


TASFOODS LTD

2016 ANNUAL REPORT



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A photograph of a herd of goats in a grassy field. In the foreground, a white goat is walking towards the left. Behind it, several other goats of various colors (white, black, brown) are visible. A wooden fence runs across the middle ground. In the background, there are trees and a clear blue sky. A dark blue rectangular box with white text is overlaid on the upper left portion of the image.

"In our pursuit of best practice in the agricultural production of fine foods, TasFoods aims to redefine industry standards across animal husbandry, environmental responsibility and employee development."

Jane Bennett, CEO.

TASFOODS LIMITED CORPORATE DIRECTORY

Board of Directors

Rob Woolley

(Chairman and Non-Executive Director)

Hugh Robertson

(Non-Executive Director until 10 February 2017)

Roger McBain

(Non-Executive Director)

Antony Robinson

(Non-Executive Director)

Jane Bennett

(Managing Director and CEO)

Company Secretary

Janelle O'Reilly

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Southbank, VICTORIA 3006 AUSTRALIA

Solicitors

Groom Kennedy Lawyers and Advisors

Level 1, 4 7 Sandy Bay Road

Hobart, TASMANIA 7000 AUSTRALIA

Bankers

Australia and New Zealand Banking Group Limited

Bendigo and Adelaide Bank Limited

Stock Exchange Listing

TasFoods Limited shares are listed on the

Australian Securities Exchange, code TFL.

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During the year, we conducted a \$25 million capital raising that provided funding for the two major acquisitions

CHAIRMAN'S REPORT



TasFoods made two significant acquisitions in 2016, being the Nichols Poultry business and Shima Wasabi, both located on the north west coast of Tasmania where the temperate climate provides an ideal growing environment for these products. Combined with our dairy business in northern Tasmania, these assets provide TasFoods with a range of product opportunities that enable us to target high-end food consumers in Australia who are willing to pay a premium for quality, taste, provenance and production standards.

The Board's focus for the year was to ensure we built a management team that could develop and implement systems and processes within each of the businesses to allow for both the introduction of new product lines and the on-going growth of each business. I am pleased to report that during 2016 we secured management expertise in all key areas of the businesses, invested in new systems, processes and operating infrastructure, and positioned the Company to grow the businesses and expand our customer base.

TasFoods' Revenue for the 2016 financial year was \$16.139 million compared to \$2.476 million in 2015. The increase was due primarily to revenue from the newly acquired businesses. The Company made a

net loss of \$2.577 million, reflecting our investment in the development of the systems, processes and expertise required to provide future growth. Our capital expenditure of \$12.876 million reflects the cost of acquiring the Nichols Poultry and Shima Wasabi businesses, the movement of the dairy processing operations to a renovated facility, and increasing the milk processing capacity.

During the year, we conducted a \$25 million capital raising that provided funding for the two major acquisitions. While we are well-placed for further acquisitions if opportunities arise to acquire food businesses that meet our criteria, our focus for 2017 is on development of the chicken, dairy and wasabi businesses, within which we believe there is significant potential for profitable and sustainable growth.

I would like to thank my fellow directors and the management team for their hard work and commitment to building a company that creates value by matching consumer demand for premium food products with the attributes of regional provenance.

A handwritten signature in black ink that reads "Rob Woolley". The signature is written in a cursive, flowing style.

Rob Woolley
Chairman

2015

*Premium food brands that
leverage the attributes of the
provenance of Tasmania*



MANAGING DIRECTOR /CEO REPORT



We established TasFoods with an aim to build a portfolio of premium food brands that leverage the attributes of the provenance of Tasmania. The business commenced in 2015 with the

purchase of Meander Valley Dairy, a producer of premium luxurious high-fat dairy creams and butters.

2016 has been a year of significant investment for TasFoods in both the tangible and intangible assets of the business. We have continued to build a range of premium iconic Tasmanian businesses whilst developing the overarching brand identity that will serve to unify our offerings to the consumer.

