

# TASFOODS LTD

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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 2019
Previous Corresponding Reporting Period	Half-year ended 30 June 2018

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2019 \$'000	30 June 2018 \$'000	% Change
Revenue from continuing operations	21,087	18,719	12.7%
Profit / (loss) from ordinary activities after tax attributable to members	(1,846)	(1,268)	(45.6%)
Net profit / (loss) for the period attributable to members	(1,846)	(1,268)	(45.6%)

### 3. 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.

#### 4. NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	11.47 cents per share	12.37 cents per share

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

None

#### 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 2019

Janelle O'Reilly  
Company Secretary

23 August 2019

# **TasFoods Limited**

ACN 084 800 902

## **Financial Report**

**For the Half Year Ended 30 June 2019**

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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 2019.

### **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
Ms Jane Bennett	Chief Executive Officer and Managing Director
Mr Roger McBain	Non-Executive Director
Mr Alexander Beard	Non-Executive Director

### **Company Secretary**

Janelle O'Reilly

### **Principal Activities**

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

### **Operating and Financial Review**

In the half-year ended 30 June 2019 (H1 2019) the TasFoods Group continued to deliver against its strategic objectives including delivering revenue growth while being disciplined in its focus on cost control and business optimisation.

Expansion through acquisition was a key area of focus for H1 2019 culminating on 13 May 2019 with the announcement of the acquisition of the milk processing assets and brands of the Betta Milk Co-operative Society Limited (Betta Milk). The acquisition included Betta Milk's export accredited milk processing facility in Burnie and distribution centres and vehicle fleet in Launceston and Hobart. This transaction was completed post balance date on 31 July 2019. The acquisition will be transformational for the Group as it provides access to a scalable dairy business with existing revenue streams, excess capacity to allow revenue growth and access to a Tasmanian state-wide distribution network.

In addition to the above on 13 June 2019 TasFoods announced the commencement of a fully underwritten rights issue of 1 new fully paid ordinary share for every 3.099 existing fully paid shares at \$0.12 a share to raise \$8.0 million (before costs). Funds raised under the rights issue were to fund the acquisition of the milk processing assets and brands of Betta Milk and pay the costs of the rights issue. The rights issue was finalised post balance date.

### **Financial Overview**

The Group reported a net loss after tax of \$1.846 million for H1 2019, compared to a net loss after tax of \$1.268 million in H1 2018. Statutory earnings before interest, tax, depreciation and amortisation (EBITDA) for H1 2019 was negative \$1.032 million as compared to negative \$0.733 million in H1 2018. Operating EBITDA (statutory EBITDA adjusted for non-recurrent costs associated with the acquisition of Betta Milk) was negative \$0.704 million, a 2% improvement from H1 2018.

	H1 2019 \$'000	H1 2018 \$'000	H1 Change \$'000	H1 Change %
Sales Revenue	20,831	18,481	2,350	13%
Statutory EBITDA	(1,032)	(733)	(299)	-41%
Acquisition Costs	(329)	(15)		
Operating EBITDA*	(704)	(718)	15	2%
Statutory Net Loss	(1,846)	(1,268)	(578)	-46%

\*Operating EBITDA is calculated as Statutory EBITDA less investment expenses associated with the acquisition of Betta Milk.

The Group continued to deliver strong revenue growth in H1 2019 with sales revenue totalling \$20.831 million, 13% higher than H1 2018. Sales growth was reported across all segments of the business with primary growth reported in the dairy segment of 46% (\$1.136 million) and poultry segment of 8% (\$1.194 million) when compared to H1 2018. Revenue growth in H1 2019 was due to the Group's continued focus on increased retail ranging, expanding distribution networks including into interstate markets and in the case of poultry increasing product availability to meet customer demand.

In H1 2019 the Group maintained a strong focus on cost control, labour efficiency and business optimisation ensuring that the Group's non-production employment, overhead and fixed cost base reported no increase on H1 2018 (excluding non-recurrent investment expenditure associated with the acquisition of Betta Milk). Labour efficiencies within the production environments contributed an additional 1% to gross margins in H1 2019 when compared to the H1 2018. Although labour efficiencies made a positive contribution to the gross margin, the Group is experiencing commodity price increases in key business inputs. This cost increase has resulted in a contraction in the gross margin of the Group in H1 2019 impacting on the financial performance of the Group in H1 2019.

