TASFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

TASFOODS LIMITED

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

APPENDIX 4E – GIVEN TO THE ASX UNDER LISTING RULE 4.3A

1. DETAILS OF THE REPORTING PERIOD

Reporting Period:	For the year ended 31 December 2018
Previous corresponding period:	For the year ended 31 December 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up/(down) $'000	**% change**	Amount $'000
Revenue from ordinary activities	7,808	25.10%	38,920
Profit/(loss) from ordinary activities after tax for the period attributable to members	5,450	80.05%	(1,358)
Net profit/(loss) attributable to members	5,450	80.05%	(1,358)

Further information and commentary regarding the results can be located in the Operating and Financial Review contained within the full Annual Report of TasFoods Limited for the year ended 31 December 2018.

3. DIVIDENDS AND DISTRIBUTIONS

Dividends per security	Amount per security	Franked amount per security
Final dividend	None	Nil
Interim dividend	None	Nil
Record date for determining entitlements to dividends:		
- Final dividend		Not applicable
- Interim dividend		Not applicable
Dividend payment date		
- Final dividend		Not applicable
- Interim dividend		Not applicable

There were no dividend or distribution reinvestment plans in operation during the 2018 financial year.

4. NET TANGIBLE ASSETS PER SECURITY

	2018	2017
Net tangible assets per security	$0.124	$0.125

5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Entities over which control has been gained during the period are as follows:

Name of Entity	Date control gained	Contribution to profit/(loss) from ordinary activities during the period $'000
Nil		

Entities over which control has been lost during the period are as follows:

Name of Entity	Date control lost	Contribution to profit/(loss) from ordinary activities during the period $'000	Contribution to profit/(loss) from ordinary activities during the previous corresponding period $'000
Nil			

6. OTHER INFORMATION

There were no associated or joint venture entities during the reporting period.

This report is based on, and should be read in conjunction with, the attached audited Financial Report.

Any other information required pursuant to ASX Listing Rule 4.3A not contained in this Appendix 4E can be found in the attached Annual Report.

TASFOODS LTD

2018 Annual Report

TasFoods Limited

ACN 084 800 902

Contents

2 Chairman's Report
4 Business Operations Summary
6 Managing Director and CEO's Report
10 Operating and Financial Review
16 Board of Directors
17 Executive Team
18 Directors' Report
38 Financial Report
86 Shareholder Information
88 Corporate Directory

About TasFoods

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

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

TasFoods aims to showcase Tasmania's finest produce to the world. The company works with strategic distribution partners to deliver products to wherever their customers choose to eat and shop.

Annual General Meeting

TasFoods will hold its 2018 Annual General Meeting in the Chancellor 3 Room at the Hotel Grand Chancellor located at 29 Cameron St, Launceston TAS at 11.00am on Thursday, 23 May 2019.

Chairman's Report

2018 was a year of achievement and transformation for TasFoods, as we continued to build a successful premium food business leveraging Tasmania's unique environmental and marketing advantages.

In my first year as Executive Chairman of Tasfoods, I am pleased with the progress the business has made towards achieving our strategic goals for both revenue growth and operational optimisation.

> " The business has been disciplined in its focus on cost control, expansion of its sales channels, and prudent capital investment in its manufacturing facilities.

This focused approach has delivered strong revenue growth and margin improvement and positioned the business well for further gains in 2019.

Strengthening TasFoods' financial position

In February 2018, $4.0 million, before costs, was raised through the issue of 22,875,816 fully paid ordinary shares through a share purchase plan and the second tranche of the share placement to sophisticated and institutional investors announced in December 2017. Some of these funds were used to expand production capacity, investing in specialised plant including a homogeniser at the Kings Meadows Dairy factory and an air chiller at Nichols Poultry and for general working capital purposes.

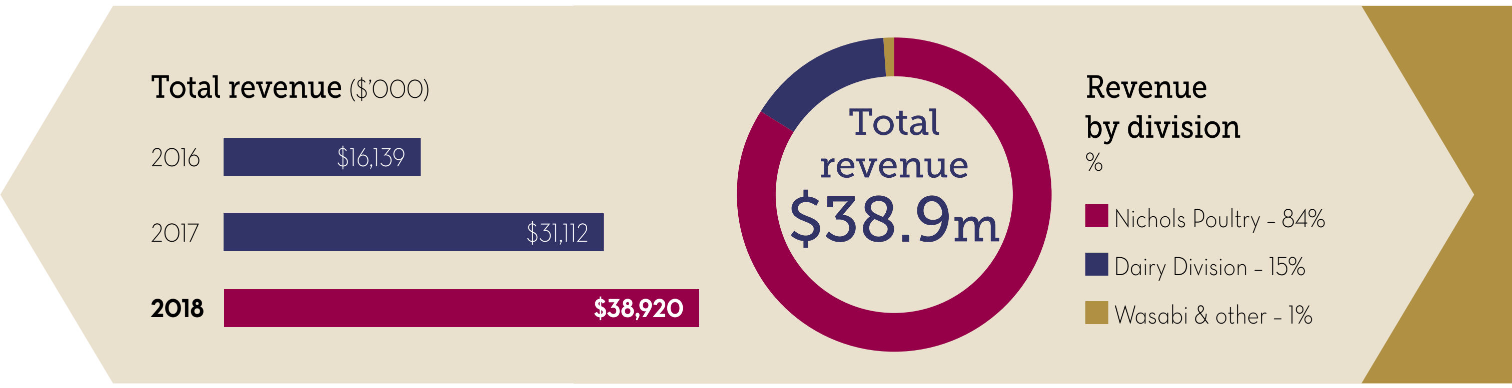
Board changes

Antony (Tony) Robinson resigned from the role of Chair of the board on 1 February 2018 and I was appointed Executive Chairman. Subsequently, Tony, who had been a Non-executive Director since September 2015 and Chair since March 2017, resigned as a Non-executive Director on 13 March 2018. On behalf of the board and the TasFoods team, I would like to thank him for his guidance and contribution during TasFoods' first three years of operation.

Alexander (Sandy) Beard was appointed to the board as a Non-executive Director on 13 March 2018 and has become Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee. He brings to the board extensive experience in a broad range of businesses with particular expertise in food manufacturing. Sandy is an experienced director and has played important roles in delivering value to shareholders across a broad spectrum of industries and business types.

Looking to the future

Strong sales growth is forecast to continue in 2019, supported by a full year of sales from dairy markets secured in the second half of 2018, as well as by increased volumes of poultry sourced from new contract growing sheds that began supplying Nichols Poultry in late 2018 and early 2019.



> We now have a sustainable and strongly growing business based on leveraging the unique quality attributes of Tasmanian premium foods and, under its current operating structure, we expect the business to deliver positive EBITDA for the year to December 2019.

I would like to take this opportunity to thank all members of the TasFoods team for their efforts over the past year to improve the business' financial results, and my fellow directors for their support. I look forward to updating shareholders as the initiatives established in 2018 transition the company to profit.

Shane Noble
Executive Chairman

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

David Hall, Executive Chef, Pure South, Melbourne

Business Operations Summary

Poultry

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

NICHOLS POULTRY | NICHOLS KITCHEN | NICHOLS ETHICAL FREE RANGE CHICKEN

Operational activities

- Poultry processing
- RSPCA approved barn raised poultry growing
- Free range poultry growing
- Feedmill operation
- Contract grower management

Dairy

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

MEANDER VALLEY DAIRY | PYENGANA DAIRY | ROBUR FARM DAIRY

Operational activities

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

Wasabi

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

SHIMA WASABI

Operational activities

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

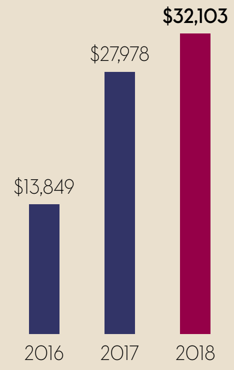
Achievements of the year

- Sales revenue growth of 15% to $32.10 million
- Efficiency gains in processing labour costs through automation of processing lines
- New contract grower sheds commissioned contributing 12% growth in bird numbers
- Capital expenditure project delivered on time and on budget increasing utility services to the processing site and constructing a new air chiller to increase processing capacity by 50%

Objectives for 2019

- Construction of new tunnel ventilated poultry growing sheds on Nichols Poultry land to increase bird numbers by 14%
- Relocation of targeted processing operations into old air chiller space to improve operational efficiencies

Sales revenue ($'000)



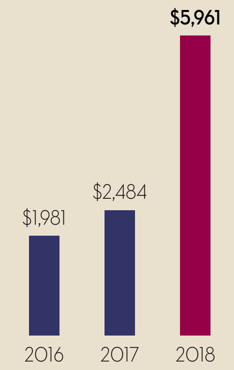
Achievements of the year

- Sales revenue growth of 140% to $5.96 million
- New premium brand developed for Pyengana Dairy Milk with successful launch of 9 new products in the range
- Ranging for Meander Valley Dairy Double Cream in Coles nationally
- Rebranding of Pyengana Dairy Traditional Cloth Matured Cheddar and launch of retail portion cheese range and 1.3kg truckle wheels

Objectives for 2019

- Sales growth benefiting from full year of sales from new markets established in 2018
- Launch of new Pyengana Dairy cheese products including St Columba Blue and Cloth Matured Goat Cheddar

Sales revenue ($'000)



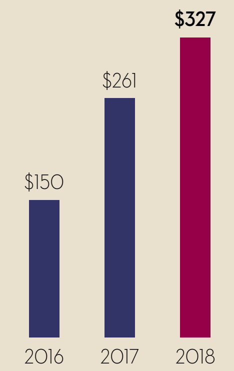
Achievements of the year

- Sales revenue growth of 25% to $0.33 million
- Development of new distribution network to improve service and delivery to restaurant customers
- Efficiency gains in labour management through revised harvest systems

Objectives for 2019

- Launch of new value added wasabi products
- Expansion of distribution network for fresh wasabi product

Sales revenue ($'000)



Managing Director and CEO's Report

The 2018 financial year has been a year of strong growth for the TasFoods Group of businesses in all areas of financial performance, setting the company on a pathway to profit in line with our strategic growth plan.

	FY2018 $'000	FY2017 $'000	Change $'000	Change %
Sales revenue	38,391	30,743	7,648	25%
Gross profit	10,716	6,961	3,755	54%
Gross profit margin	28%	23%		5%
EBITDA	(1,110)	(5,710)	4,600	
NPAT	(1,358)	($6,808)	5,450	

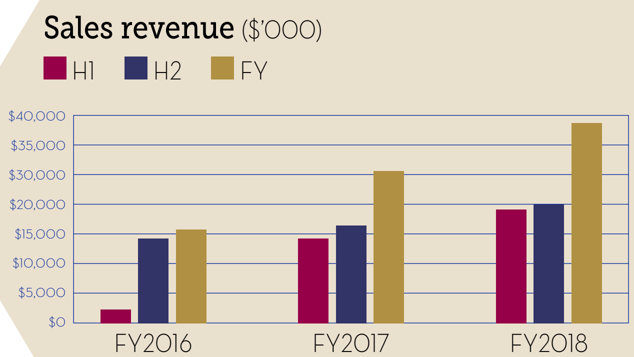
The group's 2018 sales revenue grew 25% to $38.40 million from $30.74 million in 2017. The foundations laid in 2017 through rebranding the businesses and developing sales channels supported growth across each of the operating divisions, with the dairy segment's sales increasing by 140% and Nichols Poultry's by 15%.

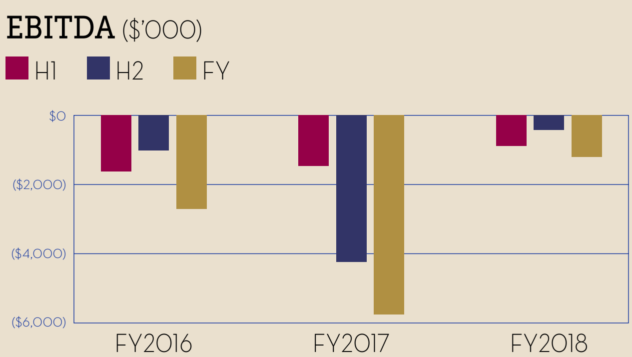
A 54% increase in gross profit to $10.72 million in 2018 from $6.96 million in 2017 was a major contributor to the $4.60 million improvement in earnings before interest, tax, depreciation and amortisation (EBITDA) to negative $1.11 million in 2018 from negative $5.71 million in 2017 (which included an impairment charge of $2.11 million). The gross margin improvement of 5% to 28% in 2018 from 23% in 2017 was achieved by building economies of scale through revenue growth, strategic investment in automation, and labour efficiencies across the businesses.

The company's bottom line performance was a net loss after income tax of $1.36 million which was a $5.45 million improvement on the 2017 net loss of $6.81 million.

