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2021, 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.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
28 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
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FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue from operations	6	69,441	66,911
Other income	6	626	526
Fair value adjustment of biological assets	10	(76)	(1,300)
Impairment of goodwill		(3,907)	(3,500)
Raw materials used		(40,840)	(39,193)
Employment and contractor expense	7	(20,230)	(17,487)
Freight		(5,048)	(4,516)
Occupancy costs		(1,422)	(1,446)
Depreciation and amortisation		(2,037)	(2,107)
Finance costs		(314)	(346)
Travel and accommodation		(72)	(71)
Legal and professional fees		(637)	(472)
Marketing and event expenses		(730)	(514)
Repairs and maintenance		(1,091)	(889)
Research and development		(27)	(25)
Investment expenses		-	(15)
Other expenses		(4,377)	(3,265)
Loss before income tax		**(10,741)**	**(7,709)**
Income tax benefit/(expense)	8	-	1,302
Net Loss after tax for the year from continuing operations		**(10,741)**	**(6,407)**
Net profit after tax for the year from discontinued operations		-	-
Net Loss after tax for the year		**(10,741)**	**(6,407)**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Other comprehensive loss net of tax		-	-
Total comprehensive income		**(10,741)**	**(6,407)**
Net profit for the period attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(10,741)	(6,407)
		(10,741)	**(6,407)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(10,741)	(6,407)
		(10,741)	**(6,407)**
Basic loss per share (cents per share)	4	(3.05)	(2.21)
Diluted loss per share (cents per share)	4	(3.05)	(2.21)
Basic loss per share from continuing operations (cents per share)	4	(3.05)	(2.21)
Diluted loss per share from continuing operations (cents per share)	4	(3.05)	(2.21)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents	19	1,450	7,635
Trade and other receivables	9	4,973	4,493
Biological assets	10	2,145	2,338
Inventory	11	4,647	4,504
Prepayments		976	905
Total Current Assets		**14,191**	**19,877**
Non-Current Assets			
Property, plant and equipment	12a	25,904	25,308
Right of use assets	12b	1,418	968
Intangible assets	13	7,195	10,953
Biological assets	10	30	38
Deferred tax assets	8	-	-
Total Non-Current Assets		**34,547**	**37,267**
Total Assets		**48,738**	**57,144**
Current Liabilities			
Trade and other payables	14	9,605	9,175
Borrowings	15	1,047	747
Lease Liabilities	12b	193	119
Provisions	16	1,365	1,172
Total Current Liabilities		**12,210**	**11,214**
Non-Current Liabilities			
Borrowings	15	6,422	5,585
Lease Liabilities	12b	1,339	951
Provisions	16	169	153
Deferred tax liabilities	8	-	-
Total Non-Current Liabilities		**7,930**	**6,688**
Total Liabilities		**20,140**	**17,903**
Net Assets		**28,598**	**39,241**
Equity			
Contributed Equity	17	61,053	61,053
Reserves	18	691	594
Accumulated Losses		(33,146)	(22,407)
Total Equity		**28,598**	**39,241**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2021

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
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**
At 1 January 2021	**61,054**	**594**	**(22,406)**	**39,241**
Loss for the year	-	-	(10,741)	(10,741)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(10,741)	(10,741)
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Share-based payment expense	-	97	-	97
As at 31 December 2021	**61,054**	**691**	**(33,147)**	**28,598**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		69,587	67,342
Payments to suppliers and employees		(73,969)	(68,225)
Interest received		1	2
Interest paid		(127)	(339)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		-	(15)
Income taxes received		-	-
Other		51	712
Net cash used in operating activities	**19**	**(4,457)**	**(523)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,436)	(1,082)
Payments for leases		(196)	-
Payments for other non-current assets		(159)	(16)
Proceeds from disposal of property, plant, and equipment		-	23
Net cash used in investing activities		**(2,791)**	**(1,075)**
Cash flows from financing activities			
Proceeds from issue of shares		-	7,134
Cost of issuing shares		(14)	(125)
Proceeds from borrowings		2,136	1,123
Principal elements of borrowing payments		(450)	-
Principal elements of lease payments		(196)	(732)
Transaction costs related to borrowings		(23)	(1)
Net cash provided by financing activities		**1,453**	**7,399**
Net (decrease)/increase in cash held		**(5,795)**	**5,801**
Cash and cash equivalents at the beginning of the year		7,245	1,444
Cash and cash equivalents at the end of the year	**19**	**1,450**	**7,245**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

1. GENERAL INFORMATION

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

The financial statements were authorised for issue on 28 February 2022 by the Directors of the Company.

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

Going Concern

These financial statements have been prepared on the basis that the Company is a going concern.