In June 2016 we finalised the acquisition of several businesses that enhance our objective of building a premium Tasmanian branded food business. The largest acquisition was Nichols Poultry which is a chicken brand that is well-known and loved by Tasmanians and is synonymous with quality product. The Nichols Poultry acquisition included 91 hectares of land on which are located a number of chicken growing sheds, a feed mill, processing plant and a wind turbine. Inclusion of all these assets of the business ensures we are able to manage all aspects of the chicken production process and develop protocols that ensure each element of the value chain is meeting the expectations of our target customers.

Nichols Poultry is the second largest chicken processor in Tasmania producing chickens for the Tasmanian market. The business has a number

of attributes that position it to supply products for a premium market, including using air-chill technology during processing instead of tumbling the chicken meat in chlorinated water.

We have undertaken a variety of consumer research in H2 2016 to help us understand consumer expectations for chicken. This has shown us that premium chicken consumers are concerned about animal welfare and the life of the chicken. For these consumers, free-range chicken is perceived to meet a higher standard of animal welfare than any barn-raised system. We have taken this information and worked with our chicken experts Rob and Tristan Nichols to develop a plan to meet the expectations of consumers who wish to purchase chicken meat produced from a growing system that meets the highest standards of animal welfare. Under Rob and Tristan's guidance we have commenced trial growing of a premium ethical free-range chicken using a system similar to that of premium free-range chicken in the United Kingdom but not currently utilised by commercial operators in Australia. We look forward to launching this product commercially in H1 2017.

We have trialled a number of different shed designs and found the most suitable to be a simple construction that we build ourselves. These small mobile sheds house colonies of 700 - 1200 chickens. The small flock and shed size combined with ample natural light encourages ranging for all birds from the shed. A number of sheds are co-located in each field to form a village of same-aged chickens for ease of management. At the conclusion of a production batch the sheds are connected to tractors and pulled up the field to a fresh location for the next chicken batch to range on fresh pasture. There are no power or heating costs for the sheds, however there is a larger



labour cost involved in the bird management and feeding.

We have observed a number of differences in the chickens produced in this new ethical free-range system. When ranging, the chickens eat the pasture and this produces a healthy yellowing around the hocks and vibrant red combs, particularly on the males. Close inspection of our birds also shows an absence of hock burn and soft, healthy foot pads, both important indicators of healthy living conditions.

Many of the advantages we have for introducing this ethical free-range chicken production system stem from the location of Nichols Poultry at Sassafras on the northwest Coast of Tasmania. The temperate climate minimises the risk of extremes of hot or cold weather, allowing for the natural ventilation of the sheds and the pop holes and doors to be open continuously, providing permanent access to outside for birds. The absence of foxes in Tasmania reduces the risk of predation. The remote location of Tasmania in the Southern Ocean and the absence of other commercial chicken flocks in the region significantly reduce the exposure of ranging birds to disease from other chicken flocks or migratory birds.

The outcome of our production trials show that a chicken that has been treated with respect and has had a happy life produces the very best

product. Through this product we are moving away from the competitive environment of improving feed conversion efficiency to reduce costs and we are creating a new category for chicken in the Australian market that meets consumer expectations for the life and welfare of a free-range chicken, for which they have paid a premium.

The second acquisition finalised in June 2016 was Shima Wasabi, a brand known for innovation and premium quality in the specialised niche industry of wasabi production. Shima Wasabi is the largest producer of fresh wasabi stem in Australia selling to premium restaurants across the country.

Harvesting of the wasabi crop at Shima Wasabi commenced in July 2016. Fresh wasabi stems, small leaves and flowers are sold directly to high-end restaurants across Australia. Harvested parts of the plant unsuitable for fresh sales are freeze-dried into a powder that is sold as a premium 100% wasabi powder for industrial and retail sale. As the volume of harvested material suitable for powder production grows in H1 2017 the volume of powder produced will enable the launch of new retail packaging suited to consumer use.

Construction of a new larger and more automated greenhouse on the existing Shima Wasabi site commenced in late 2016. This new greenhouse will be finished and planted in H1 2017 with harvesting to commence in H1 2018.