Sales

One of our objectives in 2018 was growing sales to markets outside Tasmania. The perishable nature of the company's products necessitates relationships with partners capable of delivering them to consumers wherever they choose to eat and shop. Key distribution partnerships were established in 2018 to deliver dairy and chicken products to customers in Victoria, New South Wales and Queensland, contributing to sales growth in interstate markets of 106%; this represented 13% of total sales in 2018, up from 7% in 2017. Growth of 18% was achieved in Tasmania through increased sales of chicken and Pyengana Dairy branded milk.





Nichols Poultry remains the largest segment of the business, contributing 84% of sales revenue. Investment by contract growers to expand the network of contract grower sheds provided 12% growth in the number of chickens processed during 2018. Improvements to shed management, undertaken by the Nichols Poultry agricultural team working with contract growers, delivered an increase in the live weight of birds that contributed additional volume of saleable meat. New wholesale customers in Tasmania and growth in sales of Nichols Ethical Free Range Chicken branded products to markets interstate were the major contributors to a 15% increase in sales over the year. Strategic investments were made during the year in key processes, including air chilling that contributes to the Nichols Poultry brand's point of difference in the market.

The dairy segment achieved the highest growth in 2018, with sales revenue increasing by 140%. This included the first full year of sales revenue from Pyengana Dairy which was purchased in October 2017. Sales revenue for products sold under the Meander Valley Dairy and Robur Farm Dairy brands increased by 72%, with the majority of growth coming from interstate markets where sales increased by 83%.

A number of new markets were secured for dairy products during the second half of 2018 under both the Meander Valley Dairy and Pyengana Dairy brands. These markets will continue to deliver growth for the dairy segment in 2019.

"We find it wonderful working with TasFoods outstanding portfolio of world class Tasmanian products. All are brands that are committed to quality, innovation and sustainability - attributes we love here at Two Providores. We are looking forward to continuing to showcase these products and build the brands here in NSW and ACT."

Sally Gosper, General Manager, Two Providores, Sydney

Managing Director and CEO's Report (continued)

Processing operations

Improving operational efficiency across the business was a core focus for the management team in 2018. Labour efficiencies were achieved at each of the operating sites through a mixture of automating processes, increasing line speed and improved through-put. A number of cost saving projects were initiated throughout the business under a Pathway to Profit project that generated $0.50 million in operational savings.

The major capital investment for the company during 2018 was a new air chiller at the Nichols Poultry processing site and other improvements to services, all of which support capacity to grow Nichols Poultry's processing by 50%.

A strategic investment in a homogeniser at the Kings Meadows Dairy site underpinned the development of a new range of premium milk products released under the Pyengana Dairy brand. Relocation of the milk bottling operation from the Pyengana Dairy site enabled a reconfiguration of the processing area to create new cheese making and maturing facilities dedicated to production of a range of blue cheeses that commenced in late 2018.

The business continues to focus on building a culture within the workforce that supports the values of the business. Improvements to systems and processes that underpin standards for operations, customer service and animal welfare were rolled out through 2018, combined with regular training of staff.

Brands and marketing

The 2017 investment in the redevelopment of the brand portfolio and associated packaging with a premium look and feel contributed to the sales growth in 2018.

There was a significant reduction in the company's spend on marketing during 2018 to concentrate on strategic activities to maximise value from this investment.

Rebranding of the Pyengana Dairy products commenced in April 2018 with the launch of the first of a new range of premium bottled milk products and continued into the second half of the year with the rebranding of cheese products with new premium labelling. The process was completed with redevelopment of signage in the farmgate café to support the brand as the home of Australia's heritage farmhouse cheddar.

> "2018 has been a year of growth for TasFoods across the business, laying the foundations for a profitable future operation. The business will continue to grow revenue through new and existing sales channels whilst driving operational efficiencies to improve financial performance.

Growth through acquisition will remain a strategic focus for the business in 2019 to build business scale and strengthen bottom line performance.

Jane Bennett
Managing Director and CEO

Total sales revenue 2017
%

- Interstate – 7%
- Tasmania – 93%

Total sales revenue 2018
%

- Interstate – 13%
- Tasmania – 87%


The
TASMANIAN
FOOD Co

Operating and Financial Review

Nichols Poultry

Nichols Poultry's sales revenue grew by 15% to $32.10 million in 2018 from $27.9 million in 2017. This reflected the acquisition of new wholesale customers in Tasmania and increased sales of Nichols Ethical Free Range Chicken in Victoria, New South Wales and Queensland.

The volume of meat available for sale was higher as a result of two operational initiatives:

- Improved feed conversion and contract grower shed management led to a 5% increase in live weight, particularly during winter when live weight had declined the previous year.
- Two contract grower sheds, each with capacity for 20,000 birds, were added to the network in April 2018 and a shed with capacity for 40,000 birds was added in November 2018, together increasing the average number of birds available for processing each week by 12%. An additional shed with capacity for 40,000 birds has come on line in January 2019.

Among other operational efficiencies emanating from the company's Pathway to Profit project, labour costs were reduced through increased automation and the factory transitioned from a five to a four day processing week.

Investment in facilities

A project to increase processing capacity, at a cost of $2.5 million, was completed on time and on budget in October 2018.

The project's main component was construction of a new air chill facility. Nichols Poultry is the only chicken processor in Tasmania, and one of very few in Australia, using an air chill system to cool its chicken after processing. This differentiates the business' products from most competitors which process chicken through large spin chillers of iced water that can result in a residual chlorine odour.

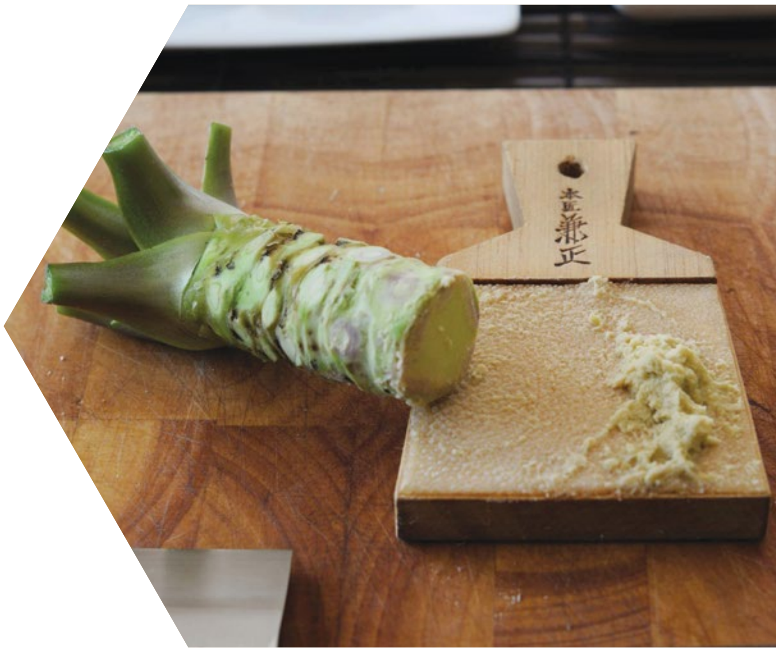
The new air chill facility was commissioned in late October and provides capacity for 50% growth in the number of birds processed. It has improved product quality by reducing chilling time and increased efficiency through increased line speed.

The space created from the removal of the previous air chiller will be renovated during 2019 to enable further improvements to productivity.

Nichols Ethical Free-Range Chicken
Nichols Poultry produces RSPCA approved barn raised and Ethical Free Range Chicken. Nichols Ethical Free Range Chicken is a premium priced brand, sales of which grew by 154% in 2018.

4 Raising standards in the field and kitchen

NICHOLS
ETHICAL FREE RANGE
CHICKEN



Shima Wasabi

Shima Wasabi's sales revenue grew by 25% to $0.33 million in 2018 from $0.26 million 2017. This increase resulted from a number of strategic initiatives that included establishing a strategic distribution partnership with Flowerdale Farms based in the Epping Fruit and Vegetable Wholesale Market to better service our interstate foodservice market customers via a network of providors. Targeted sales of wasabi powder to industrial customers contributed to sales growth along with the launch of a new retail wasabi powder.

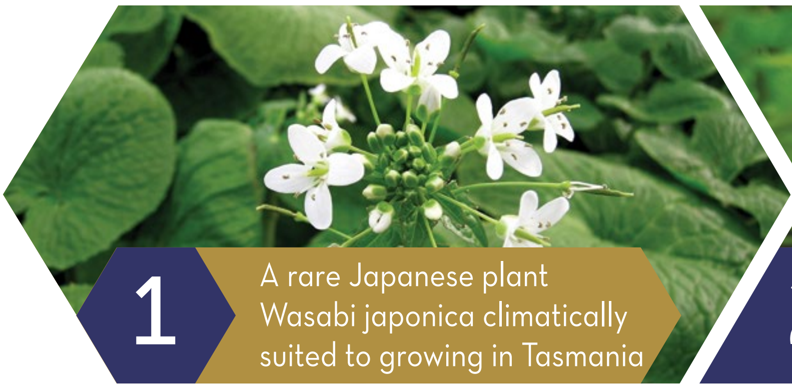
The change in distribution of fresh wasabi via Flowerdale Farms has allowed the streamlining of the wasabi harvesting process which has led to a reduction in labour and operational costs.

Harvesting of the crop planted in greenhouse two during 2017 began in September 2018 with yields consistent with expectations.

Research and Development activities commenced in 2018 to understand the active components of wasabi that may be beneficial in health and wellbeing markets. CSIRO completed an initial study of specific components of the plant yielding results to warrant further investigation.

Shima Wasabi

Shima Wasabi is Australia's largest commercial wasabi farm. All parts of the wasabi plant are edible. Shima Wasabi markets flowers in season, leaves and leaf stalk as well as premium fresh wasabi stems and powdered wasabi.



4 100% pure Tasmanian Wasabi japonica

SHIMA WASABI

Dairy

TasFoods' dairy operations include:

- A facility at Kings Meadows which processes cream for Meander Valley Dairy products, goat milk and cheese under the Robur Farm brand, and bottled milk under the Pyengana Dairy brand;
- Pyengana Dairy which processes milk into cheese under its own brand and is home to a farmgate café; and
- A dairy goat farm at the Nichols site at Sassafras.

> **"The dairy operations' revenue grew by 140% to $5.96 million in 2018 from $2.48 million in 2017, due partly to a full year's revenue from the Pyengana Dairy business which was purchased in October 2017.**

There was a significant improvement in financial performance through improved labour efficiencies and equipment utilisation due to increased production at the Kings Meadows facility.

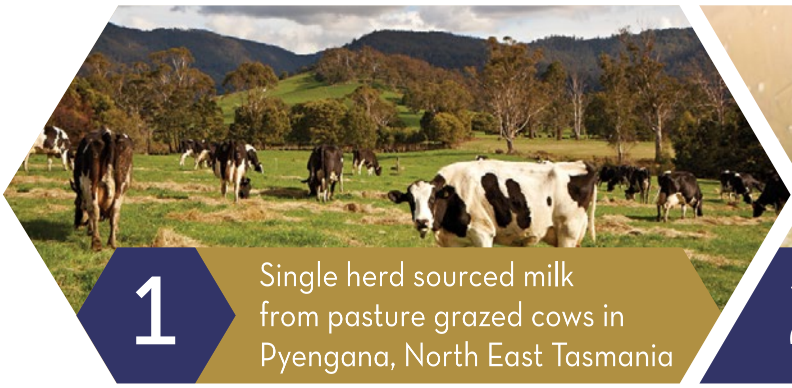
All brands and product categories increased their sales, with particular growth by Meander Valley Dairy Double Cream and Pyengana Dairy milk.

Meander Valley Dairy Double Cream was launched in Coles supermarkets nationally in late July 2018 and has been distributed to independent retailers across Victoria, New South Wales, Queensland and South Australia since August 2018. Nine premium milks were released under the Pyengana Dairy brand in late April 2018 and have been stocked in Woolworths, Coles, IGA and independent retail stores across Tasmania since May.

Robur Farm Dairy fresh goat milk sales achieved growth of 40% during 2018. Changes were made to the structure of the goat farm management mid year as a component of the Pathway to Profit project. The management of the herd was simplified to better align the milk production with processing requirements and a number of surplus young doelings were sold to an export market.

Pyengana Dairy Cloth Matured Cheddar

Pyengana Dairy Cloth Matured Cheddar is Australia's heritage farmhouse cheese made in the same way cheese has been produced in the Pyengana valley continuously since 1887.