For the year ended 31 December 2021 the consolidated entity incurred losses of $10.74 million after tax (2020: $6.41 million) and incurred net cash outflows from operations of $4.84 million (2020: $0.52 million). As at year end the Company had cash on hand of $1.45 million (31 December 2020: $7.24 million) and had external borrowings of $7.47 million (31 December 2020: $5.82 million). The external borrowings are subject to complying with an interest cover ratio financial covenant at 31 December 2022 at each balance date. Prior to 31 December 2021, the external lender provided an unconditional waiver of this covenant for the current financial year. The Company received cash from equity raising of $7.13 million during FY20.

There was a significant restructure of the Company's leadership in FY21 with the appointment of a new Chief Executive Officer and Chief Financial Officer and changes to the Chief Sales and Marketing Officer and Chief Operating Officer positions. In addition, two new experienced directors were appointed to the Board. The ability of the Company to continue as a going concern is dependent on the successful implementation of its revised strategy of a disciplined approach to managing input cost increases and other profitability enhancement initiatives and/or obtaining additional funding from alternative sources should it be required. The strategic objectives include:

- Implementation of the Company's first integrated ERP system which will facilitate the integration of the businesses and cost saving opportunities and allow the business to operate as one food and beverage group.
- On-going assessment of customer and product profitability with low or negative margin products exited.
- Increasing gross margins through negotiated sales price increases with customers and execution of identified cost savings over raw material inputs, distribution and logistics.
- Continued new product development in the dairy business focussed on both the Pyengana and Meander Valley Dairy brands.
- Focussed marketing on a simplified brand pyramid to build brand awareness of key brands.
- Implementation of a new capital management framework and a disciplined approach to assessing all opportunities to ensure strategic alignment, financial return, risk management and capability to execute.

Given the risk associated with the timing and quantum of profitability improvement initiatives, combined with the need to comply with the financial covenant test within the next 12 months, there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the opinion that the leadership reset best positions the Group to make significant progress in the above listed strategic objectives. Accordingly, the consolidated annual report has been prepared on a going concern basis.

2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

There were no 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 10 to 26 at the start of this Annual Report.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

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 was acquired in June 2016 but ceased in February 2021. 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 from the sale of poultry meat products sold under the Nichols Poultry, Nichols Ethical Free Range, Isle & Sky, 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.

	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Consolidated - 2021				
Revenue				
Total segment sales revenue	30,362	38,636	443	69,441
Other income	134	447	45	626
	30,496	39,083	488	70,067
Segment profit/(loss)	(1,367)	(3,563)	(5,811)	(10,741)
Profit after tax from discontinued operation				-
Loss before income tax expense				(10,741)
Income tax (expense)/benefit				-
Loss after income tax expense				**(10,741)**
Assets				
Segment assets	20,042	25,726	2,970	48,738
Unallocated assets from continuing operations:				-
Total Assets				**48,738**
Total assets include:				
Goodwill on acquisition of net assets	-	-	-	-
Liabilities				
Segment liabilities	5,580	12,544	2,016	20,140
Deferred tax liability/(asset)				-
Total liabilities				**20,140**

Refer to note 13 and 24 for further detail regarding movement in goodwill on acquisition of net assets between 2020 and 2021 financial years.

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)
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	17,902
Deferred tax liability/(asset)				-
Total liabilities				**17,902**

Refer to note 13 and 24 for further detail regarding movement in goodwill on acquisition of net assets between 2020 and 2021 financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

SHAREHOLDER RETURNS

4. EARNINGS PER SHARE

	2021 Cents	2020 Cents
Basic loss per share	(3.05)	(2.21)
Diluted loss per share	(3.05)	(2.21)

	2021 $'000	2020 $'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	(10,741)	(6,407)

	2021 Number	2020 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	351,902,660	290,119,774
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	351,902,660	290,119,774

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 2021 (31 December 2020: 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 2021 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

5. DIVIDENDS TO SHAREHOLDERS

No dividends have been paid or declared during the year ended 31 December 2021 (31 December 2020: Nil).

