

TASFOODS LTD

54 Tamar St, Launceston.
PO Box 425, Launceston, TAS, 7250.
(03) 6331 6983
admin@tasfoods.com.au

ABN 53 084 800 902 ACN 084 800 902

TASFOODS LIMITED APPENDIX 4D - HALF-YEAR REPORT

1. DETAILS OF THE REPORTING PERIOD

Financial Reporting Period Ended	Half-year ended 30 June 2018
Previous Corresponding Reporting Period	Half-year ended 30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2018 \$'000	30 June 2017 \$'000	% Change
Revenue from continuing operations	18,719	14,427	29.8%
Profit / (loss) from ordinary activities after tax attributable to members	(1,268)	(1,833)	30.8%
Net profit / (loss) for the period attributable to members	(1,268)	(1,833)	30.8%

DIVIDENDS AND DISTRIBUTIONS

	Amount per security	Franked amount per security
Dividends (distributions)		
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividends (if any):

Not Applicable

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to Half Year Financial Report (Attachment 1).

The half-yearly report is to be read in conjunction with the most recent annual financial report.



3. NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	12.37 cents per share	13.96 cents per share

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

None

5. DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS

The Company does not have a dividend or distribution reinvestment plans.

6. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

None

7. AUDIT / REVIEW STATUS

The Half-Year Financial Report has been independently reviewed by the Company's auditors. The review report is not subject to a modified opinion, emphasis of matter or other matter paragraph. A copy of the review report is included in the Half-Year Financial Report (Attachment 1).

8. ATTACHMENTS FORMING PART OF APPENDIX 4D

Attachment Number	Details
1	Financial Report for the Half Year Ended 30 June 2018

Janelle O'Reilly
Company Secretary

23 August 2018

TasFoods Limited

ACN 084 800 902

Financial Report

For the Half Year Ended 30 June 2018

Directors' Report	2
Auditor's Independence Declaration.....	6
Financial Statements.....	7
Consolidated Statement of Profit and Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity.....	9
Consolidated Statement of Cash Flows	10
Notes to and forming part of the Financial Statements	11
Directors' Declaration	23
Independent Auditor's Review Report	24
Corporate Directory	26

The Directors of TasFoods Limited (the Company) present the financial report on the Company and its controlled entities (the Group) for the half-year ended 30 June 2018.

Directors

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

Mr Shane Noble	Executive Chairman (appointed to position of Executive Chair on 1 February 2018 having previously been a Non- Executive Director)
Ms Jane Bennett	Chief Executive Officer and Managing Director
Mr Roger McBain	Non-Executive Director
Mr Alexander Beard	Non-Executive Director (appointed on 13 March 2018)
Mr Tony Robinson	Chairman and Non-Executive Director (resigned as Chair of the Board on 1 February 2018 and from the position of Non-Executive Director on 13 March 2018)

Company Secretary

Janelle O'Reilly

Principal Activities

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

Operating and Financial Review

The TasFoods Group commenced FY 2018 strongly with the implementation of a strategic growth plan to deliver improved performance across the Group in FY 2018, along with a platform for the delivery of growth into FY 2019.

In developing the strategic plan, a review of operations was completed resulting in the implementation of the 'Pathway to Profit' project. This project contained initiatives grouped into three key streams being; building top line revenue growth, harnessing and generating efficiencies to deliver improved gross profit performance, and optimising and reducing the fixed cost base of the business. These initiatives have contributed to improved financial performance as demonstrated in the H1 2018 financial results and will continue to deliver improvements in H2 2018, establishing a strong platform to commence FY 2019.

In addition to targeted activities to improve the financial performance of the organisation, the Group also effected a number of activities at the operational level to deliver growth. These include:

- rebranding and repackaging Pyengana Dairy milk products to coincide with the launch of a new milk product range into retail stores across Tasmania. The range expansion was achieved after the relocation of the milk bottling line from Pyengana to the Kings Meadows site and the installation of a homogeniser;

- the commencement of a \$2.5 million capital investment project in the processing facility at Nichols Poultry to upgrade the air chiller. The new air chiller will be completed in late H2 2018 and allows future production capacity to increase by 50%; and
- the expansion of Nichols Poultry contract chicken grower network through an increase in the number of contracted sheds. In May 2018, additional shed capacity was brought into the network providing an uplift in bird volumes and weight being processed through the factory, however has not enabled the business to fully meet growth in sales demand. To meet this increased demand further contract grower shed capacity will come on line in late H2 2018.