4
Australia's heritage farmhouse cheddar

PYENGANA
DAIRY

Investment in facilities

In March 2018, milk bottling was moved from the Pyengana Dairy site to the Kings Meadows processing facility, where it is closer to customers, increasing shelf life and reducing freight costs. The transfer was completed on time and on budget, with no interruption to deliveries. Milk sold under the Pyengana Dairy brand continues to be sourced exclusively from the Pyengana farm with which TasFoods has a supply contract.

Space created in Pyengana Dairy's processing facility through removing the milk bottling line has been converted into additional cheese making and maturing rooms.

> "Production of a new blue cheese began in late 2018 in the renovated facilities. This will be launched in the market in 2019.

A glass viewing pyramid has been installed in the Pyengana farmgate café so visitors can see cheese maturing on shelves in the cellar below.

In April 2018, a new homogeniser was installed at the Kings Meadows facility. This has expanded the range of products able to be manufactured on the site including the Pyengana Dairy new milk range.

New branding

New Pyengana Dairy branding was introduced for the launch of the new milk range launched in April, and this also was adopted for Pyengana Cloth Matured Cheddar in the second half of 2018 when a range of retail cheese portions was offered to distributors and customers.

The new branding is reflected on signage for Pyengana Dairy's farmgate café, telling the story of Australia's heritage farmhouse cheese. The Pyengana Valley in north-east Tasmania is the only region in Australia where cheese has been made on farms continuously for over 130 years; the recipe and process for its Cloth Matured Cheddar have been handed down through generations of local farmers.

National recognition

The high quality of TasFoods' dairy products was recognised through awards in 2018. Pyengana Cloth Matured Cheddar was named Champion Retail Cheddar Cheese at the Dairy Industry Association of Australia's national awards in May, and in November Meander Valley Double Cream was named as one of three finalists in the Australian Grand Dairy Awards Cream Category after receiving gold medals at a number of feeder shows across Australia.

Robur Farm Goat Milk

Milk is sourced for the Robur Farm Dairy brand exclusively from our own goat herd. Sales of fresh bottled goat milk grew by 40% in 2018.

1 Single herd sourced milk from the Robur Farm goat herd

2 Freshly pasteurised to maintain a clean mild flavour

3 Sweet tasting and easy to digest

4 The natural alternative

ROBUR FARM DAIRY

Operating and Financial Review (continued)

Outlook

TasFoods has established a solid base from which the business can scale and grow.

We have established two foundation pillars in poultry and dairy that each have a solid and loyal customer base in Tasmania and opportunities for continued expansion in the much larger interstate market. Revenue growth for these pillars will continue during 2019, helped by the sales initiatives implemented in 2018.

The poultry division's revenue will reflect a full year of sales to new wholesale customers acquired during 2018. It will also benefit from additional chickens available from contract grower sheds added to the network in 2018 and additional sheds due to commence supply of chickens in late 2019 which will further increase the average number of birds processed per week.

The dairy division will benefit from a full year of sales of the new Pyengana Dairy milk range stocked in Coles, Woolworths and independent retail stores across Tasmania and of Meander Valley Dairy Double Cream stocked nationally in Coles and in independent retail stores in Victoria, New South Wales, Queensland and South Australia. New markets will continue to be pursued for all dairy products.

Shima Wasabi will continue to grow its existing markets as well as explore alternative uses for wasabi and the active components of the plant that may have value to the health and wellbeing markets.

The capital investment made during 2018 in upgrades to the chicken processing facility at Nichols Poultry has increased capacity by 50%. To leverage the increased processing capacity the business is investing in chicken growing sheds to deliver ongoing growth in revenue and EBITDA contribution. In December 2018, TasFoods' board approved capital expenditure of $2.5 million to build a further two tunnel ventilated chicken growing sheds, each with a capacity of 40,000 birds, on the Nichols Poultry farm site. These sheds are scheduled to commence the supply of chickens in the fourth quarter of 2019. The business is continuing to pursue opportunities to expand the contract grower network of sheds.

The Pathway to Profit initiatives commenced in 2018 will continue to drive efficiencies throughout the company's operations and improve productivity.

The business is actively seeking acquisitions that will complement existing operations and build scale or

provide standalone contributions to strengthen bottom line performance.

The board believes that the long-term fundamentals of TasFoods' business are strong, with increasing demand expected for premium foods, especially in the high fat dairy and free range chicken segments. The company's strategy will be to continue to expand through leveraging its Tasmanian heritage and maintaining the premium provenance of its brands, growing its distribution footprint in existing and new markets.

Risk

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

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

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

During 2018 the Group complied with its Risk Management Policy and Framework, ensuring all risks were regularly reviewed and risk registers were updated for new risks and changes to existing risk profiles. Risks identified remain relatively stable, with no expectation of increases or decreases in the foreseeable future unless specifically noted below. The material business risks faced by TasFoods 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 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.

Market Risk

Delivering on our customer promises and growing our customer base

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

Biosecurity Risk

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

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

Safety Risk

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

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

Board of Directors

Shane Noble Executive Chairman

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

Alexander (Sandy) Beard Non-executive Director

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

Roger McBain Non-executive Director

Roger led a Tasmanian based Chartered Accounting firm as a partner for 25 years ultimately leading the successful merging of the practice into Deloitte in 2010. Continuing as a partner at Deloitte for a further 5 years, Roger delivered strong results to the Tasmanian practice, through his extensive experience in a broad range of businesses with particular expertise in FMCG, agribusiness and mining services. Roger currently pursues a number of private business interests including a water remediation technology company, property development, tourism, hospitality and retail investments.

Jane Bennett Managing Director & CEO

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

Janelle O'Reilly Company Secretary & General Counsel

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

Executive Team

Jane Bennett Managing Director & CEO

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

Tom Woolley Chief Operating Officer

Tom Woolley is an experienced investment manager with over 11 years of private equity and investment banking experience. Tom worked at Credit Suisse for 3 years followed by 8 years as a Director at Ironbridge Capital, an Australian private equity company focused on growth investments. He holds a Bachelor of Commerce (Honours) and a Bachelor of Science. Tom is a graduate of the Tasmanian Leaders program.

Donna Wilson Chief Financial Officer

Donna is a qualified finance executive with over 18 years of experience working within public practice at KPMG, ASX listed companies and at an executive level in statutory government authorities. Donna holds a Masters of Business Administration in Corporate Governance and a Bachelor of Commerce. She is a member of Chartered Accountants Australia and New Zealand. Donna serves on the Scotch Oakburn College Finance Committee, an advisory committee to the Scotch Oakburn College School Board.

David Bennett Chief Sales & Marketing Officer

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

Directors' Report

The Directors of TasFoods Limited (the Company) present the financial report on the Company and its controlled entities (the Group) for the year ended 31 December 2018.

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

Directors

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

Roger McBain	Non-Executive Director Roger was appointed to the Board as an Executive Director on 3 September 2015 and transitioned to a Non-Executive Director role on 1 July 2016. Roger is the Chair of the Audit and Risk Committee and is a member of the Nomination and Remuneration Committee.
Experience and qualifications	Roger led a Tasmanian based Chartered Accounting firm as a partner for 25 years ultimately leading the successful merging of the practice into Deloitte in 2010. Continuing as a partner at Deloitte for a further 5 years, Roger delivered strong results to the Tasmanian practice, through his extensive experience in a broad range of businesses with particular expertise in FMCG, agribusiness and mining services. Roger currently pursues a number of private business interests including a water remediation technology company, property development, tourism, hospitality and retail investments.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,199,000 Ordinary Shares 1,250,000 Share Options exercisable at $0.21 before 3 September 2019 1,250,000 Share Options exercisable at $0.42 before 3 September 2019
Alexander (Sandy) Beard	Non-Executive Director Sandy was appointed to the Board as a Non-Executive Director on 13 March 2018. Sandy is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.
Experience and qualifications	Sandy is the Managing Director and CEO of CVC Limited (a substantial shareholder of TasFoods Limited) and has extensive experience in a broad range of businesses with a particular expertise in food manufacturing. Sandy is an experienced Director and has played important roles in delivering value to shareholders across a broad spectrum of industries and stages of company growth. Sandy is a Fellow of the Chartered Accountants Australia and New Zealand and is a Member of the Australian Institute of Company Directors.
Other Directorships in listed entities:	CVC Limited Eildon Capital Limited Cellnet Limited Probiotec Limited US Residential Fund
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	Nil

Directors' Report

Antony Robinson	Former Chair and Non-Executive Director Antony joined the Board on 29 May 2014 and became a Non-Executive Director in September 2015 and Chair of the Board on 3 March 2017. Antony resigned from the role of Chair of the Board on 1 February 2018 and resigned as a Non-Executive Director on 13 March 2018. Antony was a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications	Antony has extensive experience in senior roles in the financial services, insurance and telecommunications sectors. He is currently a Director of Bendigo & Adelaide Bank Limited and was previously Managing Director of Centrepoint Alliance Limited. Prior to that he held a number of senior executive roles including Executive Director and CEO of IOOF Holdings Ltd, Managing Director and CEO of OAMPS Limited.
Other Directorships in listed entities:	Bendigo & Adelaide Bank Limited (since April 2006), Pacific Current Group Limited (since August 2015), Longtable Group Limited (previously known as Primary Opinion Limited, since October 2015).
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	800,000 Ordinary Shares (as at 13 March 2018) 1,500,000 Share Options exercisable at $0.21 before 3 September 2019

Company Secretary

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

Meeting of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2018 and the number of meetings attended by each Director during the financial year.

Board Meetings were held in addition to the Company's Special General Meeting held on 15 February 2018 and Annual General Meeting held on 24 May 2018. #

	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
S Noble	16	16	7	7	3	3
A Beard	13	12	5	4	1	1
J Bennett*	16	15	7	7	3	2
R McBain	16	16	7	7	3	3
A Robinson	2	1	2	1	1	1

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

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

Principal Activities

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

Operating Results and Financial Position

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

Significant Change in State of Affairs

Capital Raising

In February 2018, TasFoods completed the issue of shares under the Share Purchase Plan and also under the second tranche of the share placement to sophisticated and institutional investors (as announced in December 2017). This resulted in the issuing of 22,875,816 fully paid ordinary shares, raising approximately $4.0 million (before costs).

Funds raised were used to expand production capacity (via capital investment in specialised plant including a homogeniser at Meander Valley Dairy factory and air chiller at Nichols Poultry) and for general working capital purposes.

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

After Balance Date Events

There are no matters or circumstances that have arisen since 31 December 2018, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Directors' Report

Remuneration Report (Audited)

Message from the Chair of the Nomination and Remuneration Committee

Shareholders

I am pleased to present the 2018 Financial Year Remuneration Report for TasFoods Limited (TasFoods), the first since assuming the role as Chair of the Nomination and Remuneration Committee.

Since the 2017 Annual General Meeting, the Directors of TasFoods have engaged with shareholders to understand the concerns of shareholders regarding the remuneration structure and practices and where they fell short of shareholder expectations in 2017. TasFoods remuneration structure was then reviewed to determine where, if any, changes should be made.

As a result of this review and considering the Board's strategic objectives for TasFoods in 2018 as well as the requirement of Key Management Personnel to continue to deliver improved financial performance, the Board determined the remuneration structure remained fit for purpose. However, in recognition of the importance of financial turnaround the Board determined it appropriate to amend the 2018 short-term incentive performance measures. The amendments included placing a greater weighting on financial performance measures and setting a minimum performance target hurdle of EBITDA which must be met for payment of the short-term incentive. As outlined in sections 4.6 and 4.7 of this report, the minimum EBITDA target was not met in 2018 and as such no short-term incentive was paid.

In setting the 2018 long-term incentives for Key Management Personnel, the Board determined that to align with shareholder expectations the percentage of total fixed remuneration used to calculate the rights offered would be halved from the percentage used in 2017. This has resulted in a halving of the number of performance rights granted.

On behalf of the Board, we recommend the Remuneration Report to you and look forward to welcoming you to the 2018 Annual General Meeting.

Alexander Beard
Chair – Nomination and Remuneration Committee

The Directors of TasFoods Limited present the Remuneration Report for the Company and its controlled entities for the financial year ended 31 December 2018, 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 2018 the Company's main activity related to developing Tasmanian premium branded food businesses (including Nichols Poultry, Meander Valley Dairy, Pyengana Dairy, Robur Farm Diary and Shima Wasabi), therefore, the details of KMP remuneration for 2018 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 2018 fixed remuneration

4.4 2018 short-term incentive arrangements

4.5 2018 long-term incentive arrangements

4.6 KMPs 2018 short-term incentive arrangement results

4.7 Summary of 2018 short-term incentive payments to KMP

4.8 Company financial performance

5. Executive contracts

6. Non-executive directors' remuneration structure

6.1 Current fee levels and fee pool

7. Restrictions on long-term incentive plan shares prior to vesting

8. Remuneration tables – Directors and KMP executives

1. Key management personnel

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

The KMP of TasFoods for the year ended 31 December 2018 were:

Current Executive and Non-executive Directors	Role	Appointment Date
Shane Noble[1]	Executive Chair	30 November 2017
Roger McBain	Non-executive Director	3 September 2015
Alexander Beard[2]	Non-executive Director	13 March 2018

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

Former Non-executive Directors	Role	Appointment Date
Antony Robinson[3]	Non-executive Director	13 March 2018

1. Shane Noble was a Non-Executive Director prior to his appointment to Executive Chair on 1 February 2018.
2. Alexander (Sandy) Beard was appointed as a Non-Executive Director on 13 March 2018.
3. Antony Robinson resigned from the position of Non-Executive Director on 13 March 2018.