June 2016 also saw the company purchase a herd of 500 milking goats to provide the business with a consistent supply of high quality goat milk from which to develop a range of goat milk and cheese products. A new dairy goat brand Robur Farm was launched in November 2016 to which a range of products will be added in H1 2017. Fresh goat milk under the Robur Farm brand was launched into Woolworths Tasmania stores in December 2016.

To support the growth in dairy production, the existing Meander Valley Dairy processing operation was moved in October 2016 from a small rented facility to a refurbished processing site that is three times larger with separate rooms for each type of product manufacturing. The new factory was delivered on time and on budget. It will allow for significant growth in dairy production and a range of new products to be produced. Application for an export licence commenced in H1 2017.

TasFoods is building a branded food business which competes based on the attributes of provenance that appeal to our target consumers. To understand the expectations of target consumers we engaged in extensive consumer research in H2 2016 that is influencing the revised branding across the business, revised packaging sizing for a number of existing products and a range of new products that will all be launched in H1 2017. The research will also influence the target channels to market to ensure that we are selling the products in the places where our target consumers choose to shop and eat.

H2 of 2016 saw a strong focus on developing the management systems and capabilities of the business to deliver on the strategy. Shared services teams that operate across the business have been developed for financial management, sales and marketing, food safety and quality assurance and work health and safety. Each of the operational units of the business is led by technically skilled managers and the business is focused on building leadership capability throughout each operating unit.

The brands purchased in 2015 and 2016 by TasFoods are already premium offerings in Tasmania and to a lesser extent major cities of other Australian States. In order to present them effectively both to discerning consumers and to the retail trade we have created an aggregating brand - The Tasmanian Food Co - as a vehicle to market. The name was chosen to highlight that our focus is on Tasmanian produce, and to both tap into, and help build and strengthen Tasmanian's reputation for being a clean, green and healthy place with great food from passionate producers. Across the world food provenance is on the agenda. Increasingly, people care where food comes from and how it has been produced. The aim of the Tasmanian Food Co branding strategy is to become synonymous with the aggregation or 'curation' of the best Tasmanian artisan brands under a single endorser brand.

The immediate advantage of this 'house of brands' approach is that each brand can tell its own unique story and build its consumer equity. At the same time The Tasmania Food Co provides an easy-to-find 'one stop' via the web landing page and social media activities to present to consumers

the story of the best that Tasmania has to offer, becoming a trusted brand in its own right over time. Under this strategy, brands with greater awareness, like Nichols, can tell a fuller story, while those with less can develop awareness as part of The Tasmanian Food Co.

We expect that over time brands with the Tasmanian Food Co endorsement will represent best practice in both environmental standards, farming and animal husbandry so that they deliver the best eating experience possible. The activities outlined above ensure we are actively delivering on these values.

Our efforts in 2016 have been aimed at setting the individual brands up for growth. In line with the new branding approach, December saw the launch

TasFoods is building a branded food business which competes based on the attributes of provenance that appeal to our target consumers.

of our initial landing page for The Tasmanian Food Co where consumers can find us. In the coming months this will be transformed into a full website where people with a passion for food can learn more about us and our philosophy.

As we look to 2017 with our initial key structural plans now in place, we are poised to execute our commitment to provenance and the highest quality and, above all, provide consumers with the genuine delight of artisan produce that is unmistakably Tasmanian.

This commitment is summed up in our brand promise. The Tasmanian Food Co: *Pride of Plate*.



Jane Bennett
Managing Director/CEO

BRAND DEVELOPMENT

TasFoods has purchased three businesses with existing brand identities and varying levels of brand recognition:

- The Nichols brand has a very high level of brand awareness in Tasmania but is virtually unknown elsewhere.
- Meander Valley Dairy has strong brand recognition from the distinctive cow on the packaging, and has a high level of awareness in the channels to market as a premium dairy brand.
- Shima Wasabi has strong brand recognition amongst premium foodies and chefs of high-end restaurants.

Since purchasing Nichols and Shima Wasabi we have had a strong focus on developing a brand structure that enables TasFoods to leverage the existing brand recognition, while building a platform for shared values. The new designs maintain the prominence of the existing brands while introducing the Tasmanian Food Co. as an endorser brand across the range.