PROFIT AND LOSS INFORMATION

6. REVENUE

	2021 $'000	2020 $'000
Revenue from continuing operations		
Sales revenue	69,441	66,911
Other income		
Interest received	-	2
Sundry income	626	524
	626	**526**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

7. EXPENSES

	2021 $'000	2020 $'000
Profit before income tax expense includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	18,366	15,510
Temporary employees	395	595
Share based payments	97	101
Superannuation expense (defined contribution)	1,372	1,281
Total employee benefits	**20,230**	**17,487**
Investment expense	-	15

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

8. INCOME TAX

	2021 $'000	2020 $'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	-	-
Deferred tax movements	-	(1,302)
	-	**(1,302)**
Deferred income tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	238	(981)
Increase/(decrease) in deferred tax liabilities	(238)	(321)
	-	**(1,302)**
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	(10,741)	(7,709)
Tax benefit at Australian tax rate of 30% (2020: 30%)	(3,222)	(2,313)
Tax effect of amounts which are not deductible in calculating taxable income	1,198	1,069
Deferred tax assets on taxable losses not recognised as deferred tax assets	2,024	(58)
	-	**(1,302)**
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	-	(38)
	-	**(38)**

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	416		68		484
Trade and other payables	35		-		36
Share issue expenses	153		(54)		99
Trade and other receivables	4		7		11
Property, plant and equipment	(284)		284		-
Intangibles	20		(20)		-
Tax Losses	2,499	1	244		2,744
Interest bearing liabilities	314		(314)		-
Acquisition costs	96		-		96
Lease liability	7		23		30
	3,260	**1**	**238**	**-**	**3,499**
Gross deferred tax liabilities:					
Biological assets	(531)		(202)		(733)
Inventory	(292)		256		(36)
Property, plant and equipment	(381)		(303)		(684)
Intangibles	(2,040)		-		(2,040)
Other	(16)	(1)	11		(7)
	(3,260)	**(1)**	**(238)**	**-**	**(3,499)**
Net deferred tax asset/(liability)	-	-	-	-	-

Unused tax losses

The Group has recognised tax losses in the year ended 31 December 2021 only to the extent of the Groups taxable temporary differences. After recognition of these losses the Group had a further $29.589 million of carry forward tax losses for which no deferred tax asset has been recognised (31 December 2020: $27.622 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.

(d) Tax losses

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

	2021 $'000	2020 $'000
Capital losses	-	-
Revenue losses	29,589	27,622
	29,589	27,622
Potential tax benefit at 30%	**8,877**	**8,287**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

8. INCOME TAX, CONT.

Recognition and measurement

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

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

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

Tax Consolidation

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

CURRENT ASSETS

9. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade Receivables	4,120	3,610
Loss allowance	(47)	(13)
Other receivables	900	897
	4,973	**4,493**

Loss Allowance		
Movements in the loss allowance were as follows:		
Carrying value at the beginning of the year	13	19
Increase/(decrease) in loss allowance recognised	34	(7)
Receivables written off as uncollectable	-	-
Unused amount reversed	-	-
Carrying value at the end of the year	**47**	**13**

Trade receivables past due but not impaired		
Under one month	744	224
One to three months	55	14
Over three months	91	25
	890	**264**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

9. TRADE AND OTHER RECEIVABLES, CONT.

Recognition and measurement

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

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

The loss allowance is determined as follows for trade receivables:

	Current	30 days	60 days	90+ days	Total
31 December 2021					
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Cross Carrying Amount ($'000)	3,231	744	55	91	4,120
Loss Allowance ($'000)	-	-	-	**47**	**47**

	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**

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 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**
Balance as at 1 January 2021	2,037	167	172	2,376
Increases due to purchases and production	2,029	-	20	2,049
Decreases due to sales/processing/mortality (i)	(2,037)	(135)	(2)	(2,174)
Movement in fair value as a result of physical and/or price changes (ii)	(113)	(32)	69	(76)
Balance as at 31 December 2021	**1,916**	**-**	**259**	**2,175**
Current	1,916	-	229	2,145
Non-current	-	-	30	30
	1,916	**-**	**259**	**2,175**

(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 2021, the Group held 517,693 live poultry (2020: 557,537), 0 goats (2020: 575), 6,650 mature wasabi plants (2020: 3,780) and 2,543 immature wasabi plants (2020: 4,923) 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 2021, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $78,867 (2020: $84,346) 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. The goat operation was ceased in February 2021 with all goats being sold during the year.

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 2021 the Group's wasabi plants were an average of 22 months of age (31 December 2020: 20 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 movement 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 2021, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $12,901 (31 December 2020: $8,272) by a price increase/decrease of 5%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

10. BIOLOGICAL ASSETS, CONT.

Fair value measurement

	2021			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
- Poultry	-	1,916	-	1,916
- Goats -	-	-	-	-
- Wasabi plants	-	-	259	259
Total biological assets recognised at fair value	**-**	**1,916**	**259**	**2,175**

	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**

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: 0.37 kilograms (31 December 2020: 0.36 kilograms)
Relationship to unobservable inputs to fair value	An increase/decrease in yield would result in a direct increase/decrease in the fair value

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 the fair value less cost-to-sell inputs in H1 2020.