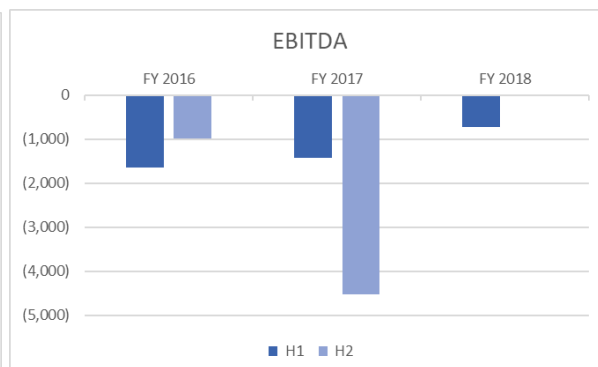
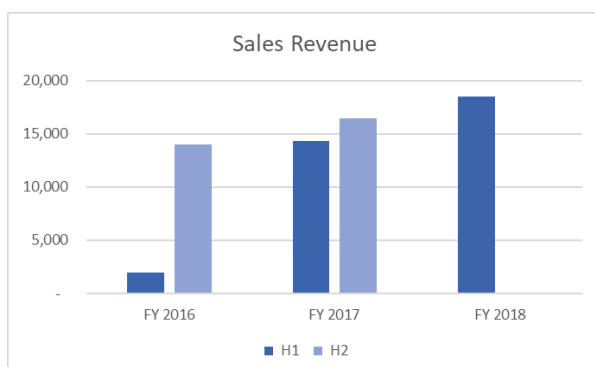
In addition to these activities, in February 2018 TasFoods completed the issue of shares under the Share Purchase Plan and also under the second tranche of the share placement to sophisticated and institutional investors (as announced in December 2017). This resulted in the issuing of 22,875,816 fully paid ordinary shares, raising approximately \$4.0 million (before costs). Some of the funds raised were used to expand production capacity (via capital investment in specialised plant such as the homogeniser at Meander Valley Dairy factory and air chiller at Nichols Poultry) and for general working capital purposes.

Financial Performance

The Group reported a net loss after tax of \$1.3 million for H1 2018, compared to a net loss after tax of \$1.8 million in H1 2017. Earnings before interest, tax, depreciation and amortisation (EBITDA) for H1 2018 was negative \$0.7 million as compared to negative \$1.4 million for H1 2017, an improvement of \$0.7 million or 49%.

TasFoods financial performance for H1 2018 demonstrates significant improvement when compared to H1 2017, with growth reported in sales revenue, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and improvement in the net loss position, as shown in the table and charts below. These improvements are the result of targeted initiatives implemented by the Group in H1 2018 which will continue to deliver further improvements throughout the remainder of FY 2018.

	H1 2018 \$'000	H1 2017 \$'000	Growth \$'000	Growth %
Sales Revenue	18,481	14,300	4,181	29%
EBITDA	(733)	(1,430)	697	49%
EBIT	(1,296)	(1,812)	516	28%
Net Loss	(1,268)	(1,833)	565	31%