The strategic and disciplined approach to growth has resulted in a significant improvement in cash flows from operating activities with the Group reporting net cash used in operations of \$0.081 million in H1 2019 as compared to net cash outflows of \$2.074 million in H1 2018. After removal of cash outflows associated with the acquisition of Betta Milk incurred in H1 2019, the Group reported underlying net cash provided by operations of \$0.030 million.

During H1 2019, the Group increased borrowings through the drawdown of an existing commercial bill facility of \$2.0 million to return working capital to the business previously used to fund the construction of the air chiller at Nichols Poultry in H2 2018. In addition, in H1 2019 a progress drawdown was made on a \$2.5 million facility to fund the construction of two mechanically ventilated chicken growing sheds on the Nichols Poultry site. The chicken growing sheds have been recorded as capital work in progress assets at the end of the reporting period and have been the primary contributor to the movement in non-current assets in H1 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

A handwritten signature in dark ink, appearing to read 'S. A. Noble', with a long horizontal flourish extending to the right.

Shane Noble  
Executive Chairman

23 August 2019



## *Auditor's Independence Declaration*

As lead auditor for the review of TasFoods Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 2019



**TasFoods Limited**Consolidated Statement of Profit and Loss and Other Comprehensive Income  
For the Half Year Ended 30 June 2019

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Revenue from operations	<b>20,831</b>	18,481
Other income	<b>256</b>	238
Fair value adjustment of biological assets	<b>170</b>	83
Raw materials used	<b>(11,650)</b>	(9,888)
Employment and contractor expense	<b>(6,665)</b>	(6,174)
Freight	<b>(1,399)</b>	(1,073)
Occupancy costs	<b>(412)</b>	(567)
Depreciation and amortisation	<b>(770)</b>	(563)
Finance costs	<b>(94)</b>	(53)
Travel and accommodation	<b>(70)</b>	(88)
Legal and professional fees	<b>(78)</b>	(52)
Marketing and event expenses	<b>(241)</b>	(308)
Repairs and maintenance	<b>(290)</b>	(270)
Research and development	<b>(9)</b>	(21)
Investment expenses	<b>(329)</b>	(13)
Other expenses	<b>(1,096)</b>	(1,001)
<b>Loss before income tax</b>	<b>(1,846)</b>	(1,268)
Income tax expense	-	-
<b>Net Loss after tax for the half year from continuing operations</b>	<b>(1,846)</b>	(1,268)
Net profit after tax for the half year from discontinued operations		
<b>Net Loss after tax for the half year</b>	<b>(1,846)</b>	(1,268)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss in the future:</i>		
Other comprehensive loss net of tax	-	-
<b>Total comprehensive loss</b>	<b>(1,846)</b>	(1,268)
Net profit for the period attributable to:		
Owners of TasFoods Limited	<b>(1,846)</b>	(1,268)
	<b>(1,846)</b>	(1,268)
Total comprehensive income for the half year is attributable to:		
Owners of TasFoods Limited	<b>(1,846)</b>	(1,268)
	<b>(1,846)</b>	(1,268)
Basic loss per share (cents per share)	<b>(0.89)</b>	(0.63)
Diluted loss per share (cents per share)	<b>(0.89)</b>	(0.63)
Basic loss per share from continuing operations (cents per share)	<b>(0.89)</b>	(0.63)
Diluted loss per share from continuing operations (cents per share)	<b>(0.89)</b>	(0.63)