2. Role of the Nomination and Remuneration Committee

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

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

- Recommendations for the appointment or replacement of Directors.

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

- Remuneration arrangements for the directors and senior executives of the Company (including, without limitation, incentive, equity and other benefit plans and service contracts) to ensure remuneration suitably motivates executives to pursue the success of the Company through the identification and profitable integration of growth opportunities;
- The review of the Audited Remuneration Report to be included in the annual report;
- Remuneration policies and practices for the Company generally;
- Superannuation arrangements;
- Board remuneration; and
- Such other matters as the Board may refer to the Committee from time to time.

3. Engagement of remuneration consultants

The Nomination and Remuneration Committee periodically engages independent external consultants to advise and assess KMP remuneration arrangements. No advice was sought or provided by external advisors regarding the remuneration structure during the year ended 31 December 2018.

During 2018 Mercer Consulting Australia Pty Ltd (Mercer) was engaged to provide the valuation of rights to senior executives (issued under the existing LTI Plan), but did not provide any recommendations on the participants, quantum for participants, or the hurdles.

4. Remuneration strategy and framework

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

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

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

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

4.1. Executive remuneration structure

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

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

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

- Total Fixed Remuneration (base salary and superannuation)
- At-Risk Remuneration:

- Short-Term Incentive (STI)
- Long-Term Incentive (LTI)

	Performance Condition	Remuneration Strategy/Performance Link
Total Fixed Remuneration (TFR) • salary • statutory superannuation	Executive remuneration levels are market-aligned by comparison to similar roles in ASX-listed companies that have comparable market capitalisation, revenues, and financial metrics relevant to the executive's role, executive's knowledge, skills and experience, and individual performance.	Fixed remuneration is set to attract, motivate, 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 2018 can be found in section 4.6 and section 4.7.	The STI plan is designed to encourage and reward high performance and for this reason it places a significant proportion of the executives' remuneration at-risk against targets linked to the Company's annual performance objectives and therefore supports the alignment between the interests of the executive, TasFoods and our shareholders. A combination of financial and non-financial KPIs are used because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support the growth of TasFoods. The Board believes the STI provides the right measures and appropriately challenging targets for participants.
Long Term Incentive (LTI) An award of rights with performance assessed over 3 years	LTI awards for the 2018 grants were provided under the LTIP approved by shareholders at the 2016 AGM. A three-year performance period provides a reasonable period to align reward with shareholder return and also acts as a vehicle to help retain the KMP, align the business planning cycle, and provide sufficient time for the longer-term performance to be achieved. Due to the importance that the Board places on an improvement in share price a single measure based on share price growth was chosen for the 2018 grant. The total rights granted in 2018 were reduced by 50% compared to rights granted in 2017.	The purpose of the LTI is to focus the executives' efforts on the achievement of sustainable long-term shareholder value creation and the long term financial success of TasFoods. The provision of LTIP awards via performance rights for ordinary shares in TasFoods encourages long-term share exposure for the executives and, therefore, aligns the long-term interests of executives and shareholders.

4.2. Remuneration mix and linking pay to performance

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

Remuneration is linked to performance by:

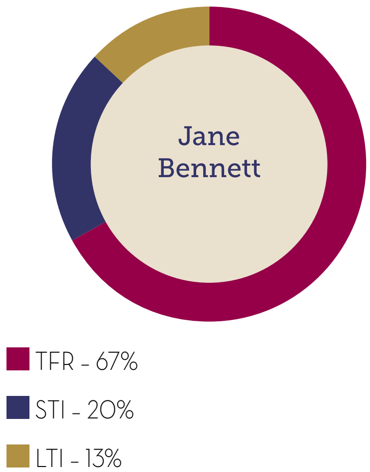
- Requiring a proportion of the executives' remuneration to vary with the short-term and long-term performance of TasFoods;
- Setting clear expectations on target and stretch performance objectives required for STI payments to ensure quality results; and
- Assessment of long-term performance through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

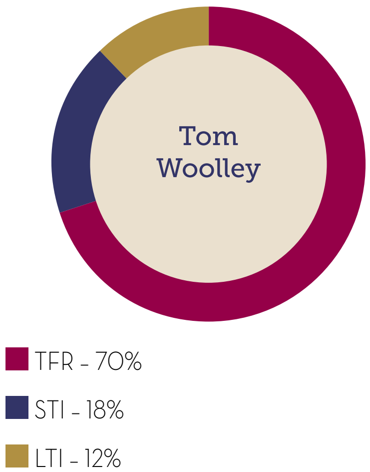
In addition, STI and LTI outcomes are not driven by a purely formulaic approach. The Nomination and Remuneration Committee holds discretion to determine that awards are not to be provided or vested in circumstances where it would be inappropriate or would provide unintended outcomes.

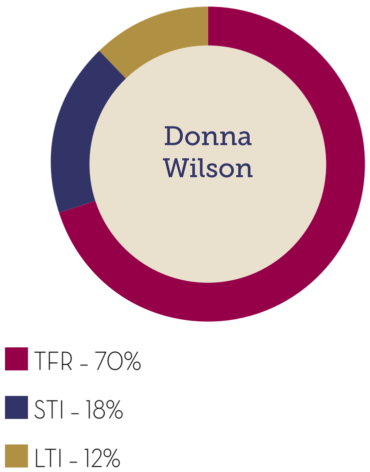
The relative weighting of fixed and variable components for target performance is set according to the scope of the executive's role. For the KMP the 'at risk' components for 2018 were as follows:

	TFR	Short Term Incentive (At-Target)[1]	Short Term Incentive (Stretch)[2]	Long Term Incentive (Target Opportunity)[3]	Long Term Incentive (Maximum Opportunity)
Current KMP Executives					
Jane Bennett	$262,800	30%	45%	20%	40%
Tom Woolley	$229,000	25%	37.5%	17.5%	35%
Donna Wilson	$186,150	25%	37.5%	17.5%	35%

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







4.3. 2018 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 2018 (and 31 December 2017) can be found in the 'Remuneration Tables' section of this report.

4.4. 2018 short-term incentive arrangements

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

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

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

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

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

Details of the STI performance measures and targets for 2018 are set out in section 4.6 and section 4.7.

4.5. 2018 long-term incentive arrangements

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

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

The key elements of the LTI plan are:

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

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 2018 was $0.17 cents based on the share price over a 10-day period, being the 10 trading days prior to the Company's 2017 end of financial year.

Measurement Period: The Measurement Period will be the three financial years from 1 January 2018 to 31 December 2020.

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

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

The targets for share price growth are based on a starting share price of $0.25 (being the share price at which investors acquired their shares at the 2016 capital raising) which is a Compound Annual Growth Rate (CAGR) from 2016, the year of investment, of 7.5% to achieve 'target' share price and a CAGR of 12.5% to achieve 'stretch' share price; noting the share price at 1 January 2018 was $0.195 which is a CAGR of 19% to achieve 'target' share price and a CAGR of 27% to achieve 'stretch' share price.

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

Retesting: Retesting is not permitted under the proposed terms of the 2018 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 2018 short-term incentive arrangement results

The measures and targets for the 2018 STI were set by the Board in January 2018 and were based on the priorities for 2018. The key performance indicators were based upon stretch targets, with operating EBITDA set as a hurdle requirement for payment of the 2018 STI.

The following table shows the Company's 2018 STI performance measures, weightings and outcomes as applied to KMP.

Performance Measure	Description	Weighting	Outcome	Comment
Sales Revenue	Statutory gross sales revenue	20%	Target not achieved	Growth in sales revenue is key to improved performance and sustainability of the Group
Gross Profit Margin	Statutory gross profit margin excluding biological asset movements	20%	Target achieved	The gross profit margin is seen as a key outcome of sales effectiveness and operational efficiency

Performance Measure	Description	Weighting	Outcome	Comment
Operating EBITDA	Statutory EBITDA adjusted for acquisition costs, capital raising costs and incentive payments	40%	Target not achieved	EBITDA is seen as a key factor of trading performance and operational sustainability. Operating EBITDA was a hurdle requirement for STI payment in 2018
WHS – Lost time injury frequency rate (LTIFR)	LTIFR are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million	20%	Target not achieved	Employees are a key asset to TasFoods and their safety is paramount. A reduction in the LTIFR is a key outcome of the WHS program

4.7. Summary of 2018 short-term incentive payments to KMP

Details of KMP executives' STI payments for the year ended 31 December 2018, the proportion to be received for at-target and stretch performance, achieved STI, and the amounts forfeited are shown in the table below.

FY18 STI Payment	STI $ At-Target $	STI $ Stretch $	STI $ Achieved $	% At-Target STI Achieved %	% Stretch STI Achieved %	% Stretch STI Forfeited %
Current KMP Executives						
Jane Bennett	78,840	118,260	-	0%	0%	100%
Tom Woolley	54,750	82,125	-	0%	0%	100%
Donna Wilson	46,538	69,806	-	0%	0%	100%

4.8. Company financial performance

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

Financial Year Ended 31 December 2018	2018	2017
Revenue ($000)	$38,920	$31,112
Net (loss)/profit before tax ($'000)	($2,273)	($6,639)
Net (loss)/profit after tax ($'000)	($1,358)	($6,808)
Share price at start of year	$0.190	$0.180
Share price at end of year	$0.135	$0.190
Share price growth	-28.95%	5.56%
Dividends	$0.00	$0.00
Basic (loss)/earnings per share (cents)	(0.67)	(4.14)
Diluted (loss)/earnings per share (cents)	(0.67)	(4.14)
Average STI payout as a % at-target for eligible KMP executives	0%	20%

5. Executive Contracts

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

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

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

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

Within the aggregate amount of $400,000, non-executive directors' 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. NED fees, effective 1 January 2018 (inclusive of superannuation) were:

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

1. Shane Noble as Executive Chair has a more significant role in the business than that of Non-Executive Chair and in particular spends approximately 2 days a week working with the CEO and Executive Team. Accordingly, the fee reflects the extra work that is provided by Shane Noble to TasFoods.
2. Alexander Beard was appointed to the Board on 13 March 2018, Sandy elected not to be paid a Directors fee by TasFoods in 2018 in recognition of the committment by all Directors and staff to deliver the Group to profitability.

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 2018 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

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 2018

		Short Term Employee Benefits				Post-employment Benefits		Share Based Payments			
	Year	Salary/Fees $	STI Payment $	Non-monetary benefits $	Movement in Employee Entitlements $	Superannuation $	Long term employment benefits	Shares	Performance Rights/ Options	Total	Performance Related %
Current Executive and Non-executive Directors											
Shane Noble[1]	**2018**	**228,675**	**-**	**-**	**-**	**21,724**	**-**	**-**	**81,250**	**331,650**	**0%**
	2017	19,026	-	-	-	1,807	-	-	6,901	27,734	0%
Roger McBain	**2018**	**38,676**	**-**	**-**	**-**	**3,674**	**-**	**-**	**-**	**42,350**	**0%**
	2017	45,798	-	-	-	4,351	-	-	-	50,149	0%
Alexander Beard[2]	**2018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
	2017	Not applicable									
Current KMP executives											
Jane Bennett	**2018**	**236,677**	**-**	**-**	**11,895**	**24,051**	**-**	**-**	**20,227**	**292,850**	**0%**
	2017	240,000	21,600	-	4,043	23,493	-	-	15,692	304,828	7%
Tom Woolley	**2018**	**210,039**	**-**	**-**	**5,896**	**19,815**	**-**	**-**	**13,262**	**249,011**	**0%**
	2017	209,616	18,000	-	6,738	19,687	-	-	9,956	263,997	7%
Donna Wilson	**2018**	**170,031**	**-**	**-**	**13,603**	**17,163**	**-**	**-**	**9,429**	**210,226**	**0%**
	2017	163,654	12,750	-	3,990	15,854	-	-	6,619	202,867	6%
Former Non-executive Directors											
Antony Robinson[3]	**2018**	**15,986**	**-**	**-**	**-**	**1,566**	**-**	**-**	**-**	**17,551**	**0%**
	2017	60,504	-	-	-	5,748	-	-	-	66,251	0%
Robert Woolley[4]	**2018**										
	2017	18,333	-	-	-	-	-	-	-	18,333	0%
Hugh Robertson[5]	**2018**										
	2017	4,519	-	-	-	429	-	-	-	4,948	0%