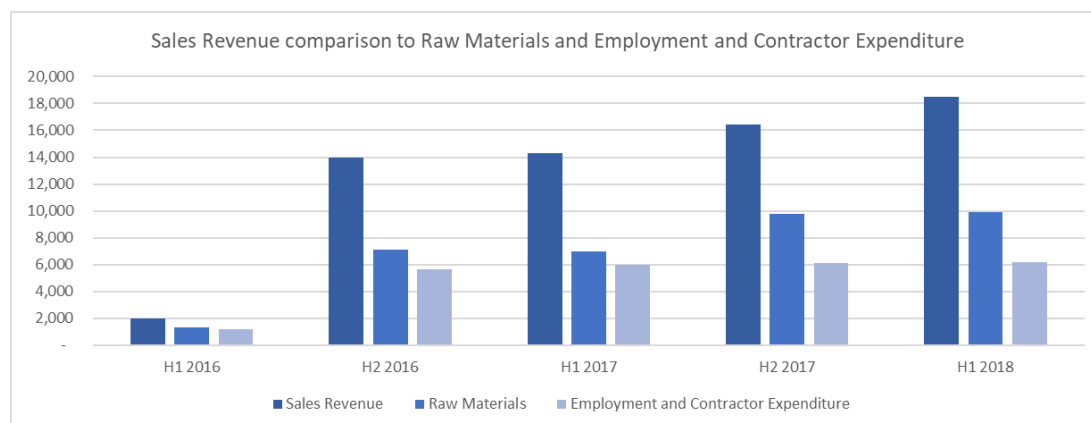


H1 2018 reported sales growth of 29% when compared to H1 2017, driven by a 223% sales increase in dairy and 18% in poultry. Organic sales revenue growth (net of sales revenue associated with Pyengana Dairy which was acquired in October 2017) of 18% was reported in H1 2018 when compared to H1 2017.

Expenditure for the Group in H1 2018 was \$20.1 million, which was 21% higher than H1 2017 and 2% higher than H2 2017, however H1 2018 delivered revenue growth over these same comparative periods of 29% and 12%, respectively. The two largest expenditure items, being raw materials and employment and contractor expenditure were \$9.9 million and \$6.2 million respectively in H1 2018.

Generation of labour efficiencies by increasing scale associated with revenue growth and the relocation of processing lines has been a key area of focus in H1 2018. Efficiencies have also been realised from the automation of production process lines in late H2 2017. Labour costs in H1 2018 increased by 3% over H1 2017 and 1% over H2 2017 whilst sales revenue grew 29% over H1 2017 and 12% over H2 2017. The productivity improvements have delivered the ability for revenue growth with minimal additional labour, resulting in improved gross profit performance.

Growth in raw materials costs between H1 2017 and H1 2018 is primarily driven by volume growth but the Group has also seen increases in the input price of cream in our dairy processing facility and increased feed costs in the poultry business segment driven by higher grain pricing. Raw material costs grew by 41% over H1 2017 but only 1% on H2 2017.



Financial Position

The Group maintained a strong balance sheet position as at 30 June 2018, with net assets of \$34.2 million (31 December 2017: \$31.6 million), including cash and cash equivalents of \$8.9 million (net of bank overdraft). The Group is well positioned to consider opportunities which will advance its strategic direction and deliver shareholder growth.

Key movements within the Consolidated Statement of Financial Position as at 30 June 2018 when compared to 31 December 2017 include:

- An increase in contributed equity of \$3.8 million (net of costs) as a result of the issue of 22,875,816 fully paid ordinary 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);
- Increase in property, plant and equipment of \$1.2 million primarily associated with strategic investments in the production factories including investment in equipment to enable the production of a broader range of products from the Pyengana milk line once relocated to the

Meander Valley Dairy factory and capital investment in the air chiller project at Nichols Poultry; and

- Decrease in trade creditors of \$1.4 million.

Outlook

TasFoods will continue to leverage strategic initiatives implemented in H1 2018 to deliver further improved performance in H2 2018. The Group's focus will be to deliver top line growth via sales developments crystallised in H1 2018 while ensuring efficiencies in the production environment are maintained to preserve improved gross profit performance.

Strategic activities initiated to optimise and reduce the fixed cost base of the Group will see improvements in performance in H2 2018 and will position the Group strongly for FY 2019.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this Directors' Report.

Rounding of Amounts

The 'rounding off' of amounts in the directors' report has been conducted in accordance with Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts have been rounded off 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

23 August 2018



Auditor's Independence Declaration

As lead auditor for the review of Tasfoods Limited for the half-year ended 30 June 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
23 August 2018

TasFoods LimitedConsolidated Statement of Profit and Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2018