This review resulted in a movement in fair value of biological assets of $1.179 million in H1 2020, primarily driven by a reduction in the selling price per kilogram as the Company transitioned from high value fresh wasabi sales, which historically made up 73% of total sales revenue, towards industrial and ingredient powder markets. This write-down was non-cash in nature and did not impact the biomass of the wasabi crop available for future sale.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

11. INVENTORY

	2021 $'000	2020 $'000
Finished goods	1,921	1,983
Raw materials and packaging	2,244	1,656
Other	482	865
	4,647	**4,504**

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: valued at purchase cost.

NON-CURRENT ASSETS

12. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment	2021 $'000	2020 $'000
Land and buildings - at cost	16,021	14,273
Less accumulated depreciation	(1,435)	(1,087)
	14,586	13,186
Plant and equipment - at cost	16,311	15,484
Less accumulated depreciation	(5,871)	(4,496)
	10,440	10,987
Office equipment - at cost	256	233
Less accumulated depreciation	(194)	(173)
	62	60
Motor vehicles - at cost	913	810
Less accumulated depreciation	(370)	(275)
	543	535
Capital Work in Progress - at cost	273	539
Total Property, Plant and Equipment	**25,904**	**25,308**

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 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**
As at 1 January 2021	13,186	10,987	61	535	539	25,308
Additions	1,748	821	28	105	1,876	4,578
Additions as a part of a business combination	-	-	-	-	-	-
Capitalisation to asset categories	-	-	-	-	(2,142)	(2,142)
Disposals	-	-	-	-	-	-
Depreciation expense	(348)	(1,368)	(27)	(97)	-	(1,840)
Balance as at 31 December 2021	**14,586**	**10,440**	**62**	**543**	**273**	**25,904**

Recognition and measurement

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

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

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:

	31 December 2021 $'000	1 January 2020 $'000
Right of use assets		
Land and buildings	1,418	968
Total right-of-use assets	**1,418**	**968**

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

	Land and buildings $'000	Motor vehicles $'000	Total $'000
Balance at 1 January			
Additions	968	-	968
Depreciation expense	647	-	646
Net carrying amount at 31 December 2020	(197)	-	(197)
	1,418	-	**1,418**

Lease Liabilities

	31 December 2021 $'000	1 January 2021 $'000
Current	193	119
Non-Current	1,339	951
	1,532	**1,070**

Recognition and measurement

The Group leases property. Rental contracts are typically agreed for periods of 2 years to 5 years, but may have options to extend as described below.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

Recognition and measurement, cont.

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

	2021 $'000	2020 $'000
Goodwill	-	3,907
Brands and trademarks	6,835	6,835
Other	360	211
	7,195	**10,953**
Cross carrying value		
At cost	17,341	17,181
Accumulated impairment and amortisation	(10,146)	(6,228)
Total net carrying amounts	**7,195**	**10,953**
Reconciliations		
Carrying amount at beginning	10,953	14,013
Transfers from other asset classes as a result of finalisation of accounting for business combinations	-	451
Additions	160	-
Impairment and amortisation during the year	(3,918)	(3,511)
Carrying amount at end	**7,195**	**10,953**

Goodwill related to the acquisition of the assets of Meander Valley Dairy in 2015, Pyengana Dairy in 2017 and Betta Milk in 2019. Goodwill was 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.

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

	2021				2020			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Goodwill	Brands & Trademarks	Other	Total	Goodwill	Brands & Trademarks	Other	Total
Dairy	-	3,925	1	3,925	2,770	3,925	10	6,705
Poultry	-	2,910	194	3,104	1,137	2,910	194	4,241
Corporate and Other	-	-	166	166	-	-	7	7
Total	**-**	**6,835**	**361**	**7,195**	**3,907**	**6,835**	**211**	**10,953**

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, performance and future strategy associated with the brands.

Goodwill

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

Recoverable amount of goodwill and indefinite life intangibles

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2021 in accordance with AASB 136 *Impairment of Assets* for all groups of cash generating units (CGUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

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

Dairy CGU

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

13. INTANGIBLE ASSETS, CONT.

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

Dairy	31 December 2021	31 December 2020
Sales Growth Rate (5 year avg)	4.3%	8.1%
Production Costs (5 year avg)	65.3%	69.0%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.0%
Pre-tax Discount Rate	15.4%	15.4%

Based on the above assumptions the recoverable amount of the CCU at 31 December 2021 is estimated to be $15.1 million, which is a deficit of $2.6 million when compared to the CCU's carrying amount of $17.7 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 external market information, 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:

Poultry	31 December 2021	31 December 2020
Sales Growth Rate (5 year avg)	6.7%	8.1%
Production Costs (5 year avg)	76.1%	80.0%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.0%
Pre-tax Discount Rate	15.4%	15.4%

Based on the above assumptions the recoverable amount of the CCU at 31 December 2021 is estimated to be $20.5 million, which is a deficit of $0.9 million when compared to the CCU's carrying amount of $21.4 million.