1 Shane Noble was appointed to the Board on 30 November 2017

2 Alexander Beard was appointed to the Board on 13 March 2018, since his appointment he has elected not to be paid a Directors fee by TasFoods Limited

3 Antony Robinson resigned on 13 March 2018

4 Rob Woolley resigned on 3 March 2017

5 Hugh Robertson resigned on 10 February 2017

Table B: Shareholdings

	Year	Shares held at Start of Year No.	Issued as Remuneration	Share Buyback No.	Net other changes	Shares held at End of Year
Current Executive Chair and Non-executive Directors						
Shane Noble	**2018**	**3,000,000**	**-**	**-**	**-**	**3,000,000**
	2017	-	-	-	3,000,000	3,000,000
Roger McBain	**2018**	**2,199,000**	**-**	**-**	**-**	**2,199,000**
	2017	2,199,000	-	-	-	2,199,000
Alexander Beard	**2018**	**-**	**-**	**-**	**-**	**-**
	2017			Not applicable		
Current KMP executives						
Jane Bennett	**2018**	**1,999,000**	**-**	**-**	**176,472**	**2,175,472**
	2017	1,999,000	-	-	-	1,999,000
Tom Woolley	**2018**	**599,000**	**-**	**-**	**-**	**599,000**
	2017	1,599,000	-	-	(1,000,000)	599,000
Donna Wilson	**2018**	**-**	**-**	**-**	**-**	**-**
	2017	-	-	-	-	-
Former Non-executive Directors						
Antony Robinson	**2018**	**800,000**	**-**	**-**	**-**	**N/A**
	2017	800,000	-	-	-	800,000
Robert Woolley	**2018**					
	2017	4,223,000	-	-	-	N/A
Hugh Robertson	**2018**					
	2017	1,014,000	-	-	-	N/A

Table C: Movements during 2018 in performance rights or options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Performance Rights or Options held at Start of Year No.	Granted as remuneration	Vested and exercisable No.	Exercised during the reporting period No.	Forfeited No.	Performance Rights or Options held at End of Year No.
Current Executive Chair and Non-executive Directors							
Shane Noble	**2018**	**5,000,000**	**-**	**-**	**-**	**-**	**5,000,000**
	2017	-	5,000,000	-	-	-	5,000,000
Roger McBain	**2018**	**2,500,000**	**-**	**-**	**-**	**-**	**2,500,000**
	2017	2,500,000	-	-	-	-	2,500,000
Current KMP executives							
Jane Bennett	**2018**	**3,884,619**	**618,353**	**-**	**-**	**-**	**4,502,972**
	2017	2,500,000	1,384,619	-	-	-	3,884,619
Tom Woolley	**2018**	**3,378,464**	**450,882**	**-**	**-**	**-**	**3,829,346**
	2017	2,500,000	878,464	-	-	-	3,378,464
Donna Wilson	**2018**	**584,000**	**383,250**	**-**	**-**	**-**	**967,250**
	2017	-	584,000	-	-	-	584,000
Former Non-executive Directors							
Robert Woolley	**2018**	**9,500,000**	**-**	**-**	**-**	**-**	**9,500,000**
	2017	9,500,000	-	-	-		9,500,000
Antony Robinson	**2018**	**1,500,000**	**-**	**-**	**-**	**-**	**1,500,000**
	2017	1,500,000	-	-	-	-	1,500,000

Table D: Share-based payments granted as remuneration to KMP during 2018

	Year	Grant Date	Number Granted No.	Value of Performance Rights or Options Granted $	Number Vested No.	Percentage of Grant Forfeited No.
Current Executive Chair and Non-executive Directors						
Shane Noble	**2018**		**-**	**-**	**-**	**0%**
	2017	30-Nov-17	5,000,000	325,000	-	0%
Current KMP executives						
Jane Bennett	**2018**	**26-Jul-18**	**618,353**	**27,208**	**-**	**0%**
	2017	17-Jul-17	1,384,619	94,154	-	0%
Tom Woolley	**2018**	**26-Jul-18**	**450,882**	**19,839**	**-**	**0%**
	2017	17-Jul-17	878,464	59,736	-	0%
Donna Wilson	**2018**	**26-Jul-18**	**383,250**	**16,863**	**-**	**0%**
	2017	17-Jul-17	584,000	39,712	-	0%

Indemnity and Insurance of Officers

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

Indemnity and Insurance of Auditor

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

Environmental Regulations

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

Shares Options and Performance Rights

During the financial year the Company issued 1,452,485 performance rights to Key Management Personnel. Further details regarding the performance rights granted are contained within the Remuneration Report and in note 31.

Proceedings on Behalf of the Company

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

Non-Audit Services

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

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

	2018 $	2017 $
Auditors of the parent entity:		
Auditing the financial report	123,900	120,750
Auditing the financial report – subsidiary companies	–	32,000
Other assurance services	3,876	–
	127,776	**152,750**

Auditor's Independence Declaration

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

Auditor

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

Corporate Governance

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

Rounding of Amounts

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

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

On behalf of the Directors

Shane Noble
Executive Chairman
27 February 2019

Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
27 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue from operations	6	38,391	30,743
Other income	6	529	369
Fair value adjustment of biological assets		291	668
Impairment of goodwill		-	(2,116)
Raw materials used		(20,539)	(16,753)
Employment and contractor expense		(12,375)	(12,075)
Freight		(2,370)	(1,323)
Occupancy costs		(1,102)	(967)
Depreciation and amortisation		(1,210)	(853)
Finance costs		(109)	(76)
Travel and accommodation		(160)	(130)
Legal and professional fees		(209)	(633)
Marketing and event expenses		(521)	(629)
Repairs and maintenance		(573)	(604)
Research and development		(38)	(110)
Investment expenses		(187)	(40)
Other expenses		(2,091)	(2,109)
Loss before income tax		**(2,273)**	**(6,639)**
Income tax benefit/(expense)	8	915	(169)
Net Loss after tax for the year from continuing operations		(1,358)	(6,808)
Net profit after tax for the year from discontinued operations		-	-
Net Loss after tax for the year		**(1,358)**	**(6,808)**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Other comprehensive loss net of tax		-	-
Total comprehensive income		**(1,358)**	**(6,808)**
Net profit for the period attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(1,358)	(6,808)
		(1,358)	**(6,808)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of TasFoods Limited		(1,358)	(6,808)
		(1,358)	**(6,808)**
Basic loss per share (cents per share)	4	(0.67)	(4.14)
Diluted loss per share (cents per share)	4	(0.67)	(4.14)
Basic loss per share from continuing operations (cents per share)	4	(0.67)	(4.14)
Diluted loss per share from continuing operations (cents per share)	4	(0.67)	(4.14)

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

Consolidated Statement of Financial Position

for the year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents	19	6,658	9,663
Trade and other receivables	9	2,609	2,799
Biological assets	10	2,432	1,932
Inventory	11	2,572	2,013
Prepayments		542	350
Total Current Assets		**14,814**	**16,757**
Non-Current Assets			
Property, plant and equipment	12	17,458	14,944
Intangible assets	13	8,673	8,673
Biological assets	10	275	328
Deferred tax assets	8	-	-
Total Non-Current Assets		**26,406**	**23,946**
Total Assets		**41,220**	**40,702**
Current Liabilities			
Trade and other payables	14	3,976	4,775
Borrowings	15	1,470	1,255
Provisions	16	623	524
Total Current Liabilities		**6,069**	**6,554**
Non-Current Liabilities			
Borrowings	15	727	1,379
Provisions	16	156	144
Deferred tax liabilities	8	-	979
Total Non-Current Liabilities		**883**	**2,502**
Total Liabilities		**6,953**	**9,056**
Net Assets		**34,267**	**31,646**

Equity			
Contributed Equity	17	46,355	42,505
Reserves	18	390	260
Accumulated Losses		(12,477)	(11,119)
Total Equity		**34,267**	**31,646**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
At 1 January 2017	**39,086**	**217**	**(4,230)**	**35,073**
Loss for the year	–	–	(6,808)	(6,808)
Other comprehensive loss	–	–	–	–
Total comprehensive loss for the year	–	–	(6,808)	(6,808)
Adjustments as a result of finalisation of accounting for business combinations	–	–	(81)	(81)
Issue of shares	3,501	–	–	3,501
Share issue costs	(82)	–	–	(82)
Share-based payment expense	–	43	–	43
As at 31 December 2017	**42,505**	**260**	**(11,119)**	**31,646**
At 1 January 2018	**42,505**	**260**	**(11,119)**	**31,646**
Loss for the year	–	–	(1,358)	(1,358)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(1,358)	(1,358)
Issue of shares	4,000	–	–	4,000
Share issue costs	(151)	–	–	(151)
Share-based payment expense	–	130	–	130
As at 31 December 2018	**46,355**	**390**	**(12,477)**	**34,267**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		39,052	30,488
Payments to suppliers and employees		(41,152)	(33,776)
Interest received		148	83
Interest paid		(104)	(107)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(187)	(40)
Income taxes received		-	205
Other		266	130
Net cash used in operating activities	**19**	**(1,976)**	**(3,017)**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,108)	(2,812)
Payments for intellectual property		-	(33)
Proceeds from disposal of property, plant, and equipment		11	-
Net cash used in business combination		-	(1,623)
Net cash used in investing activities		**(4,098)**	**(4,467)**
Cash flows from financing activities			
Proceeds from issue of shares		4,000	3,501
Cost of issuing shares		(215)	(105)
Proceeds from borrowings		152	2,843
Repayment of borrowings		(1,112)	(882)
Net cash provided by financing activities		**2,825**	**5,357**
Net (decrease)/increase in cash held		(3,249)	(2,127)
Cash and cash equivalents at the beginning of the year		9,227	11,354
Cash and cash equivalents at the end of the year	**19**	**5,977**	**9,227**

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 2018

1. General Information

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

The financial statements were authorised for issue on 27 February 2019 by the Directors of the Company.

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

2. Significant Changes in the Current Reporting Period

In December 2017, TasFoods announced a placement of ordinary shares to institutional and sophisticated investors at $0.18 per share. This was completed in February 2018, with the issue of shares under the Share Purchase Plan and also under the second tranche of the share placement to sophisticated and institutional investors. This resulted in the issuing of 22,875,816 fully paid ordinary shares, raising approximately $4.0 million (before costs).

There is a detailed discussion of the Group's financial performance and position included in the Operating and Financial Review on pages 10 to 15 at the start of this Annual Report.

There have been no changes in accounting policies since the previous financial report at 31 December 2017, with the exception of those outlined in Note 32(i).

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 and Pyengana Dairy businesses, the assets of which were acquired in September 2015 and October 2017, respectively. In addition, the Dairy segment includes goat farming operations which were acquired in June 2016. The Dairy segment primarily derives revenue from dairy processing activities including the manufacture of premium fresh milk, cheese, cream and butter products. These products are sold under the Meander Valley Dairy, Pyengana Dairy and Robur Farm Dairy brands.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016. Revenue is primarily derived by the poultry segment from the sale of poultry meat products sold under the Nichols Poultry, Nichols Ethical Free Range and Nichols Kitchen brands.
- The Corporate and Other segment, which comprise:
  - Corporate costs that are not directly attributable to operational business units, including Shared Service teams, which provide administrative support to the operational production units in the areas of financial management, human resources, sales, marketing, brand management, route to market, quality assurance and food safety, and work health and safety; and
  - The net assets and business operations of Shima Wasabi Pty Ltd, which were acquired in June 2016.