	30 June 2018 \$'000	30 June 2017 \$'000
Revenue from operations	18,481	14,300
Other income	238	127
Fair value adjustment of biological assets	83	323
Raw materials used	(9,888)	(6,998)
Employment and contractor expense	(6,174)	(5,974)
Freight	(1,073)	(666)
Occupancy costs	(567)	(425)
Depreciation and amortisation	(563)	(382)
Finance costs	(53)	(33)
Travel and accommodation	(88)	(70)
Legal and professional fees	(52)	(359)
Marketing and event expenses	(308)	(389)
Repairs and maintenance	(270)	(334)
Research and development	(21)	(128)
Other expenses	(1,014)	(825)
Loss before income tax	(1,268)	(1,833)
Income tax expense	-	-
Net Loss after tax for the half year from continuing operations	(1,268)	(1,833)
Net profit after tax for the half year from discontinued operations		
Net Loss after tax for the half year	(1,268)	(1,833)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in the future:</i>		
Other comprehensive loss net of tax	-	-
Total comprehensive loss	(1,268)	(1,833)
Net profit for the period attributable to:		
Owners of TasFoods Limited	(1,268)	(1,833)
	<u>(1,268)</u>	<u>(1,833)</u>
Total comprehensive income for the half year is attributable to:		
Owners of TasFoods Limited	(1,268)	(1,833)
	<u>(1,268)</u>	<u>(1,833)</u>
Basic loss per share (cents per share)	(0.63)	(1.12)
Diluted loss per share (cents per share)	(0.63)	(1.12)
Basic loss per share from continuing operations (cents per share)	(0.63)	(1.12)
Diluted loss per share from continuing operations (cents per share)	(0.63)	(1.12)

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

TasFoods LimitedConsolidated Statement of Financial Position
For the Half Year Ended 30 June 2018

	Note	30 June 2018 \$'000	31 December 2017 \$'000
Current Assets			
Cash and cash equivalents	4	9,727	9,663
Trade and other receivables		2,609	2,799
Biological assets	5	2,176	1,932
Inventory		2,264	2,013
Prepayments		131	350
Total Current Assets		16,908	16,757
Non-Current Assets			
Property, plant and equipment	6	16,167	14,944
Intangible assets	7	8,673	8,673
Biological assets	5	298	328
Total Non-Current Assets		25,137	23,945
Total Assets		42,045	40,702
Current Liabilities			
Trade and other payables		3,399	4,775
Borrowings	8	1,642	1,255
Provisions		544	524
Total Current Liabilities		5,585	6,554
Non-Current Liabilities			
Borrowings	8	1,125	1,379
Provisions		134	144
Deferred tax liabilities		979	979
Total Non-Current Liabilities		2,238	2,502
Total Liabilities		7,822	9,056
Net Assets		34,223	31,646
Equity			
Contributed Equity	9	46,290	42,505
Reserves		319	260
Accumulated Losses		(12,386)	(11,119)
Total Equity		34,223	31,646

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

TasFoods LimitedConsolidated Statement of Changes in Equity
For the Half Year Ended 30 June 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 half year	-	-	(1,833)	(1,833)
Adjustments as part of a business combination	-	-	(102)	(102)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half year	-	-	(1,935)	(1,935)
Share-based payment expense	-	-	-	-
As at 30 June 2017	39,086	217	(6,165)	33,138
At 1 January 2018	42,505	260	(11,118)	31,647
Loss for the half year	-	-	(1,268)	(1,268)
Total comprehensive income for the half year	-	-	(1,268)	(1,268)
Issue of shares	4,000	-	-	4,000
Share issue costs	(215)	-	-	(215)
Share-based payment expense	-	59	-	59
As at 30 June 2018	46,290	319	(12,386)	34,223

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

TasFoods LimitedConsolidated Statement of Cash Flows
For the Half Year Ended 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
Cash flows from operating activities			
Receipts from customers		18,789	14,744
Payments to suppliers and employees		(20,964)	(16,081)
Interest received		44	16
Interest paid		(50)	(31)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(12)	-
Income taxes paid		-	(13)
Other		120	100
Net cash (used in)/provided by operating activities		<u>(2,074)</u>	<u>(1,265)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,493)	(1,399)
Acquisition of wasabi plants		-	(13)
Acquisition of goats		<u>(8)</u>	<u>(2)</u>
Net cash (used in)/provided by investing activities		<u>(1,501)</u>	<u>(1,414)</u>
Cash flows from financing activities			
Proceeds from issue of shares		4,000	-
Cost of issuing shares		(215)	-
Proceeds from borrowings		152	2,093
Repayment of borrowings		<u>(693)</u>	<u>(146)</u>
Net cash provided by/(used in) financing activities		<u>3,244</u>	<u>1,947</u>
Net (decrease)/increase in cash held		(330)	(732)
Cash and cash equivalents at the beginning of the half year		<u>9,225</u>	<u>11,354</u>
Cash and cash equivalents at the end of the half year	4	<u>8,895</u>	<u>10,622</u>