Changes to Key Inputs

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

- *Sales Growth Rate* – Sales growth rates were reduced at 31 December 2021 to reflect both market growth rates and historical CCU growth rates achieved.
- *Production Costs* – Production costs as a percentage of revenue are forecast to decrease over the forecast period which is reflective of gross margin improvement through a focus on value chain profitability, customer profitability and management of input costs inline with managements revised strategy.
- *Long-term Growth Rate* – Increased to 2.5% which is in line with the Reserve Bank of Australia's economic outlook.
- *Pre-tax Discount Rate* – The discount rate represents the current market assessment of the risks relating to the relevant CCU. In performing the value in use calculations for the CCU, the group has applied a pre-tax discount rate of 15.4% (10.8% post tax). The discount rate includes a COVID-19 pandemic risk premium to allow for overall uncertainty in the wider economy, together with company specific risks related to operations in the agricultural industry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

13. INTANGIBLE ASSETS, CONT.

In considering the outlook for the Dairy and Poultry CGU's management considered a multiple scenario approach, and have taken the outcomes of each into account when considering the quantum of the impairment charge to be recognised.

Four additional scenarios have been considered for each CGU as follows, the impacts of which are prior to any impairment taken in the current period:

Dairy CGU

- 1% point increase/decrease in gross profit margin for FY22 to FY26 and in the terminal year results in headroom of $0.21 million/additional deficit of $2.85 million
- 0.5% point increase/decrease in terminal growth rate results in reduced deficit of $0.56 million/additional deficit of $0.48 million
- 0.5% point increase/decrease in the post- tax discount rate results in additional deficit of $0.75 million/reduced deficit of $0.84 million
- 10% increase/decrease in average annual revenue growth rate for FY22 to FY26 and in the terminal year results in reduced deficit of $1.94 million/additional deficit of $2.14 million

Poultry CGU

- 1% point increase/decrease in gross profit margin for FY22 to FY26 and in the terminal year results in headroom of $2.57 million/additional deficit of $3.98 million
- 0.5% point increase/decrease in terminal growth rate results in reduced deficit of $0.82 million /additional deficit of $0.73 million
- 0.5% point increase/decrease in the post- tax discount rate results in additional deficit of $1.16 million/headroom of $0.45 million
- 10% increase/decrease in average annual revenue growth rate for FY22 to FY26 results in headroom of $2.33 million/additional deficit of $2.73 million

Review outcome

Based on the above an impairment charge is being recognised to reduce the value of goodwill of both the Dairy and Poultry CGU to nil. The remaining intangible asset value relating to brand value, patents and trademarks is not impaired as these assets are considered to have an indefinite life. Impairment testing will continue to be performed annually in respect to the remaining intangible assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

LIABILITIES

14. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Trade and other payables	9,605	9,175
	9,605	**9,175**

Recognition and measurement

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

Fair value of trade and other payables

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

15. BORROWINGS

	2021 $'000	2020 $'000
Current		
Bank Overdraft	-	493
Bank Loans	592	254
Other	455	-
	1,047	747
Non-Current		
Bank Loans	6,422	5,585
	6,422	5,585
Total borrowings	**7,469**	**6,332**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

15. BORROWINGS, CONT.

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 2021					
Non-derivatives					
Trade payables	9,605	-	-	9,605	9,605
Bank Overdraft	-	-	-	-	-
Bank Loans	592	6,422	-	7,014	7,014
Other	455	-	-	455	455
	10,652	**6,422**	**-**	**17,074**	**17,074**
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**

Available facilities:

	2021 $'000		2020 $'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Equipment Finance Liabilities (refer to note 12b)	-	-	-	-
Bank Bill Facility	3,000	-	2,000	-
Bank Loan Facilities	4,013	-	3,426	-
Bank Overdraft	2,500	2,500	2,250	1,859
	9,513	**2,500**	**7,676**	**1,859**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

15. BORROWINGS, CONT.

Secured liabilities and assets pledged as security

In June 2021, 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 a Business Development loan into a longer term Bill facility.

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 31 December 2022, as an unconditional waiver was obtained for the current year.