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

**TasFoods Limited**Consolidated Statement of Financial Position  
For the Half Year Ended 30 June 2019

	Note	30 June 2019 \$'000	31 December 2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	3	7,081	6,658
Trade and other receivables		3,077	2,609
Biological assets	4	2,582	2,432
Inventory		2,898	2,572
Prepayments		109	542
<b>Total Current Assets</b>		<b>15,746</b>	<b>14,814</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	18,969	17,458
Right of use assets	1	1,150	-
Intangible assets	6	8,673	8,673
Biological assets	4	244	275
<b>Total Non-Current Assets</b>		<b>29,036</b>	<b>26,406</b>
<b>Total Assets</b>		<b>44,782</b>	<b>41,220</b>
<b>Current Liabilities</b>			
Trade and other payables		5,536	3,976
Borrowings	7	98	1,470
Lease liabilities	1	871	-
Provisions		661	623
<b>Total Current Liabilities</b>		<b>7,166</b>	<b>6,069</b>
<b>Non-Current Liabilities</b>			
Borrowings	7	3,572	727
Lease liabilities	1	1,498	-
Provisions		178	156
<b>Total Non-Current Liabilities</b>		<b>5,248</b>	<b>883</b>
<b>Total Liabilities</b>		<b>12,415</b>	<b>6,953</b>
<b>Net Assets</b>		<b>32,367</b>	<b>34,267</b>
<b>Equity</b>			
Contributed Equity	8	46,298	46,355
Reserves		455	390
Accumulated Losses		(14,386)	(12,477)
<b>Total Equity</b>		<b>32,367</b>	<b>34,267</b>

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

**TasFoods Limited**Consolidated Statement of Changes in Equity  
For the Half Year Ended 30 June 2019

	Note	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 January 2018</b>		<b>42,505</b>	<b>260</b>	<b>(11,118)</b>	<b>31,647</b>
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
<b>Balance at 30 June 2018</b>		<b>46,290</b>	<b>319</b>	<b>(12,386)</b>	<b>34,223</b>
<b>Balance at 31 December 2018</b>		<b>46,355</b>	<b>390</b>	<b>(12,477)</b>	<b>34,267</b>
Change in accounting policy	1	-	-	(63)	(63)
<b>Restated total equity at 1 January 2019</b>		<b>46,355</b>	<b>390</b>	<b>(12,540)</b>	<b>34,205</b>
Loss for the half year		-	-	(1,846)	(1,846)
Total comprehensive income for the half year		-	-	(1,846)	(1,846)
Issue of shares		-	-	-	-
Share issue costs		(57)	-	-	(57)
Share-based payment expense		-	65	-	65
<b>Balance at 30 June 2019</b>		<b>46,298</b>	<b>455</b>	<b>(14,386)</b>	<b>32,366</b>

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

**TasFoods Limited**

## Consolidated Statement of Cash Flows

For the Half Year Ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		20,687	18,789
Payments to suppliers and employees		(20,667)	(20,964)
Interest received		56	44
Interest paid		(92)	(50)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(111)	(12)
Other		47	120
Net cash (used in)/provided by operating activities		<u>(81)</u>	<u>(2,074)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		20	-
Payments for property, plant and equipment		(2,008)	(1,493)
Acquisition of goats		-	(8)
Net cash (used in)/provided by investing activities		<u>(1,989)</u>	<u>(1,501)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	4,000
Cost of issuing shares		(49)	(215)
Proceeds from borrowings		3,588	152
Repayment of borrowings		(464)	(693)
Net cash provided by/(used in) financing activities		<u>3,076</u>	<u>3,244</u>
<b>Net (decrease)/increase in cash held</b>		1,007	(330)
Cash and cash equivalents at the beginning of the half year		<u>5,977</u>	<u>9,225</u>
Cash and cash equivalents at the end of the half year	3	<u>6,983</u>	<u>8,895</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 2019 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 2018 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**

Several new or amended standards became applicable for the current reporting period. As a result of *AASB 16 Leases* the Group was required to change its accounting policies and make retrospective adjustments.

The impact of the adoption of *AASB 16 Leases* and the new accounting policies are disclosed in note 1(b) below.

Other new or amended standards did not have any impact on the Group's accounting policies and did not require retrospective adjustment.

### **b) Changes in accounting policies – new standards**

This note explains the impact of the adoption of *AASB 16 Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted AASB 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### **i) Adjustments recognised on adoption of AASB 16**

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate could not be determined, the lessee's

**TasFoods Limited**Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

incremental borrowing rate as of 1 January 2019 is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.7%.