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

This consolidated interim financial report and notes represent those of TasFoods Limited and controlled entities (the Group). TasFoods Limited is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

1. BASIS OF PREPARATION

This consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards, which did not require retrospective adjustments, and the new accounting policies are disclosed in note 1(c) below.

b) Impact of standard issued but not yet applied by the Group

AASB 16 Leases

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. AASB 16 will require the recognition of all leases for a lessee on-balance sheet with limited exceptions for short-term and low value leases, thereby removing the off-balance sheet treatment currently applied to operating leases. In addition, lease expenses will be recognised as depreciation and interest expenses and will result in the front-loading of expense recognition compared to the current straight-line model.

The impact of this standard will be that the majority of operating lease contracts will be present valued and recognised as a “right of use” asset, with a corresponding liability also recognised. In addition, the majority of operating lease expense will no longer be recognised and will be replaced with amortisation/interest expense. This will result in the increase of EBITDA as the operating lease cost is charged against EBITDA under AASB 117 while under AASB 16 the charge will be included in depreciation and interest which are excluded from EBITDA.

c) Changes in accounting policies – new standards

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.

i) AASB 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted AASB 15 Revenue from Contracts with Customers from 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, revenues 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.

ii) 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 and from the provision of license / royalty fee

The group was required to review its impairment methodology under AASB 9 for each of these classes of assets and no adjustment was required.

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 material difference 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.

d) Critical accounting estimates, judgements and errors

The preparation of the interim financial statements of the Group requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Groups accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

2. SEGMENT INFORMATION

The operating segments are based upon the units identified in the operating reports reviewed by the Board and executive management, and that are used to make strategic decision, in conjunction with the quantitative thresholds established by *AASB 8 Operating Segments*. As such, there are three identifiable and reportable segments each of which are outlined below:

- The Dairy segment incorporates:
 - Meander Valley Dairy business operations, the assets of which were acquired in September 2015;
 - Goat farming operations (associated with the Robur Farm goat dairy product range) which were acquired in June 2016; and
 - Pyengana Dairy business operations, the assets of which were acquired in October 2017.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016.
- The Corporate and Other segment, which comprise:
 - Corporate costs that are not directly attributable to operational business units, including the 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 was acquired in June 2016.

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

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
Half year 30 June 2018				
Revenue				
Total segment sales revenue	2,476	15,849	156	18,481
Other income	28	122	88	238
	<u>2,504</u>	<u>15,971</u>	<u>245</u>	<u>18,720</u>
Segment profit/(loss)	(417)	1,301	(2,152)	(1,268)
Loss before income tax expense				(1,268)
Income tax expense				-
Loss after income tax expense				<u>(1,268)</u>
Half year 30 June 2017				
Revenue				
Total segment sales revenue	766	13,392	142	14,300
Other income	10	109	8	127
	<u>776</u>	<u>13,501</u>	<u>150</u>	<u>14,427</u>
Segment profit/(loss)	(671)	392	(1,554)	(1,833)
Loss from discontinued operations				
Loss before income tax expense				(1,833)
Income tax expense				-
Loss after income tax expense				<u>(1,833)</u>
Total segment assets				
30 June 2018				
Segment assets	8,003	20,475	13,567	42,045
31 December 2017				
Segment assets	7,625	19,386	13,691	40,702
Total segment liabilities				
30 June 2018				
Segment liabilities	1,872	4,245	725	6,843
Net deferred tax liability				979
Total liabilities				<u>7,822</u>
31 December 2017				
Segment liabilities	2,085	5,063	929	8,077
Net deferred tax liability				979
Total liabilities				<u>9,056</u>

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

3. BUSINESS COMBINATIONS***Prior Year – Pyengana Dairy Assets***

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

Details of the acquisition were as follows:

	\$'000
Consideration	
Cash Consideration	<u>1,623</u>

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

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

4. CASH AND CASH EQUIVALENTS

	30 June 2018 \$'000	31 December 2017 \$'000
Cash and cash equivalents	<u>9,727</u>	<u>9,663</u>

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 reporting period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