The **TASMANIAN FOOD CO**



The Tasmanian Food Co. is the endorser brand through which our artisan brands are promoted to a wider audience. The Tasmanian Food Co. endorses those brands within the TasFoods business that meet the brand promise and values that it represents.

The sub-brands within the Tasmanian Food Co. will each have their own set of unique attributes that meet the needs of their target market. This enables the Tasmanian Food Co. to tell the story of the provenance of the products. It also helps us develop new and exciting product categories such as Ethical Free-Range Chicken, that meet the evolving expectations of consumers.



MEANDER VALLEY DAIRY

Consumer research conducted during 2016 showed that the Meander Valley Dairy cow icon met consumer expectations of a premium artisan brand;

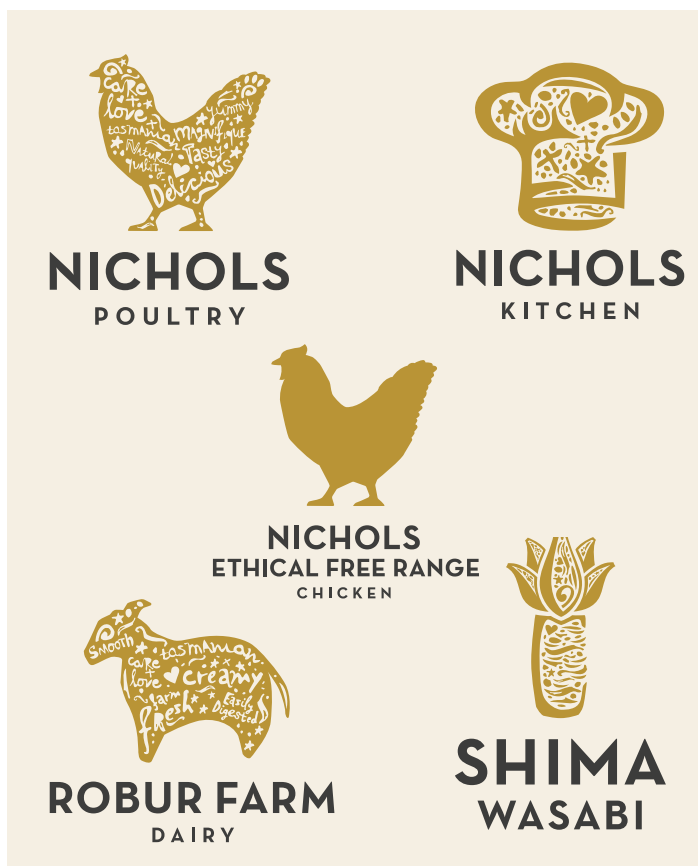
"The logo/cow sits firmly in artisan territory; conveys a sense of small dairy, with a love of tradition, yet contemporary, committed to delivering an experience you will love."

The Meander Valley cow was then used as a style guide to develop contemporary branding for the full range of products endorsed by the Tasmanian Food Co. brand.

The Nichols brand has been broken into three separate branding propositions:

- Nichols Poultry represents the original cuts and whole birds raised under the RSPCA standard.
- Nichols Kitchen represents the value-added and ready-to-cook products that provide convenience to consumers.
- Nichols Ethical Free-Range represents chicken from the new free-range production system, which has been established to create a new premium free-range category for chicken meat in Australia.

The new branding will be released to the market in early 2017. It will be supported by a strong marketing campaign at retail level and through social media.



REVIEW OF OPERATIONS



MEANDER VALLEY
DAIRY

Dairy Division

Meander Valley Dairy was the original dairy brand purchased by Tasfoods in September 2015. It produces a range of luxurious premium creams and butters that exemplify the TasFoods strategy of building a stable of premium branded foods.

The rented premises used for dairy manufacturing when the business was purchased were not adequate to accommodate the growth plan for the dairy operations. Suitable alternative premises were identified in early 2016 and renovated to comply with all regulatory requirements for dairy processing. New processing equipment was purchased to allow for significant growth in processing volume and speed. The new dairy processing facilities were completed on time and on budget in October 2016.