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

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

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<b>30 June</b> <b>2019</b> <b>\$'000</b>	<b>1 January</b> <b>2019</b> <b>\$'000</b>
Land and buildings	1,141	1,224
Motor vehicles	9	13
<b>Total right-of-use assets</b>	<b>1,150</b>	<b>1,238</b>

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

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

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

**TasFoods Limited**

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

	Right-of-use assets		
	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 January	1,224	13	1,238
Additions	-	-	-
Depreciation expense	(83)	(4)	(87)
Net carrying amount at the end of the half year	1,141	9	1,150

**ii) Impact on segment disclosures and earnings per share**

Adjusted profit/(loss), segment assets and segment liabilities for June 2019 varied as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Adjusted profit/(loss) \$'000	Segment Assets \$'000	Segment Liabilities \$'000
Dairy	14	1,072	1,131
Poultry	-	-	-
Corporate and other	(5)	78	86
	9	1,150	1,217

No change in earnings per share was reported for the six months to 30 June 2019 as a result of the adoption of *AASB 16 Leases*.

**iii) Practical expedients applied**

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

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

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

**iv) The Group's leasing activities and how these are accounted for**

The Group leases properties, plant and equipment and motor vehicles. Rental contracts are typically made for fixed period of 3-5 years but may have extension options described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but the assets are used as security for the leases and therefore cannot be used as security for other borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment and motor vehicles were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the leased term, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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



**v) Extension options**

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$382,014 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**c) 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 2018.

**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

**TasFoods Limited**

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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.

	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
<b>Half year 30 June 2019</b>				
<b>Revenue</b>				
Total segment sales revenue	3,612	17,043	176	20,831
Other income	8	131	118	256
	3,620	17,174	294	21,087
Segment profit/(loss)	(277)	964	(2,533)	(1,846)
Loss before income tax expense				(1,846)
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(1,846)</b>
<b>Half year 30 June 2018</b>				
<b>Revenue</b>				
Total segment sales revenue	2,476	15,849	156	18,481
Other income	28	122	88	238
	2,504	15,971	245	18,720
Segment profit/(loss)	(417)	1,301	(2,152)	(1,268)
Loss before income tax expense				(1,268)
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(1,268)</b>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
<b>Total segment assets</b>				
<b>30 June 2019</b>				
Segment assets	9,091	25,716	9,975	44,782
<b>31 December 2018</b>				
Segment assets	8,221	23,290	9,709	41,220
<b>Total segment liabilities</b>				
<b>30 June 2019</b>				
Segment liabilities	2,547	8,852	1,015	12,415
Net deferred tax liability				-
<b>Total liabilities</b>				<b>12,415</b>
<b>31 December 2018</b>				
Segment liabilities	1,506	4,321	1,126	6,953
Net deferred tax liability				-
<b>Total liabilities</b>				<b>6,953</b>

**3. CASH AND CASH EQUIVALENTS**

	30 June 2019 \$'000	31 December 2018 \$'000
Cash and cash equivalents	7,081	6,658

**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:

	30 June 2019 \$'000	31 December 2018 \$'000
Cash and cash equivalents	7,081	6,658
Bank overdraft	(98)	(681)
	<u>6,983</u>	<u>5,977</u>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**4. BIOLOGICAL ASSETS**

	<b>Poultry</b>	<b>Goats</b>	<b>Wasabi Plants</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 January 2018	957	330	973	2,260
Increases due to purchases and production	1,312	8	2	1,322
Decreases due to sales/processing/mortality (i)	(957)	(64)	(144)	(1,165)
Movement in fair value as a result of physical and/or price changes (ii)	134	10	147	291
Balance as at 31 December 2018	1,446	284	977	2,708
Current	1,446	11	976	2,432
Non-current	-	273	2	275
	1,446	284	977	2,708
Balance as at 1 January 2019	1,446	284	977	2,708
Increases due to purchases and production	1,535	-	-	1,535
Decreases due to sales/processing/mortality (i)	(1,446)	(45)	(96)	(1,588)
Movement in fair value as a result of physical and/or price changes (ii)	64	12	94	170
Balance as at 30 June 2019	1,599	251	975	2,825
Current	1,599	7	975	2,582
Non-current	-	244	-	244
	1,599	251	975	2,825

- (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.