	30 June 2018 \$'000	31 December 2017 \$'000
Cash and cash equivalents	9,727	9,663
Bank overdraft	(832)	(437)
	<u>8,895</u>	<u>9,226</u>

5. 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	<u>957</u>	<u>330</u>	<u>973</u>	<u>2,260</u>
Current	957	20	955	1,932
Non-current	-	310	18	328
	<u>957</u>	<u>330</u>	<u>973</u>	<u>2,260</u>
Balance as at 1 January 2018	957	330	973	2,260
Increases:				
- Due to purchases and production	1,140	8	-	1,148
Decreases due to sales/processing/mortality (i)	(957)	(34)	(26)	(1,017)
Movement in fair value as a result of physical and/or price changes (ii)	73	-	11	84
Balance as at 30 June 2018	<u>1,212</u>	<u>304</u>	<u>958</u>	<u>2,474</u>
Current	1,212	6	958	2,176
Non-current	-	298	-	298
	<u>1,212</u>	<u>304</u>	<u>958</u>	<u>2,474</u>

- (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.

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

As at 30 June 2018, the Group held 431,104 live poultry (31 December 2017: 368,734), 769 goats (31 December 2017: 946) and 9,961 mature wasabi plants and 289 immature wasabi plants (31 December 2017: 4,395 mature wasabi plants and 5,922 immature wasabi plants).

Fair Value Measurement

	31 December 2017			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'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

	30 June 2018			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	1,212	-	1,212
- Goats	-	304	-	304
- Wasabi plants	-	-	958	958
Total biological assets recognised at fair value	-	1,516	958	2,474

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

TasFoods Limited

Notes to and Forming Part of the Financial Statements

For the Half Year Ended 30 June 2018

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$'000	Plant and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Capital work in progress \$'000	Total \$'000
At 31 December 2017						
Cost	8,132	7,538	173	197	177	16,218
Accumulated depreciation	(254)	(889)	(96)	(35)	-	(1,273)
Net carrying amount	7,879	6,650	77	162	177	14,944
Net carrying amount at the beginning of the half-year	7,879	6,650	77	162	177	14,944
Additions	5	791	6	224	938	1,963
Disposals and write-offs	-	-	-	-	-	-
Capitalisation to asset categories					(177)	(177)
Depreciation expense	(101)	(418)	(19)	(24)	-	(563)
Net carrying amount at the end of the half year	7,782	7,022	64	362	938	16,167
At 30 June 2018						
Cost	8,137	8,329	178	420	938	18,002
Accumulated depreciation	(355)	(1,307)	(115)	(59)	-	(1,836)
Net carrying amount	7,782	7,022	64	361	938	16,167

7. INTANGIBLE ASSETS

	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000
At 31 December 2017				
Cost	8,251	2,945	194	11,390
Accumulated impairment	(2,717)	-	-	(2,717)
Net carrying amount	5,534	2,945	194	8,673
Net carrying amount at the beginning of the period	5,534	2,945	194	8,673
- Additions	-	-	-	-
- Transfers (to)/from other asset classes as a result of finalisation of accounting for business combination	-	-	-	-
- Impairment during the period	-	-	-	-
Net carrying amount at the end of the half year	5,534	2,945	194	8,673
At 30 June 2018				
Cost	8,251	2,945	194	11,390
Accumulated impairment	(2,717)	-	-	(2,717)
Net carrying amount at the end of the period	5,534	2,945	194	8,673

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

Goodwill

Goodwill is carried at cost less accumulated impairment losses.

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.