An application for export accreditation for the dairy processing facility has been submitted to Australian Quarantine Inspection Service (AQIS) with an audit of the facilities and Quality Assurance and Food Safety processes due to take place in February 2017.

Consumer research conducted in 2016 helped us determine how to best resize the existing product range and identify new product opportunities for the Meander Valley Dairy range. The resized products under our new branding will be released in early 2017, along with a range of new products that complement existing products and take advantage of the expanded production capability.

A herd of 500 dairy goats was purchased in June 2016 and relocated to converted buildings on the Nichols Poultry farm. The objective in purchasing the goatherd was to secure a supply of goat milk and to develop animal husbandry practices that will meet the brand promise of ethical treatment of animals. We intend to apply these animal husbandry practices to future contract goat farmers in a similar way to the Nichols Poultry business, in which we



A range of luxurious premium milk, creams and butters

have developed animal husbandry practices for the Ethical Free-Range chickens prior to rolling them out to contract growers.

Robur Farm is the new brand name for the goat milk products, with a range of milk and cheese products being developed. Robur Farm Goat Milk was released into the Tasmanian market in December 2016 and is sold in independent retail and Woolworth stores. A range of cheese products will be released early in 2017.



“An understanding of good nutrition is key to sustainable goat farming. Our connection with the Netherlands will ensure we have access to the best advice. We want to prioritise animal health and comfort. We provide year-round, constant quality and quantity, luscious, clover-based grass supply for our goats, free from urea additives.”

Leon Lolkema
Goat Farm Manager

REVIEW OF OPERATIONS

Continued



Nichols Poultry

Nichols Poultry was established in the early 1980's when founder Rob Nichols and his family emigrated from Leicestershire in England to Sassafras in Tasmania. The business has grown to become one of the most trusted and respected meat brands in Tasmania. Consumer research conducted by TasFoods in 2016 demonstrated that Tasmanian consumers know the product and trust Nichols to be a source of high quality chicken.

"I feel good buying their chickens and you can taste the difference"

"It's the ethics and good provenance that is the Nichols difference"

The most significant attribute that distinguishes the Nichols chicken products and can be tasted by the consumer is that during processing, the meat is air-chilled rather than spin-chilled in chlorinated water to cool. The spin-chilling process results in the absorption of chlorinated water that may cause bleaching of the meat and bones, and it adds water that emerges during the cooking process and influences the flavour of the meat. Air-chilled chicken is drier meat and is brighter in colour.

The consumer research also indicated that there was value in modernising the brand to reflect the values of the company.

"Looks straight out of the 60's. Does not support the more innovative and contemporary feel to the brand story."

In response, the Nichols range has become part of The Tasmanian Food Co stable of brands, which now comprises three categories of product from the Nichols Poultry business:

- Nichols Poultry represents the original cuts and whole birds raised under the RSPCA standard.

It's the ethics and good provenance that is the Nichols difference



- Nichols Kitchen represents the value-added and ready-to-cook products.
- Nichols Ethical Free-Range represents chicken from the new free-range production system, which has been established to create a new premium free-range category for chicken meat in Australia.

Nichols Ethical Free-Range Chicken

Robert Nichols has always had a passion for poultry. From free-range eggs in the UK to free-range turkeys in Tasmania, Rob's interest in the welfare of the animals he works with has been a common thread. When looking for a standard to apply across Nichols Poultry, Rob chose the RSPCA standard for barn-raised poultry as this was focused on the welfare of the animal. Rob realised, however, that consumers want the birds to have access to range outdoors.

Rob had concerns that the free-range standard in Australia for meat chickens was not very high when it came to the welfare of the birds. It was these concerns that led Rob to believe there was more that could be done to create a defensible standard of free-range chicken that meets consumer expectations. Through Tasfoods, Rob was able to see a means to achieve his vision for ethically produced free-range chicken. Tasfoods shares Rob's passion for animal welfare and sustainable farming, and plans to build and grow the Nichols range of products.