As at 30 June 2019, the Group held 466,652 live poultry (31 December 2018: 465,788), 616 goats (31 December 2018: 764) and 6,575 mature wasabi plants and 452 immature wasabi plants (31 December 2018: 8,750 mature wasabi plants and 704 immature wasabi plants).

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**Fair Value Measurement**

	31 December 2018			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'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

	30 June 2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	1,599	-	1,599
- Goats	-	251	-	251
- Wasabi plants	-	-	975	975
Total biological assets recognised at fair value	-	1,849	975	2,825

***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: 0.39 kilograms (31 December 2018: 0.58 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 2019

**5. 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 2018						
Cost	8,243	8,812	181	483	2,220	19,941
Accumulated depreciation	(475)	(1,781)	(131)	(96)	-	(2,483)
Net carrying amount	7,769	7,031	50	387	2,220	17,458
Net carrying amount at the beginning of the half-year	7,769	7,031	50	387	2,220	17,458
Additions	401	1,990	2	-	2,120	4,514
Disposals and write-offs	-	(30)	-	-	-	(30)
Capitalisation to asset categories	-	-	-	-	(2,290)	(2,290)
Depreciation expense	(116)	(523)	(10)	(34)	-	(683)
Net carrying amount at the end of the half year	8,054	8,468	43	353	2,050	18,969
At 30 June 2019						
Cost	8,645	10,760	184	483	2,050	22,121
Accumulated depreciation	(590)	(2,291)	(140)	(130)	-	(3,152)
Net carrying amount	8,054	8,468	43	353	2,050	18,969

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**6. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Brands and trademarks</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 31 December 2018				
Cost	8,251	2,945	194	11,390
Accumulated impairment	(2,717)	-	-	(2,717)
Net carrying amount	<u>5,534</u>	<u>2,945</u>	<u>194</u>	<u>8,673</u>
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	<u>5,534</u>	<u>2,945</u>	<u>194</u>	<u>8,673</u>
At 30 June 2019				
Cost	8,251	2,945	194	11,390
Accumulated impairment	(2,717)	-	-	(2,717)
Net carrying amount at the end of the	<u>5,534</u>	<u>2,945</u>	<u>194</u>	<u>8,673</u>

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.

The Group has two cash generating units (CGUs) for which impairment testing has been completed for goodwill and indefinite life intangibles at 31 December 2018. No impairment indicators were noted at 30 June 2019.

At 31 December 2018 it was disclosed that a reasonable possible change in assumptions could result in impairment. Based on the assumptions disclosed in at 31 December 2018, the recoverable amount of the CGU was estimated to be \$9.3 million, which exceeded the CGU's carrying amount by \$1.7 million.

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**7. BORROWINGS**

	<b>30 June 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<i>Current</i>		
Bank overdraft	98	681
Finance lease liabilities (see note 1)	-	789
	<u>98</u>	<u>1,470</u>
<i>Non-Current</i>		
Bank bill facility	2,000	-
Bank loan facility	1,572	-
Finance lease liabilities (see note 1)	-	727
	<u>3,572</u>	<u>727</u>
<b>Total borrowings</b>	<u><b>3,670</b></u>	<u><b>2,198</b></u>

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

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

In June 2019, Nichols Poultry made progress draws totalling of \$1.572 million from a \$2.5 million bank loan facility with ANZ. The facility is a two-year variable rate interest only business loan facility. Funds from this facility were used for the construction of two new 40,000 bird tunnel ventilated chicken growing sheds on the Nichols Poultry site.



**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**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
<b>At 30 June 2019</b>					
<i>Non-derivatives</i>					
Trade payables	5,536	-	-	5,536	5,536
Bank overdraft	98	-	-	98	98
Bank bill facility	-	2,000	-	2,000	2,000
Bank loan facility	-	1,572	-	1,572	1,572
Lease liabilities (see note 1)	916	1,814	-	2,730	2,370
	<u>6,550</u>	<u>5,386</u>	<u>-</u>	<u>11,936</u>	<u>11,576</u>
<b>At 31 December 2018</b>					
<i>Non-derivatives</i>					
Trade payables	3,976	-	-	3,976	3,976
Bank overdraft	681	-	-	681	681
Finance lease liabilities (see note 1)	789	727	-	1,517	1,517
	<u>5,446</u>	<u>727</u>	<u>-</u>	<u>6,173</u>	<u>6,173</u>