16. PROVISIONS

	2021 $'000	2020 $'000
Current		
Employee benefits	1,365	1,172
Other provisions	-	-
	1,365	**1,172**
Non-current		
Employee benefits	169	153
	169	**153**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

16. PROVISIONS, CONT.

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

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

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

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

EQUITY

17. CONTRIBUTED EQUITY

	Number of Shares		Share Capital	
	2021	2020	2021 $'000	2020 $'000
Ordinary shares - fully paid (no par value)	351,902,660	351,902,660	61,053	61,053
Total share capital			**61,053**	**61,053**

Movements in ordinary share capital:

Date	Details	Ordinary Shares	Price	$'000
1/1/21	Balance at beginning of period	351,902,660		61,053
		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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

17. CONTRIBUTED EQUITY, CONT.

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 nil share options on issue and 3,505,278 performance rights granted as at 31 December 2021 (2020: 5,000,000 share options and 1,653,571 performance rights).

Recognition and measurement

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

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

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

18. RESERVES

	2021 $'000	2020 $'000
Employee share option reserve	691	594
	691	**594**

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.

	2021 $'000	2020 $'000
Balance at start of year	594	493
Net Movement during the year	97	101
Balance at end of year	**691**	**594**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

OTHER NOTES

19. ADDITIONAL CASH FLOW INFORMATION

	2021 $'000	2020 $'000
Cash and cash equivalents	**1,450**	**7,635**

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:

	2021 $'000	2020 $'000
Cash and cash equivalents	1,450	7,635
Bank overdraft	-	(391)
	1,450	**7,245**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

19. ADDITIONAL CASH FLOW INFORMATION, CONT.

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

	2021 $'000	2020 $'000
Net loss after income tax	(10,741)	(6,407)
Depreciation and amortisation	2,037	2,107
Goodwill impairment	3,907	3,500
Movement in fair value of biological assets	76	1,300
Share based payments	97	101
Interest on leased assets	47	48
Other	173	141
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(480)	(99)
(Increase)/decrease in inventories	(143)	(381)
(Increase)/decrease in prepayments	(70)	(206)
(Increase)/decrease in deferred taxes	-	(1,302)
(Decrease)/Increase in trade and other payables	430	547
Increase/(decrease) in provisions	210	129
Net cash (outflow)/inflow from operating activities	**(4,457)**	**(523)**

(c) Non-cash activities

There were no non-cash financing activities.

20. FINANCIAL RISK MANAGEMENT

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

20. FINANCIAL RISK MANAGEMENT, CONT.

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:

	2021 $'000	2020 $'000
Financial Assets		
Cash and cash equivalents	1,450	7,635
	1,450	**7,635**

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 2021, 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:

	2021 $'000	2020 $'000
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	7	38
- 0.5% (50 basis points)	(7)	(38)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

20. FINANCIAL RISK MANAGEMENT, CONT.

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 $20,140 million (2020: $17.903 million) of which $12,211 million (2020: $11.214 million) is recorded as current liabilities, and Total Current Assets of $14.192 million (2020: $19.877 million) of which $1.450 million (2020: $7.635 million) consists of cash or cash equivalents, providing the Board with comfort that the Group is solvent and can meet its payment obligations in full as they fall due.

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

Credit Risk

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

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

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

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

The Group applies the AASB 9 simplified approach to measuring expected credit losses as disclosed in Note 9. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Fair Value

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

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.

	2021 $'000	2020 $'000
Borrowings	7,469	5,817
Trade and other payables	9,605	9,175
Total debt	17,074	14,992
Less cash and cash equivalents	(1,450)	(7,635)
Net (cash)/debt	**15,624**	**7,357**
Total equity	28,598	39,241
Total capital	61,053	61,053
Gearing ratio (total debt / total equity)	59.7%	38.2%

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

GROUP MANAGEMENT

22. PARENT ENTITY SUPPLEMENTARY INFORMATION

Information relating to TasFoods Limited:

	2021 $'000	2020 $'000
Financial position		
Current assets	28,316	32,614
Non-current assets	3,572	7,053
Total assets	**31,888**	**39,667**
Current liabilities	2,862	2,648
Non-current liabilities	264	275
Total liabilities	3,126	2,923
Net assets	**28,762**	**36,743**
Contributed equity	61,053	61,053
Reserves	691	594
Accumulated losses	(32,982)	(24,904)
Total equity	**28,762**	**36,743**
Financial performance		
Total revenue	5,185	6,655
Loss for the period	(8,078)	(5,075)
Comprehensive loss for the period	(8,078)	(5,075)

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 2021 is identical to the financial information included in the consolidated financial statements. The wholly owned subsidiaries became a party to the deed of cross guarantee dated 23 October 2017.

The companies disclosed in Note 23 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by TasFoods Limited, they also represent the 'extended closed group'.