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

Consolidated - 2018	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Revenue				
Total segment sales revenue	5,961	32,103	327	38,391
Other income	122	244	163	529
	6,083	**32,347**	**490**	**38,920**
Segment profit/(loss)	(521)	2,708	(4,460)	(2,273)
Profit after tax from discontinued operation				-
Loss before income tax expense				(2,273)
Income tax benefit				915
Loss after income tax expense				**(1,358)**
Assets				
Segment assets	8,221	23,290	9,709	41,220
Total Assets				**41,220**
Total assets include:				
Goodwill on acquisition of non-current assets	2,397	3,137	-	5,534
Liabilities				
Segment liabilities	1,506	4,321	1,126	6,953
Deferred tax liability/(asset)				-
Total liabilities				**6,953**

3. Segment Information (continued)

Consolidated - 2017	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000
Revenue				
Total segment sales revenue	2,484	27,978	281	30,743
Other income	71	278	20	369
	2,555	**28,256**	**301**	**31,112**
Segment profit/(loss)	(1,521)	727	(5,845)	(6,639)
Profit after tax from discontinued operation				-
Loss before income tax expense				(6,639)
Income tax expense				(169)
Loss after income tax expense				**(6,808)**
Assets				
Segment assets	7,625	19,386	13,691	40,702
Total assets				**40,702**
Total assets include:				
Goodwill on acquisition of non-current assets	2,397	3,137	-	5,534
Liabilities				
Segment liabilities	2,085	5,063	929	8,077
Deferred tax liability/(asset)				979
Total liabilities				**9,056**

SHAREHOLDER RETURNS

4. Earnings per Share

	2018 Cents	2017 Cents
Basic loss per share	(0.67)	(4.14)
Diluted loss per share	(0.67)	(4.14)
Basic loss per share from continuing operations	(0.67)	(4.14)
Diluted loss per share from continuing operations	(0.67)	(4.14)
Basic (loss)/earnings per share from discontinued operations	-	-
Diluted (loss)/earnings per share from discontinued operations	-	-

	2018 $'000	2017 $'000
Net (loss)/profit from continuing operations attributable to the owners of TasFoods Limited used in calculation of basic and diluted earnings per share for:		
All operations	(1,358)	(6,808)
Continuing operations	(1,358)	(6,808)

	2018 Number	2017 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	203,745,777	164,453,023
Diluted		
Weighted average number of ordinary shares and convertible redeemable preference shares outstanding and performance rights during the period used in the calculation of diluted earnings per share	203,745,777	164,453,023

Information Concerning the Classification of Securities

Potential ordinary shares:

a) There were no options (other than those referred to in note 31) or other forms of potential shares on issue at 31 December 2018 (31 December 2017: Nil).

b) Options granted (as referred to in note 31) are not included in the calculation of diluted earnings per share as the share price as at 31 December 2018 was lower than the exercise price. If the share price were to increase above the exercise price, any options exercised would have a dilutive impact on the earnings per share.

Recognition and measurement

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

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

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

5. Dividends to Shareholders

No dividends have been paid or declared during the year ended 31 December 2018 (31 December 2017: Nil).

PROFIT AND LOSS INFORMATION

6. Revenue

	2018 $'000	2017 $'000
Revenue from continuing operations		
Sales revenue	38,391	30,743
Other income		
Interest received	156	83
Sundry income	373	286
	529	**369**

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 which represents a change in revenue recognition accounting policy of the group from previous recognition when the significant risks and rewards of ownership of the goods have passed to the buyer at the time of dispatch of the goods to the customer.

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

Accounting for retail and online sales

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

Accounting for bill and hold transactions

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

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

Interest revenue

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

7. Expenses

	2018 $'000	2017 $'000
Profit before income tax expense includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	10,255	8,264
Temporary employees	137	2,308
Share based payments	130	43
Superannuation expense (defined contribution)	922	709
Total employee benefits	11,444	11,324
Other employment expenses	932	751
Total employment and contractor expense	**12,375**	**12,075**
Rental expenses related to operating leases	203	151
Investment expense	187	40

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

	2018 $'000	2017 $'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	-	(142)
Deferred tax movements	(915)	311
	(915)	**169**
Deferred income tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(1,062)	69
Increase/(decrease) in deferred tax liabilities	147	242
	(915)	**311**
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	(2,273)	(6,639)
Tax benefit at Australian tax rate of 30% (2017: 30%)	(682)	(1,992)
Tax effect of amounts which are not deductible in calculating taxable income	61	71
Recognition of prior year tax losses	(294)	-
Research and development tax offset	-	(164)
	(915)	**(2,085)**
Deferred taxes not recognised	-	1,609
Tax effect on impairment of goodwill in Shima Wasabi	-	645
Income tax (benefit)/expense for the period	**(915)**	**169**
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	(65)	(32)
	(65)	**(32)**

	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Closing Balance $'000
(c) Deferred tax balances				
Taxable and deductible temporary differences arise from the following:				
Gross deferred tax assets:				
Provisions	213	46	-	259
Trade and other payables	47	(17)	-	30
Share issue expenses	350	(138)	65	277
Trade and other receivables	6	2	-	8
Property, plant and equipment	9	(1)	-	8
Intangibles	13	(6)	-	7
Tax Losses	-	1,176	-	1,176
	638	**1,062**	**65**	**1,764**
Gross deferred tax liabilities:				
Biological assets	(522)	(126)	-	(648)
Inventory	(213)	(19)	-	(232)
Intangibles	(873)	-	-	(873)
Other	(9)	(2)	-	(11)
	(1,617)	**(147)**	**-**	**(1,764)**
Net deferred tax asset/(liability)	**(979)**	**915**	**65**	**-**

	2018 $'000	2017 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Capital losses	-	-
Revenue losses	19,315	20,307
	19,315	**20,307**
Potential tax benefit at 30%	**5,795**	**6,092**

Unused tax losses

The Group has recognised tax losses in the year ended 31 December 2018 only to the extent of the Groups taxable temporary differences. After recognition of these losses the Group had a further $19.315 million of carry forward tax losses for which no deferred tax asset has been recognised (31 December 2017: $20.307 million). The losses relate to both Group's current operations and also losses incurred by the loyalty, rewards and payments business previously operated by the Group. Prior to recognising the carry forward tax losses transferred into and incurred by the loyalty, rewards and payments business, the Group will assess the application of the continuity of ownership and continuity of business tests.

Recognition and measurement

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

A balance sheet approach is adopted, under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or

8. Income Tax (continued)

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

	2018 $'000	2017 $'000
Trade Receivables	2,265	2,711
Loss allowance	(26)	(20)
Other receivables	371	108
	2,609	**2,799**

	2018 $'000	2017 $'000
Loss Allowance		
Movements in theloss allowance were as follows:		
Carrying value at the beginning of the year	20	25
Increase in loss allowance recognised	14	-
Receivables written off as uncollectable	(8)	(2)
Unused amount reversed	-	(3)
Carrying value at the end of the year	**26**	**20**

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 for 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

31 December 2018	Current	30 days	60 days	90+ days	Total
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount ($'000)	1,810	381	22	51	2,265
Loss Allowance ($'000)	**-**	**-**	**-**	**26**	**26**

1 January 2018	Current	30 days	60 days	90+ days	Total
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount ($'000)	2,200	449	23	40	2,711
Loss Allowance ($'000)	**-**	**-**	**-**	**20**	**20**

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

for the year ended 31 December 2018

10. Biological Assets

	Poultry $'000	Goats $'000	Wasabi Plants $'000	Total $'000
Balance as at 1 January 2017	950	256	863	2,069
Increases due to purchases and production	695	1	19	715
Decreases due to sales/processing/mortality[i]	(950)	(69)	(173)	(1,192)
Movement in fair value as a result of physical and/or price changes[ii]	262	142	264	668
Balance as at 31 December 2017	**957**	**330**	**973**	**2,260**
Current	957	20	955	1,932
Non-current	–	310	18	328
	957	**330**	**973**	**2,260**
Balance as at 1 January 2018	957	330	973	2,260
Increases due to purchases and production	1,312	8	2	1,322
Decreases due to sales/processing/mortality[i]	(957)	(64)	(144)	(1,165)
Movement in fair value as a result of physical and/or price changes[ii]	134	10	147	291
Balance as at 31 December 2018	**1,446**	**284**	**977**	**2,708**
Current	1,446	11	976	2,432
Non-current	–	273	2	275
	1,446	**284**	**977**	**2,708**

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 2018, the Group held 465,788 live poultry (2017: 368,734), 764 goats (2017: 946) and 8,750 mature wasabi plants (2017: 4,395) and 704 immature wasabi plants (2017: 5,922) that are less than 12 months of age and not suitable for harvest.

Poultry

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

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

Based on market prices and weights utilised at 31 December 2018, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $57,564 (2017: $31,896) by a pricing or dressed weight increase/decrease of 5%.

Goats

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

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

Wasabi Plants

Wasabi plants which are greater than twelve months of age are considered mature and ready for harvest, as such plants which are greater than twelve months of age are disclosed as a current asset. At 31 December 2018 the Group's wasabi plants were an average of 23 months of age (31 December 2017: 29 months) and at various stages of growth post-harvest, as such wasabi plants are valued at fair value less estimated point of sale costs. The valuation methodology is deemed to be Level 3 in the fair value hierarchy as it contains unobservable inputs due to the rare nature of the crop.

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

Based on market prices and estimated yields utilised within the valuation methodology at 31 December 2018, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by $57,877 (31 December 2017: $48,257) by a yield increase/decrease of 5%.

Fair Value Measurement

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

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

10. Biological Assets (continued)

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: 0.58 kilograms (31 December 2017: 0.42 kilograms)
Relationship to unobservable inputs to fair value	An increase/decrease in yield would result in a direct increase/decrease in the fair value

11. Inventory

	2018 $'000	2017 $'000
Finished goods	1,343	1,099
Raw materials and packaging	591	284
Other	637	630
	2,572	**2,013**

Recognition and measurement

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

Inventories are accounted for in the following manner:

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

NON-CURRENT ASSETS

12. Property, Plant and Equipment

	2018 $'000	2017 $'000
Land and buildings – at cost	8,243	8,132
Less accumulated depreciation	(475)	(254)
	7,769	**7,879**
Plant and equipment – at cost	8,812	7,538
Less accumulated depreciation	(1,781)	(889)
	7,031	**6,650**
Office equipment – at cost	181	173
Less accumulated depreciation	(131)	(96)
	50	**77**
Motor vehicles – at cost	483	197
Less accumulated depreciation	(96)	(35)
	387	**162**
Capital Work in Progress – at cost	2,220	177
Total Property, Plant and Equipment	**17,458**	**14,944**

Reconciliations

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

Carrying value	Land and buildings $'000	Plant and equipment $'000	Office equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
As at 1 January 2017	6,687	4,682	40	131	1,253	12,793
Additions	1,378	2,355	63	54	177	4,026
Additions as a part of a business combination	–	727	–	–	–	727
Adjustments as a result of finalisation of accounting for business combinations	–	(495)	–	–	38	(457)
Capitalisation to asset categories	–	–	–	–	(1,291)	(1,291)
Depreciation expense	(185)	(619)	(26)	(23)	–	(853)
Balance as at 31 December 2017	**7,879**	**6,650**	**77**	**162**	**177**	**14,944**
As at 1 January 2018	7,879	6,650	77	162	177	14,944
Additions	111	1,274	8	287	2,220	3,900
Capitalisation to asset categories	–	–	–	–	(177)	(177)
Depreciation expense	(221)	(892)	(35)	(62)	–	(1,210)
Balance as at 31 December 2018	**7,769**	**7,031**	**50**	**387**	**2,220**	**17,458**

12. Property, Plant and Equipment (continued)

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.

13. Intangible Assets

	2018 $'000	2017 $'000
Goodwill	5,534	5,534
Brands and trademarks	2,945	2,945
Other	194	194
	8,673	**8,673**
Gross carrying value		
At cost	11,390	11,390
Accumulated impairment	(2,717)	(2,717)
Total net carrying amounts	**8,673**	**8,673**
Reconciliations		
Carrying amount at beginning	8,673	8,989
Transfers from other asset classes as a result of finalisation of accounting for business combinations	–	1,228
Additions	–	54
Business combinations during the year	–	518
Impairment during the period	–	(2,116)
Carrying amount at end	**8,673**	**8,673**

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

The goodwill of Shima Wasabi was written down to nil during 2017 as part of the annual impairment testing process.

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

Other intangible assets include water rights and intellectual property.

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

	2018				2017			
	Goodwill $'000	Brands and Trademarks $'000	Other $'000	Total $'000	Goodwill $'000	Brands and Trademarks $'000	Other $'000	Total $'000
Dairy	2,397	35	-	2,432	2,397	35	-	2,432
Poultry	3,137	2,910	194	6,241	3,137	2,910	194	6,241
Total	**5,534**	**2,945**	**194**	**8,673**	**5,534**	**2,945**	**194**	**8,673**

Recognition and measurement

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

Indefinite life assets

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

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

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.

13. Intangible Assets (continued)

Recoverable amount of goodwill and indefinite life intangibles

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2018 for all groups of cash generating units (CGUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

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

Dairy CGU

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

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

Revenue Growth	Revenue growth over the five-year period is based upon budgeted revenue growth associated with the Groups growth strategy with the expansion of the business unit via increases in production volumes, new product offerings and expansion into new markets. Average revenue growth over the five-year forecast period is anticipated to be 14.4% per annum (2017: 15.8%), with the baseline on which growth has been determined including the full-year effect of sales growth initiatives achieved in 2018.
Production costs	Production costs are anticipated to be consistent with 2018 levels over the five-year period in line and are projected to be on average 69% of revenue over the five-year period (2017: 70%).
Indirect costs	Indirect costs are anticipated to increase by 5% per annum.
Long-term growth rate	The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% (2017: 2.5%) has been used in the value-in-use calculation, which is consistent with the Reserve Bank of Australia rates.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 10.8% (2017: 10.8%).