Nichols Ethical Free-Range Chicken is a new standard for raising chicken that will ensure that chickens are raised in small colonies with comfortable housing and access to outdoors at all times, once they are old enough to go outside.

REVIEW OF OPERATIONS

Continued



At TasFoods, we believe that consumers should be able to know how their food is raised and where it comes from.

Nichols location in northwest Tasmania provides a competitive advantage for growing ethical free-range chicken in small flocks, and with the ability to range at all times, because Tasmania is free of predatory foxes. As well, northwest Tasmania has a temperate climate that does not expose the birds to extremes of temperature. The State's isolation reduces the exposure of free-range chickens to disease risk from migratory birds or other commercial chicken flocks.

Chicken meat has become one of the cheapest sources of protein to Australian consumers. As consumption continues to grow, the average price per kilogram of chicken meat drops. UK Professor of food marketing, Dr. David Hughes describes the food market as moving to the poles. To succeed, a food brand needs to either compete on price or offer a provenance or story that is valued by high-end consumers. TasFoods sees an opportunity for premium market growth for chicken, similar to what has occurred in the premium milk market, with transparency around its high animal welfare standards and sustainable sourcing practices.

Consumer research conducted by TasFoods in 2016 in Sydney and Hobart about their expectations of premium chicken:

"The spotlight is on the ethics; respectful treatment of the bird. This is what premium buyers are seeking reassurance of when they buy premium...."

Consumers believe good provenance can be tangibly assessed by the look and feel of the bird and in the eating experience.



Unhappy chicken

- Overly plump breast and little legs (fast tracked vs naturally raised).
- “Watery”/full of water. Can feel it in the touch, can see it in the packet. And it broils vs fries/grills.
- Looks pale and anaemic.



Happy chicken

- Well proportioned, breast plump and legs proportioned. Legs and wings have meat.
- Less watery/slimy. Firm to touch, less water when cooking.
- Has colour, should be yellow, as chickens are naturally.

“There are chickens...and then there is the assurance of a Nichols chicken.”

Net result: Premium buyers can taste the difference. A moist, juicy, flavoursome, tender eat. True for both whole chickens and chicken pieces...

To enhance the connection to Tasmanian provenance for the Ethical Free-Range Chicken, Nichols Poultry signed a grain supply agreement for 2017 with Tasmanian Agricultural Producers (TAP Agrico) to source 100% of the cereals processed in the company’s feed mill from Tasmanian grain growers.

Nichols Ethical Free-Range Chicken will be launched in March 2017 with an open weekend at the farm to invite the public to view how the chickens are raised. The rearing system utilises small mobile sheds that are easy to replicate as the volume of Ethical Free-Range Chicken sales grow.



“There are chickens...and then there is the assurance of a Nichols chicken.”

The spotlight is on the ethics; respectful treatment of the bird. This is what premium buyers are seeking, reassurance of when they buy premium....

REVIEW OF OPERATIONS

Continued



SHIMA WASABI

Shima Wasabi

Shima Wasabi is the largest commercial wasabi farm in Australia. Located in Tasmania's temperate northwest, Shima Wasabi utilizes a unique hydroponic growing system that enables a controlled growing environment.