8. BORROWINGS

	30 June 2018 \$'000	31 December 2017 \$'000
<i>Current</i>		
Bank Overdraft	832	436
Secured Finance Lease Liabilities	810	818
	<u>1,642</u>	<u>1,254</u>
<i>Non-Current</i>		
Secured Finance Lease Liabilities	1,125	1,379
	<u>1,125</u>	<u>1,379</u>
Total borrowings	<u>2,767</u>	<u>2,633</u>

Contracted Financial Maturities of Financial Liabilities

	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contracted cash flows \$'000	Carrying Amount \$'000
At 30 June 2018					
<i>Non-derivatives</i>					
Trade payables	3,399	-	-	3,399	3,399
Bank Overdraft	832	-	-	832	832
Finance lease liabilities	810	1,125	-	1,935	1,935
	<u>5,041</u>	<u>1,125</u>	<u>-</u>	<u>6,166</u>	<u>6,166</u>
At 31 December 2017					
<i>Non-derivatives</i>					
Trade payables	4,775	-	-	4,775	4,775
Bank Overdraft	436	-	-	436	436
Finance lease liabilities	818	1,379	-	2,197	2,197
	<u>6,029</u>	<u>1,379</u>	<u>-</u>	<u>7,408</u>	<u>7,408</u>

Financing Arrangements

	30 June 2018 \$'000		31 December 2017 \$'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Equipment Finance Liabilities	1,935	-	2,197	-
Bank Bill Facility	2,000	2,000	2,000	2,000
Bank Overdraft	1,000	168	1,000	564
	<u>4,935</u>	<u>2,168</u>	<u>5,197</u>	<u>2,564</u>

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

Secured liabilities and assets pledged as security

Finance lease liabilities relate to specific operating equipment with various financial institutions. These facilities are secured over the assets financed under each facility.

The Group also has access to an undrawn bank bill facility with the Australia and New Zealand Banking Group Limited (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

Under the terms of the above financing arrangements held with ANZ, Nichols Poultry Pty Ltd is required to comply with an interest cover ratio financial covenant. Nichols Poultry Pty Ltd complied with this covenant throughout the reporting period.

9. CONTRIBUTED EQUITY

	Number of Shares		Share Capital	
	30 June 2018	31 December 2017	30 June 2018 \$'000	31 December 2017 \$'000
Ordinary shares - fully paid (no par value)	206,599,073	183,723,257	46,290	42,505
Total share capital			46,290	42,505

TasFoods Limited has issued share capital amounting to 206,599,073 ordinary shares of no par value.

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).

Movement in ordinary share capital

Date	Details	Ordinary Shares	Price	\$'000
1/01/2018	Balance at beginning of period	183,723,257		42,505
2/02/2018	Issue of shares	7,794,180	0.17	1,325
21/02/2018	Issue of shares	3,970,525	0.17	675
21/02/2018	Issue of shares	11,111,111	0.18	2,000
	Issue costs - net of tax			(215)
		206,599,073		46,290

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2018

10. DIVIDENDS

	Half-year	
	2018	2017
	\$'000	\$'000
Fully paid ordinary shares		
Dividends paid or provided for during the half-year	-	-

11. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding	
			30 June 2018	31 December
			%	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 Services	0%	100%

12. EVENTS OCCURRING AFTER REPORTING DATE

The Directors are 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.

In the Directors' opinion:

- a) The financial statements and notes set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other professional mandatory reporting requirements; and
 - ii. Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half year ended on that date; and
- b) There are reasonable grounds to believe that TasFoods Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Shane Noble
Executive Chair

23 August 2018



Independent auditor's review report to the members of Tasfoods Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tasfoods Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Tasfoods Limited. The group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tasfoods Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tasfoods Limited is not in accordance with the *Corporations Act 2001* including:



1. giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of 'Alison Tait' in a cursive script.

Alison Tait
Partner

Melbourne
23 August 2018

Board of Directors

Shane Noble	Executive Chairman (from 1 February 2018, previously Non-Executive Director)
Jane Bennett	Managing Director and CEO
Roger McBain	Non-Executive Director
Alexander Beard	Non-Executive Director (appointed 13 March 2018)

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

Advanced Share Registry Services
Unit 2, 150 Stirling Highway
Nedlands Western Australia 6009 AUSTRALIA
Telephone: + 61 8 9389 8033
Facsimile: + 61 8 9389 7871

Auditor

PricewaterhouseCoopers
2 Riverside Quay, Southbank Boulevard
Southbank Victoria 3006 AUSTRALIA

Solicitors

K&L Gates
Level 31, 1 O'Connell Street
Sydney NSW 2000, Australia

Piper Alderman
Level 23, 459 Collins Street
Melbourne Victoria 3000 AUSTRALIA

Bankers

Australia and New Zealand Banking Group
Bendigo and Adelaide Bank

Stock Exchange Listing

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