Based on the above assumptions the recoverable amount of the CGU is estimated to be $9.3 million, which exceeds the CGU's carrying amount by $1.7 million. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

Pre-tax discount rate	Increase from 10.8% to 12.1%.
Annual revenue growth rate	Reduction in average from 14.4% (over the five-year period) to 13.3%.
Production costs	Increase from 69% of revenue to 70.3%.

Poultry CGU

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

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

Revenue Growth	Revenue growth over the five-year period is based upon budgeted revenue growth associated with the Groups growth strategy with the expansion of the business unit via increases in production volumes, new product offerings and expansion into new markets. Average revenue growth over the five-year forecast period is anticipated to be 8.7% per annum (2017: 12.9%).
Production costs	Forecast production costs are anticipated to increase over the five-year period in line with revenue growth and are projected to be on average 77% (2017: 71%) of revenue over the five-year period. Conservative savings and efficiencies to be generated as a result of automation of production have been recognised within the forecast cash flows.
Indirect costs	Indirect costs are anticipated to increase by 5% per annum.
Long-term growth rate	The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% (2017: 2.5%) has been used in the value-in-use calculation, which is consistent with the Reserve Bank of Australia rates.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 10.8% (2017: 10.8%).

LIABILITIES

14. Trade and Other Payables

	2018 $'000	2017 $'000
Trade and other payables	3,976	4,775
	3,976	**4,775**

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

	2018 $'000	2017 $'000
Current		
Bank Overdraft	681	436
Secured Finance Lease Liabilities	789	818
	1,470	**1,255**
Non-Current		
Secured Finance Lease Liabilities	727	1,379
Total borrowings	**2,198**	**2,633**

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 2018					
Non-derivatives					
Trade payables	3,976	-	-	3,976	3,976
Bank Overdraft	681	-	-	681	681
Finance lease liabilities	789	727	-	1,517	1,517
	5,466	**727**	**-**	**6,173**	**6,173**
At 31 December 2017					
Non-derivatives					
Trade payables	4,775	-	-	4,775	4,775
Bank Overdraft	436	-	-	436	436
Finance lease liabilities	818	1,379	-	2,197	2,197
	6,030	**1,379**	**-**	**7,409**	**7,409**

Available facilities:

	2018		2017	
	Limit $'000	Undrawn balance $'000	Limit $'000	Undrawn balance $'000
Equipment Finance Liabilities	1,517	-	2,197	-
Bank Bill Facility	2,000	2,000	2,000	2,000
Bank Overdraft	1,000	319	1,000	564
	4,517	**2,319**	**5,197**	**2,564**

Recognition and measurement

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

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

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

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

Secured liabilities and assets pledged as security

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

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

Financial covenants

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

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

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

16. Provisions

	2018 $'000	2017 $'000
Current		
Employee benefits	623	524
Other provisions	–	–
	623	**524**
Non-current		
Employee benefits	156	144
	156	**144**

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.

16. Provisions (continued)

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

Employee benefits

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

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

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

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

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

EQUITY

17. Contributed Equity

	Number of Shares		Share Capital	
	2018	2017	2018 $'000	2017 $'000
Ordinary shares – fully paid (no par value)	206,599,073	183,723,257	46,355	42,505
Total share capital			**46,355**	**42,505**

Movements in ordinary share capital:

Date	Details	Ordinary Shares	Price	$'000
1/1/18	Balance at beginning of period	183,723,257		42,505
2/2/18	Issue of shares	7,794,180	0.17	1,325
21/2/18	Issue of shares	3,970,525	0.17	675
21/2/18	Issue of shares	11,111,111	0.18	2,000
	Issue costs – net of tax			(151)
		206,599,073		**46,355**

Terms and Conditions of Issued Capital

Ordinary Shares

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

Share Options and Performance Rights

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

There were 23,500,000 share options on issue and 4,825,597 performance rights granted as at 31 December 2018 (2017: 23,500,000 share options and 3,212,083 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

	2018 $'000	2017 $'000
Employee share option reserve	390	260
	390	**260**

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 31.

	2018 $'000	2017 $'000
Balance at start of year	260	217
Net Movement during the year	130	43
Balance at end of year	**390**	**260**

OTHER NOTES

19. Additional Cash Flow Information

	2018 $'000	2017 $'000
Cash and cash equivalents	**6,658**	**9,663**

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:

	2018 $'000	2017 $'000
Cash and cash equivalents	6,658	9,663
Bank overdraft	(681)	(436)
	5,977	**9,227**

a) Reconciliation of operating loss after income tax to net cash flows from operating activities:

	2018 $'000	2017 $'000
Net loss after income tax	(1,358)	(6,808)
Depreciation and amortisation	1,210	853
Impairment expense	–	2,116
Movement in fair value of biological assets	(291)	(668)
Share based payments	130	43
Other	46	38
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	190	(507)
Decrease/(increase) in biological assets	208	(293)
(Increase)/decrease in inventories	(559)	(791)
(Increase)/decrease in prepayments	(192)	(45)
(Increase)/decrease in deferred taxes	(979)	1,147
(Decrease)/Increase in trade and other payables	(492)	1,658
(Increase)/decrease in current tax receivable	–	42
Increase/(decrease) in provisions	111	197
Net cash (outflow)/inflow from operating activities	**(1,976)**	**(3,017)**

b) Non-cash activities

There were no non-cash financing activities.

20. Financial Risk Management

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

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

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

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

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

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

Recognition and measurement

Classification

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

Financial Assets at Fair Value through Profit or Loss

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

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

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

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

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

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

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

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

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

Loans and Receivables

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

20. Financial Risk Management (continued)

Financial Liabilities

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

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

Risk Exposures and Responses

Interest Rate Risk

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

	2018 $'000	2017 $'000
Financial Assets		
Cash and cash equivalents	6,658	9,663
Net exposure	**6,658**	**9,663**

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 2018, 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:

	2018 $'000	2017 $'000
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	33	48
- 0.5% (50 basis points)	(33)	(48)

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

Liquidity Risk

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

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

The Group has Total Liabilities of $6.953 million (2017: $9.056 million) of which $6.069 million (2017: $6.554 million) is recorded as current liabilities and Total Current Assets of $14.814 million (2017: $16.757 million) of which $6.658 million (2017: $9.663 million) consists of cash or cash equivalents providing the Board with comfort that the Group is solvent and can meet its payment obligations in full as they fall due.

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

Credit Risk

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

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

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

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

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

Fair Value

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

21. Capital Management

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

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

	2018 $'000	2017 $'000
Borrowings	2,198	2,633
Trade and other payables	3,976	4,775
Total debt	**6,173**	**7,409**
Less cash and cash equivalents	(6,658)	(9,663)
Net (cash)/debt	**(485)**	**(2,254)**
Total equity	34,267	31,646
Total capital	46,355	42,505
Gearing ratio (total debt / total equity)	18.0%	23.4%

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

GROUP MANAGEMENT

22. Parent Entity Supplementary Information

Information relating to TasFoods Limited:

	2018 $'000	2017 $'000
Financial position		
Current assets	24,440	24,141
Non-current assets	12,329	11,186
Total assets	**36,769**	**35,327**
Current liabilities	2,046	1,914
Non-current liabilities	365	846
Total liabilities	**2,411**	**2,760**
Net assets	**34,358**	**32,567**
Contributed equity	46,320	42,470
Reserves	390	260
Accumulated losses	(12,351)	(10,164)
Total equity	**34,358**	**32,567**
Financial performance		
Total revenue	4,525	1,982
Loss for the period	(4,915)	(3,856)
Comprehensive loss for the period	(4,915)	(3,856)

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 2018 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

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

	2018 $'000	2017 $'000
Payable:		
– Not longer than one year	–	39
– Longer than one year and not longer than five years	–	–
– Longer than five years	–	–
	-	**39**

Finance Leases

The balance of finance leases at 31 December 2018 is as follows:

	2018 $'000	2017 $'000
Current		
Secured Finance Lease Liabilities	622	572
Non-Current		
Secured Finance Lease Liabilities	363	845
Total Finance Lease Liabilities	**985**	**1,418**

Contingent Liabilities

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

23. Subsidiaries

	Country of Incorporation	Principal Activity	Equity Holding 2018 %	Equity Holding 2017 %
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%
MarketSmart International Pty Ltd	Australia	Loyalty Solutions	0%	100%

In 2016 the Board resolved to close and deregister MarketSmart International Pty Ltd, a subsidiary which operated loyalty solutions activities as part of the historical OnCard International Ltd operations. On 9 January 2018, the Company applied to ASIC for deregistration of MarketSmart International Pty Ltd. The Company received notification from ASIC that on 6 June 2018 Marketsmart International Pty Ltd had been deregistered.

24. Business Combinations

Finalisation of Prior Year Acquisition

Pyengana Dairy

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

In the financial statements for the year ended 31 December 2017, the net asset valuation and allocation of the purchase price to acquired assets and fair values assigned were preliminary. In accordance with the Group's accounting policy, the accounting for the acquisition of Pyengana Dairy was finalised during the current period.

The final fair values of the assets arising from the acquisitions are as follows:

	Final Fair Value $'000	Preliminary Fair Value as presented at 31 December 2017 $'000
Plant and equipment	727	727
Trade and other receivables	111	111
Other current assets	401	401
Trade and other payables	(127)	(127)
Provisions	(7)	(7)
Net identifiable assets acquired	**1,105**	**1,105**
Add: Goodwill	518	518
Consideration paid	**1,623**	**1,623**

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

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

	2018 $'000	2017 $'000
Payable:		
– Not longer than one year	–	39
– Longer than one year and not longer than five years	–	–
– Longer than five years	–	–
	-	**39**

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2018 $'000	2017 $'000
Payable:		
– Not longer than one year	1,367	708
– Longer than one year and not longer than five years	65	–
– Longer than five years	–	–
	1,432	**708**

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

27. Operating Lease Arrangements

Operating Leases

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

	2018 $'000	2017 $'000
Payable:		
– Not longer than one year	181	204
– Longer than one year and not longer than five years	199	378
– Longer than five years	–	–
	380	**582**

28. 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

29. Related Party Transactions

Key Management Personnel Compensation

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

	2018 $	2017 $
Short term benefits	931,477	805,717
Post-employment benefits	87,993	70,939
Share based payments	124,169	39,168
Termination payments	-	-
	1,143,639	**915,824**

30. Auditor's Remuneration

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

	2018 $	2017 $
Auditors of the parent entity:		
Auditing the financial report	123,900	120,750
Auditing the financial report - subsidiary companies	-	32,000
Other assurance services	3,876	-
	127,776	**152,750**

31. Share Based Payments

Performance Rights

a. Share based payment arrangements

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

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

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

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

The targets for share price growth are based on a starting share price of $0.25 (being the share price at which investors acquired their shares at the 2016 capital raising) which is a Compound Annual Growth Rate (CAGR) of 10% to achieve 'target' share price and a CAGR of 17% to achieve 'stretch' share price; noting the share price at 1 January 2018 was $0.135 which is a CAGR of 35% to achieve 'target' share price and a CAGR of 44% to achieve 'stretch' share price.

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

b. Performance rights granted

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

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

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

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

c. Fair value of performance rights granted

For the performance rights granted during the 2018 financial year, the fair value was measured at the grant date of 26 July 2018 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 2018 is $48,236 (31 December 2017: $36,404).

Share Options

a. Share based payment arrangements

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

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

31. Share Based Payments (continued)

b. Share options granted

Share options outstanding at 31 December 2018 are as follows:

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

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

c. Fair value of share options granted

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

The fair value of the 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 2018 is $81,250 (31 December 2017: $6,901).

d. Share Options at 31 December 2018

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

Grant Date	Expiry Date	Exercise Price	Share Price at Grant Date	Exercise Price	Fair Value at Grant Date
4/9/15	3/9/19	3/9/19	$0.150	$0.210	$0.020
4/9/15	3/9/19	3/9/19	$0.150	$0.420	$0.002
30/11/17	30/11/21	30/11/21	$0.165	$0.200	$0.065

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

Recognition and Measurement

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

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

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

32. 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 2018. The Company is a company limited by shares, incorporated and domiciled in Australia.

Separate financial statements for the Company as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*, however limited financial information for the Company as an individual entity is included in Note 22.

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

(b) Compliance with IFRS

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

(c) Historical Cost Convention

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

(d) Principles of Consolidation

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

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

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

Details of the controlled entities are contained in note 23.