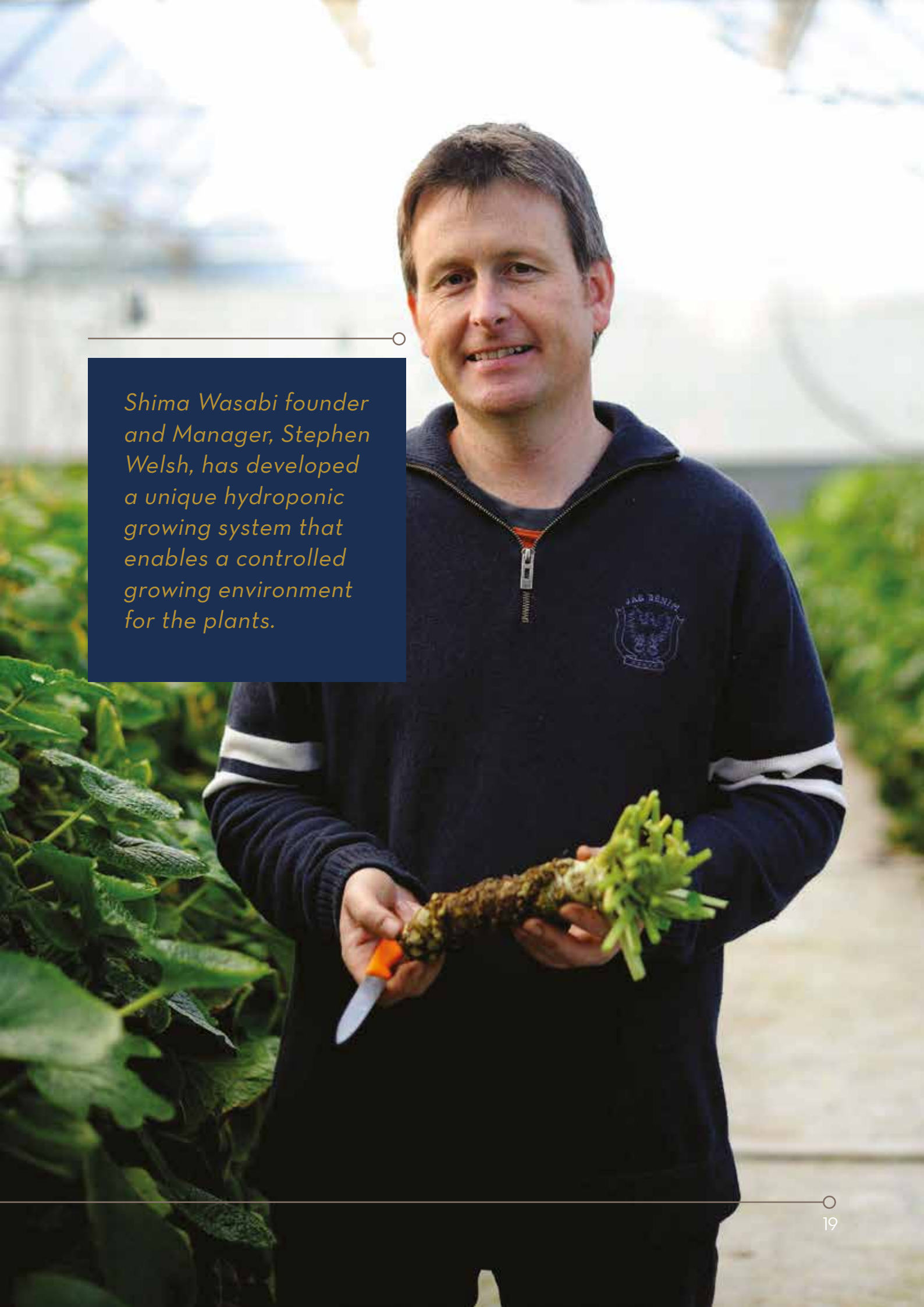
TasFoods purchased Shima Wasabi in 2016 and began harvesting from the existing greenhouse in July. Almost all parts of the plant are sold, with the stems being harvested and cleaned before packing to send direct to restaurants around Australia for grating and mixing to make fresh wasabi paste. Other parts of the plant are sorted into a range of uses for both fresh and dried product, with less than 10% of harvested material going to waste.

TasFoods is expanding the existing crop and building a new greenhouse that will enable a doubling of production. Since purchasing the business, our focus has been on expanding the customer base for fresh wasabi products and building a stock of powdered wasabi that will be released in new consumer-friendly retail packaging in 2017. Shima Wasabi Powder is one of the few 100% wasabi powders available and commands a premium price for both industrial and retail sales.