Capital Commitments

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

Contingent Liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

23. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding	
			2021 %	2020 %
Van Diemen's Land Dairy Pty Ltd	Australia	Dairy	100%	100%
Nichols Poultry Pty Ltd	Australia	Poultry	100%	100%
Shima Wasabi Pty Ltd	Australia	Wasabi	100%	100%
Tasmanian Food Co Dairy Pty Ltd	Australia	Dairy	100%	100%

24. BUSINESS COMBINATIONS

Betta Milk

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

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

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

The acquisition accounting relating to the Van Diemen's Land Dairy Pty Ltd acquisition was completed in the financial year ended 31 December 2020. There were no acquisitions in the year ended 31 December 2021.

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 acquire, and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed as incurred.

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

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

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

UNRECOGNISED ITEMS

25. CONTINGENT LIABILITIES AND ASSETS

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

26. COMMITMENTS FOR EXPENDITURE

Capital Commitments – Capital Expenditure Projects

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

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2021 $'000	2020 $'000
Payable:		
- Not longer than one year	-	33
- Longer than one year and not longer than five years	-	-
- Longer than five years	-	-
	-	**33**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

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:

	2021 $	2020 $
Short term benefits	828,640	687,056
Post-employment benefits	81,797	63,030
Share based payments	54,971	97,803
Termination payments	132,000	-
	1,097,408	**847,889**

Termination payments relate to payments made to departing CEO, Jane Bennett, on cessation of employment.

29. AUDITOR'S REMUNERATION

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

	2021 $	2020 $
Auditors of the parent entity:		
Auditing the financial report	172,250	178,900
Other assurance services	-	-
	172,250	**178,900**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

30. SHARE BASED PAYMENTS, CONT.

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

Performance Level	TFL Share Price	% of the Grant/Stretch /Maximum Vesting
>Stretch	>$0.32	100%
Stretch	$0.32	100%
Between Target and Stretch	>$0.27 and < $0.32	Pro-rata
Target	$0.27	50%

The targets for share price growth are based on a starting share price of $0.20 (being the weighted average share price of all capital raisings undertaken by the Company since 2016) which is a Compound Annual Growth Rate (CAGR) from December 2020 of 10.0% to achieve 'target' share price and a CAGR of 30.0% to achieve 'stretch' share price; noting that the share price at the beginning of 2021 was lower than the weighted average capital raise price, using the VWAP of $0.123 cents as a base, a CAGR of 30.0% over the years 2021 to 2023 is required to achieve 'target' share price and a CAGR of 37.5% is required to achieve 'stretch' share price.

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

2021

	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
6/9/21	1/1/21	31/12/23	-	1,851,707	-	-	1,851,707	$0.037
24/10/19	1/1/19	31/12/21	1,653,571	-	-	-	1,653,571	$0.042

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

30. SHARE BASED PAYMENTS, CONT.

c. Fair value of performance rights granted

For the performance rights granted during the 2021 financial year, the fair value was measured at the grant date of 6 September 2021 for those rights issued to the Chief Executive Officer and senior management.

The fair value of the performance rights granted under the LTIP was calculated by an independent expert using a Monte-Carlo simulation.

The expense recognised in relation to the performance rights applicable to the Chief Executive Officer and senior management for the year ended 31 December 2021 is $11,419 (31 December 2020: nil).

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. As Shane Noble did not exercise the options prior to the expiry date of 30 November 2021, the options granted expired.

b. Share options granted

Share options outstanding at 31 December 2021 are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year	Granted	Exercised	Expired/ forfeited/ other	Balance at End of Year
30/11/2017	30/11/2021	$0.1884	5,000,000	-	-	(5,000,000)	-
27/08/2021	01/10/2024	$0.10	-	2.500,000	-	-	2,500,000
27/08/2021	01/10/2025	$0.10	-	2.500,000	-	-	2,500,000
			5,000,000	**5,000,000**	-	**(5,000,000)**	**5,000,000**
Weighted average exercise price							**$ 0.10**

c. Fair value of share options granted

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

The fair value of the 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 2021 is $74,349 (31 December 2020: $81,250).

d. Share Options at 31 December 2021

There are no share options held by current or former Directors outstanding as at 31 December 2021.

There are 5,000,000 share options held by KMP as at 31 December 2021.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

30. SHARE BASED PAYMENTS, CONT.

Recognition and Measurement

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

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements cover the Company and its controlled entities as a group for the financial year ended 31 December 2021. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONT.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

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

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

(e) Critical Accounting Estimates, Judgements and Errors

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

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

The areas involving significant estimates or judgements are:

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

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

(f) Comparatives

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

(g) New 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 2021 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 2021.

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

28 February 2022

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 2021 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 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to 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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $10.7 million and a net cash outflow from operations of $4.8 million during the year ended 31 December 2021. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

- For the purpose of our audit we used overall Group materiality of $694,000, 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 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 phase.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- 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.