**Financing Arrangements**

	<b>30 June 2019</b>		<b>31 December 2018</b>	
	Limit	Undrawn Balance	Limit	Undrawn Balance
	\$'000	\$'000	\$'000	\$'000
Lease liabilities (see note 1)	2,370	-	1,517	-
Bank overdraft	1,000	902	1,000	319
Bank bill facility	2,000	-	2,000	2,000
Bank loan facility	2,500	928	-	-
	<u>7,870</u>	<u>1,830</u>	<u>4,517</u>	<u>2,319</u>

**Secured liabilities and assets pledged as security**

Finance lease liabilities relate to various right-of-use assets described in note 1.

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 has an overdraft, a bank bill, and a bank loan facility with the Australia and New Zealand Banking Group Limited (ANZ). The overdraft, bank bill, and bank loan facilities are secured by mortgage over the property and water rights owned by Nichols Poultry Pty Ltd and a general security agreement over property of Nichols Poultry Pty Ltd not otherwise secured.

**Financial covenants**

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 and is forecast to continue to comply going forward.

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

**8. CONTRIBUTED EQUITY**

	Number of Shares		Share Capital	
	30 June 2019	31 December 2018	30 June 2019 \$'000	31 December 2018 \$'000
Ordinary shares - fully paid (no par value)	206,599,073	206,599,073	46,298	46,355
Total share capital			<u>46,298</u>	<u>46,355</u>

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

**Movements in ordinary share capital**

Date	Details	Ordinary Shares	Price	\$'000
1/01/2019	Balance at beginning of period	206,599,073		46,355
	Issue costs - net of tax			(57)
		<u>206,599,073</u>		<u>46,298</u>

Transaction costs arising on the issue of ordinary shares are recognised directly in equity at the time the expense is incurred.

Share issue costs recognised during the half year ended 30 June 2019 relate to the rights issue announced on 13 June 2019 which was completed on 17 July 2019.

**9. DIVIDENDS**

	Half-year	
	2019 \$'000	2018 \$'000
<b>Fully paid ordinary shares</b>		
Dividends paid or provided for during the half-year	<u>-</u>	<u>-</u>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2019

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**10. SUBSIDIARIES**

	Country of Incorporation	Principal Activity	Equity Holding	
			30 June 2019 %	31 December 2018 %
Van Diemen's Land Dairy Pty Ltd	Australia	Dairy	100%	100%
Nichols Poultry Pty Ltd	Australia	Poultry	100%	100%
Shima Wasabi Pty Ltd	Australia	Wasabi	100%	100%
Tasmanian Food Co Dairy Pty Ltd	Australia	Dairy	100%	100%

**11. EVENTS OCCURRING AFTER REPORTING DATE***Rights issue completion*

On 13 June 2019 TasFoods announced the commencement of a fully underwritten rights issue of 1 new fully paid ordinary share for every 3.099 existing fully paid shares at \$0.12 a share to raise \$8.0 million (before costs). Funds raised under the rights issue were to fund the acquisition of the milk processing assets and brands of Betta Milk Co-operative Society Limited (Betta Milk) and pay the costs of the rights issue.

The rights issue was completed on 17 July 2019, raising \$8.0 million (before costs) and resulted in the issuing of 66,666,667 new shares in TasFoods.

*Completion of Betta Milk acquisition*

On 31 July 2019 Van Diemen's Land Dairy Pty Ltd acquired the milk processing assets and brands of Betta Milk at a cost of \$11.5 million less completion adjustments. The acquisition included Betta Milk's export accredited milk processing facility in Burnie and distribution centres and vehicle fleet in Launceston and Hobart.

Other than the matters noted above, 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 6 to 24 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 2019 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 2019  
Launceston



## **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 2019, 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, selected 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 2019 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 2019 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 the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of Alison Tait.

Alison Tait  
Partner

Melbourne  
23 August 2019

**Board of Directors**

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

**Company Secretary**

Janelle O'Reilly

**Registered Office**

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**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

Groom Kennedy Lawyers and Advisors  
Level 1, 47 Sandy Bay Road  
Hobart TAS 7000, 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