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

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

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

(e) Critical Accounting Estimates, Judgements and Errors

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

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

The areas involving significant estimates or judgements are:

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

32. Summary of Significant Accounting Policies (continued)

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) Leases

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

(g) Comparatives

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

(h) New and Amending Accounting Standards and Interpretations Adopted

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

The impact of the adoption of these standards, which did not require retrospective adjustments, and the new accounting policies are disclosed in note 32(i) below.

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

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted AASB 15 Revenue from Contracts with Customers effective 1 January 2018 which resulted in changes in accounting policies and required no retrospective adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new standard with the modified retrospective method and has determined the application of AASB 15 to have an immaterial impact on the group's financial statements.

AASB 15 *Revenue from Contracts with Customers – Accounting policies changes*

- 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 will be recognised in respect of the sale of these goods at the point in time when control over the corresponding goods and services is transferred to the customer (i.e. at a point in time for sale of goods when the goods are delivered to the customer or transfer to the freight forwarder).

Under AASB 15, 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 which represents a change in revenue recognition accounting policy of the group from previous recognition when the significant risks and rewards of ownership of the goods have passed to the buyer at the time of dispatch of the goods to the customer.

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

- Accounting for retail and online sales

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

- Accounting for bill and hold transactions

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

AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Most of the changes are not relevant to the Group, however there was a new impairment model introduced in AASB 9 which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes to the Group's accounting policies. No opening adjustment was necessary as a result of the adoption of AASB 9.

Impairment of financial assets

The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model:

- trade receivables for sales of inventory

The group was required to review its impairment methodology under AASB 9 for this class of assets. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was nil.

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 credit risk characteristics and the days past due. There was no adjustment required between the expected credit loss calculated under AASB 9 and AASB 139.

AASB 9 Financial Instruments – Accounting policy changes

From 1 January 2018, for the trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

32. Summary of Significant Accounting Policies (continued)

(j) New Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not yet been adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

AASB 16 *Leases* will replace existing accounting requirements for leases under AASB 117 *Leases*. Under AASB 117, leases are classified based on their nature as either finance leases, which are recognised on the Consolidated Statement of Financial Position, or operating leases, which are not recognised on the Consolidated Statement of Financial Position.

Under AASB 16 *Leases*, the Group's accounting for operating leases as a lessee will result in the recognition of a right to use asset and an associated lease liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will the recognised for the right to use assets. These will also be additional disclosure requirements under the new standard.

The Group will apply AASB 16 on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group has assessed the estimated impact that AASB 16 will have on its Consolidated Financial Statements at 31 December 2018. At this time, the Group has non-cancellable operating lease commitments of $380,206, refer to note 27.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $1,363,000 on 1 January 2019, lease liabilities of $1,443,000 (after adjustments for prepayments and accrued lease payments as at 31 December 2018) and deferred tax assets of $24,000. Overall the net assets of the Group will be approximately $56,000 lower.

The Group expects that the net profit after tax will decrease by approximately $11,000 in the year ending 31 December 2019 as a result of adopting AASB 16. Adjusted EBITDA used to measure the Group's performance is expected to increase by $213,000, as the operating lease payments were included in EBITDA, but the amortisation of right-of-use assets and interest on the lease liability will be excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately $160,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows associated with financing activities.

There are no other 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.

(k) Rounding Amounts

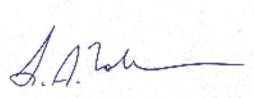
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Directors' Declaration

for the year ended 31 December 2018

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 2018 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 2018.

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



Shane Noble
Executive Chairman

27 February 2019
Launceston

Independent auditor's report

To the members of TasFoods Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 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 2018
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit and loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $384,000, which represents approximately 1% of total Group revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue as, in our view, it is the benchmark against which the performance of the Group is most commonly measured given it remains in the growth and acquisition phase of its lifecycle.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We performed an audit of the most financially significant operating business units of the Group, being Poultry and Dairy. We performed specific risk focused audit procedures over Wasabi and the corporate head office.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation of goodwill and indefinite lived intangible assets – Accounting for biological assets • These are further described in the *Key audit matters* section of our report.

Independent Auditor's Report

for the year ended 31 December 2018

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of goodwill and indefinite lived intangible assets *(Refer to note 13 in the financial report)* The Group holds intangible assets totalling $8.7 million as at 31 December 2018, of which $5.5 million relates to goodwill and $2.9 million relates to an indefinite life brand. Under Australian Accounting Standards, the Group is required to assess goodwill and indefinite life intangibles for impairment at least annually. The Group performed an impairment assessment for the Dairy and Poultry CGUs described above by calculating the value-in-use of the net assets, including intangible assets, in each CGU. The valuation models (the "models") used by the Group to perform the impairment assessment are based on cash flow forecasts obtained from board approved budgets. The Group identified that for the Dairy and Poultry CGUs the Group's recoverable amount exceeded the carrying value and therefore are not impaired. The Group performed sensitivity analysis and determined that the Dairy CGU impairment assessment was sensitive to a reasonable change in growth rates and the discount rate. The changes in these assumptions are disclosed in note 13. This is a key audit matter as the balance of goodwill and indefinite lived intangible assets is material and on the basis the impairment assessment involves significant judgement by the Group in estimating future earnings and cash flows for the CGUs.	We assessed whether the Group's determination of CGUs was consistent with our understanding of the nature of the Group's operations and internal Group reporting. We tested the mathematical accuracy and integrity of the calculations in the models. We assessed the appropriateness of the discount rates used in the models by comparing it to our view of an acceptable range based on market data. To evaluate the cash flow forecasts and the process by which they were developed we performed the following procedures, amongst others: • Compared the 2019 forecast cash flows used in the models with the FY2019 budget formally approved by the Board. • Assessed the historical accuracy of the Group's forecasts by comparing the forecasts used in the prior year models to the actual performance. • Assessed the forecast growth assumptions used in the models by reference to our understanding of the key drivers for growth and the Group's future plans. • Compared the terminal growth rate used in the models to economic forecasts. We performed sensitivity analysis which highlighted that the Dairy CGU impairment model is sensitive to changes in key assumptions. We recalculated the change in the growth rates and discount rate which would result in an impairment and evaluated the adequacy of the disclosures in note 13 in light of the requirements of Australian Accounting Standards.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for biological assets *(Refer to note 10 in the financial report)* The Group held biological assets of $2.7million at 31 December 2018. The biological assets include live poultry, wasabi plants and goats. Australian Accounting Standards require biological assets to be measured at fair value less cost to sell or, in the absence of a fair value, at cost less impairment. The Group has valued each of the biological assets as follows: *Poultry* At 31 December 2018 the carrying value of poultry was $1.4 million. The quantity, age and related weight of the chickens are key elements of the valuation methodology. The Group considered the cost of the chicks, feed costs, grower costs and the conversion rate for the chicken meat (using industry standards), to determine the fair value less cost to sell. *Wasabi plants* The carrying value of wasabi plants at 31 December 2018 was $1 million. This was determined based on the current market price of wasabi powder net of the costs of harvesting, preparing and selling the product. The methodology takes into account an estimated yield per plant in kilograms, which has been determined based on historical growth rates and harvest data for mature wasabi plants. *Goats* The carrying value of goats at 31 December 2018 was $0.3 million. This was determined on the market prices of goats based on age and breed. We consider the valuation of biological assets a key audit matter on the basis that these involve judgement and estimates using key assumptions.	We performed the following procedures amongst others on the biological assets: • Considered the appropriateness of the valuation methodologies against the relevant Australian Accounting Standard. • Tested the mathematical accuracy of the valuation calculations. • On a sample basis, compared the fair value recognised as at 31 December 2018 to the actual selling price once biological assets were reclassified into inventory. • Compared the fair value of goats to market prices. To assess the valuation of the poultry biological assets, we performed the following procedures, amongst others: • Compared the reasonableness of the number and age of chickens recognised as at 31 December 2018 based on a sample of purchase information for chickens for the December period and physical observation of chickens as at 31 December 2018. • Compared the conversion rate for chicken meat used in the Group's calculation as at 31 December 2018 to the industry valuation methodology standards and the Group's performance for such biological assets. • Agreed the cost of feed, grower and other costs to sell used in the Group's calculation as at 31 December 2018 to a sample of supplier invoices. To assess the valuation of the wasabi biological assets, we performed the following procedures, amongst others: • Considered the reasonableness of the number of plants on hand based on physical observation at 31 December 2018. • Assessed the reasonableness of the yield per plant based on the harvest data prepared by the Group over the preceding 12 month period. • Considered the reasonableness of the costs of harvest and selling costs based on the costs incurred over the preceding 12 month period. Observed the harvest of a wasabi plant, and its fresh yield (in kgs) and compared this to the Group's data.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 22 to 35 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Alison Tait
Partner

Melbourne
27 February 2019

Shareholder Information

The shareholder information set out below was applicable as at 30 January 2019.

A. Distribution of Equity Securities

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

		Number of Units
Spread of Holdings	Number of Holdings	% of Total Issued Capital
Range	Holders	Units
1 – 1,000	252 (14.75%)	85,991 (0.04%)
1,001 – 5,000	443 (25.92%)	1,367,949 (0.66%)
5,001 – 10,000	222 (12.99%)	1,838,422 (0.89%)
10,001 – 100,000	616 (36.04%)	23,579,056 (11.41%)
> 100,000	176 (10.30%)	179,727,655 (86.99%)
Total	**1,709 (100.00%)**	**206,599,073 (100.00%)**

The number of shareholders with less than a marketable parcel is 559.

B. Equity Security Holders

Twenty largest quoted equity security holders.

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

Rank	Name	Units
1	Janet H Cameron Elsie Cameron Foundation Pty Ltd <Foundation Account> JBWere (Nz) Nominees Limited <50645 A/C> Elsie Cameron Foundation JBWere (Nz) Nominees Limited <45230 A/C> JBWere (Nz) Nominees Limited <56871 A/C> Bicheno Investments Pty Ltd <The Jan Cameron A/C>	38,008,741
2	Tasplan Superannuation Fund (via National Nominees)	25,538,692
3	HSBC Custody Nominees (Australia) Limited HSBC Custody Nominees (Australia) Limited – A/C 2 Includes Ellerston Capital Limited and its Associates Shares	18,615,976
4	CVC Limited	13,348,795
5	Nichols Investments Pty Ltd <The R & J N Family A/C> Trebor Slochin Pty Ltd	8,000,000
6	Helbern Investments Pty Ltd	6,000,000
7	Buduva Pty Ltd <Baskerville Super Fund A/C>	4,885,205
8	V E F Pty Ltd Mrkat Pty Ltd <R G Woolley Super Fund A/C>	4,385,472
9	Shane Alexander Noble	3,000,000
10	Mr Andrew Woolley + Mr Stephen Richard Kreft <Diesel Superfund A/C> Mr Andrew Woolley	2,511,668

Rank	Name	Units
11	Vermilion 21 Pty Ltd <The Mcnelhaus A/C> Cerulean 37 Pty Ltd Vermilion 21 Pty Ltd <Mcnelhaus Family A/C> Vermilion 21 Pty Ltd <The Mcnelhaus Super Fund A/C>	2,199,000
12	Jane Frances Bennett <Chardon Lodge A/C> Chardon Lodge Pty Ltd <R J Griffin Super Fund A/C> Ms Jane Frances Bennett <Chardon Lodge A/C>	2,175,472
13	Quality Life Pty Ltd <The Neill Family A/C>	2,000,000
14	Budleaf Pty Ltd	2,000,000
15	Elphinstone Holdings Pty Ltd	2,000,000
16	BNP Paribas Nominees Pty Ltd	1,885,696
17	Mr Darius Isaac	1,835,736
18	Picton Cove Pty Ltd	1,810,000
19	Mr Jason Plehn	1,674,154
20	Bob Wilson <R T Wilson Family A/C>	1,600,000
Totals: Top 20 holders of TFL ORDINARY FULLY PAID		**143,474,607**
Total Remaining Holders Balance		**63,124,466**
Total Holders Balance		**206,599,073**

As at 30 January 2019, the 20 largest shareholders held ordinary shares representing 69.45% of the issued share capital.

Substantial Shareholders

Substantial holders in the Company are set out below:

Name	Number of Shares Held	%
Janet H Cameron	38,008,741	18.4 %
Tasplan Superannuation Fund (as per last notice)	25,538,692	12.36%
Ellerston Capital and its associates	15,312,126	7.41%
CVC Limited (as per last notice)	13,348,795	6.46%

C. Voting Rights

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

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

D. Use of Cash

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

Corporate Directory

Board of Directors

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

Company Secretary

Janelle O'Reilly

Registered Office

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

Postal Address

PO Box 425
Launceston Tasmania 7250 AUSTRALIA

Share Registry

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

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Boulevard
Southbank Victoria 3006 AUSTRALIA

Solicitors

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

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

Piper Alderman
Level 23, 459 Collins Street
Melbourne Victoria 3000 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