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. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

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 held indefinite lived intangible assets comprised of goodwill ($3.9 million) and brand value, patents and trademarks ($6.8 million) 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 31 December 2021 the Group assessed the carrying value of the assets based on value-in-use models using forecast future cash flows, discounted to present value. The impairment assessment resulted in impairment losses of $2.8 million for the Dairy CGU and $1.1 million for the Poultry CGU, as disclosed in note 13, reducing the goodwill balance to nil. The impairment assessment involved significant judgements, including sales growth rate, production costs, indirect cost growth rate per annum, long-term growth rate and pre-tax discount rate. This was a key audit matter due to the financial significance of the goodwill and indefinite lived	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. • Assessed whether the valuation methodology, which utilised discounted cash flow models to estimate the recoverable amount of each CGU, was consistent with Australian Accounting Standards. • Tested the mathematical accuracy of the calculations in the financial models used to assess impairment ("the models") at 31 December 2021. • Assessed whether the forecast in the discounted cash flow models used in the impairment assessment were appropriate by performing the following procedures, amongst others: ◦ Compared the 2022 forecasted cash flows used in the models with the forecast formally approved by the Board.

Key audit matter	How our audit addressed the key audit matter
intangibles and the significant judgements and assumptions applied in estimating future cash flows.	• 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 forecast production costs and indirect cost growth to the most recent internal budgets and to historical actual costs. • 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, considering the requirements of Australian Accounting Standards.

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 2021, 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.

pwc

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 50 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

pwc

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

PricewaterhouseCoopers

Brad Peake
Partner

Melbourne
28 February 2022

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 4 February 2022.

A. DISTRIBUTION OF EQUITY SECURITIES

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

HOLDING DISTRIBUTION

As at 4 February 2022

Range	Securities	%	No of Holders	%
100,001 and over	326,327,355	92.73	237	14.29
10,001 to 100,000	22,552,677	6.41	581	35.04
5,001 to 10,000	1,728,345	0.49	218	13.15
1,001 to 5,000	1,218,971	0.35	383	23.10
1 to 1,000	75,312	0.02	239	14.41
Total	**351,902,660**	**100.00**	**1,658**	**100.00**
Unmarketable Parcels	1,428,025	0.41	647	39.02

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	CITICORP NOMINEES PTY LIMITED Includes entities associated with JANET CAMERON	67,760,124	19.26
2	CVC LIMITED	51,769,199	14.71
3	MELBOURNE SECURITIES CORPORATION <AGFOOD OPPORTUNITY FUND>	43,717,688	12.42
4	NATIONAL NOMINEES LIMITED Includes TASPLAN SUPERANNUATION FUND	36,290,950	10.31
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,612,126	3.02
6	HELBERN INVESTMENTS PTY LTD	10,400,000	2.96
7	BICHENO INVESTMENTS PTY LTD Entity associated with JANET CAMERON	9,354,909	2.66
8	MR JIMMY THOMAS AND MS IVY RUTH PONNIAH	9,000,000	2.56
9	NICHOLS INVESTMENTS PTY LTD	5,623,530	1.60
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,432,428	1.26

SHAREHOLDER INFORMATION

B. EQUITY SECURITY HOLDERS, CONT.

Rank	Name	Units	Percentage %
11	SHANE ALEXANDER NOBLE	2,968,055	0.84
12	DARIUS ISAAC	2,810,316	0.80
13	QUALITY LIFE PTY LTD	2,541,070	0.72
14	ELPHINSTONE HOLDINGS PTY LTD	2,000,000	0.57
15	JANE FRANCES BENNETT	1,801,751	0.51
16	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C> (various private holders)	1,767,281	0.50
17	BARANA PTY LTD	1,748,859	0.50
18	BOB WILSON	1,600,000	0.45
19	CHARDON LODGE PTY LTD Entity associated with Jane Frances Bennett	1,351,086	0.38
20	BENJAMIN SCOTT SWAIN & ANN YEO RUM SWAIN	1,150,000	0.33
Totals: Top 20 holders of TFL ORDINARY FULLY PAID		**268,699,372**	
Total Remaining Holders Balance		**83,203,288**	
Total Holders Balance		**351,902,660**	

As at 4 FEBRUARY 2022, the 20 largest shareholders held ordinary shares representing 76.36% of the issued share capital.

SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

Name	Number Of Shares Held	%
Janet H Cameron	78,010,137	22.17%
CVC Limited	51,769,199	14.71%
Melbourne Securities Corporation <Agfood Opportunity Fund>	41,419,779	12.42%
Tasplan Superannuation Fund	33,779,663	9.60%

C. VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

D. USE OF CASH

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

2021

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ANNUAL REPORT