Wasabi Facts

- Most powdered wasabi sold across the world is made from horseradish, not wasabi.
- The chemical in wasabi that provides its initial pungency is the volatile *allyl isothiocyanate*, which is released by the grating of the plant stem. Release of the chemical is a natural defence mechanism, which also occurs when the plant is damaged.
- Research has shown that the isothiocyanate compounds produced by the plant inhibit microbe growth, perhaps with implications for preserving food against spoilage and suppressing oral bacterial growth.
- Because the burning sensations of wasabi are not oil-based, they are short-lived compared to the effects of chili peppers, and are washed away with more food or liquid. The sensation is felt primarily in the nasal passage and can be quite painful depending on the amount consumed.
- Inhaling or sniffing wasabi vapor has an effect like smelling salts, a property exploited by researchers attempting to create a smoke alarm for the deaf. The 2011 Ig Nobel Prize in Chemistry was awarded to the researchers for determining the ideal density of airborne wasabi to wake people in the event of an emergency.



A man with short brown hair, wearing a dark blue zip-up sweater with white stripes on the sleeves, stands in a greenhouse. He is holding a large, knobby wasabi root in his left hand and a small knife with an orange handle in his right hand. The background shows rows of green wasabi plants and the structure of the greenhouse.

Shima Wasabi founder and Manager, Stephen Welsh, has developed a unique hydroponic growing system that enables a controlled growing environment for the plants.

REVIEW OF OPERATIONS

Continued

People and Management

The purchase of Nichols Poultry and Shima Wasabi in June created the opportunity to structure the Company to form centralised Shared Service teams supporting the operational production units. Where existing service teams were operating in newly acquired businesses they have been integrated into the centralised team. Each Shared Service team has a suitably qualified leader appointed. The four Shared Service teams are:

- Financial Management and Human Resources;
- Sales, Marketing, Brand Management and Route to Market;
- Quality Assurance and Food Safety; and
- Work Health and Safety.

The operational teams are site specific and represent all operational activities relating to a specific product type or process. They are:

- Shima Wasabi, located at Port Sorell.
- Poultry Agricultural Operations, which includes feed mill, contract growers, hatchery and breeder-farm relationships, located at Sassafras.
- Poultry Processing Operations, which includes all processing and dispatch operations and maintenance team, located at Sassafras.
- Goat Farming Operations, located at Sassafras.
- Dairy Processing Operations, located at Launceston.



Nicholas Kerkham, Work Health and Safety Manager

Nic moved to Tasmania from South Australia in December 2016 and immediately started working for TasFoods. Nic came to TasFoods with 10 years of experience leading

teams in work health and safety, including six years managing health, safety and environmental performance across a number of operational sites in South Australia, Victoria and Queensland.

Nic has extensive experience developing integrated management systems for the oil and gas industry and logistics companies. This experience has enabled him to rapidly establish a work, health and safety framework aligned to the company strategy.

"It is very exciting to be developing a safety management framework that focuses on proactive safety initiatives, and engaging with all levels of the business to establish key safety objectives and targets that contribute to the overall success of TasFoods"

Nicholas Kerkham

Diversity & inclusion

TasFoods has established a strong culture for valuing diversity and inclusion in the workplace and recognises the value that diversity plays in contributing to performance. The Company fosters inclusion regardless of age, gender, race, ethnicity or sexual orientation.

The mix of employees in the Company workforce has diversified with the inclusion of Nichols Poultry and Shima Wasabi in 2016.

- Women make up 20% of the Board.
- Women represent 60% of the executive team.
- The senior management team includes 30% women and 22% from non-English speaking backgrounds.
- Female employees represent 36% of the Company's workforce.
- Employees from non-English speaking backgrounds represent 5% of the Company's workforce.

"To be artistic in the crafting of artisan dairy products you have to first understand the science that underpins them"

Tommy Madsen



Tommy Madsen, Dairy Production Manager

Tommy grew up in Denmark with a passionate desire to enter the dairy industry and craft artisan cheese and butter. He studied

Dairy Technology for

four years with the highly acclaimed Kold College, while being apprenticed to Arla Foods. After graduating, Tommy took part in a Danish Dairy Board sponsored graduate exchange program to Australia to work for a dairy company in Tasmania.

Tommy enjoyed the work and lifestyle Tasmania offered so took out a residency visa to work permanently in Australia. He completed five years in Tasmania producing cheese, butter, ice cream and bottled milk before moving to Sydney to manage production in a fast-paced yoghurt manufacturing company.

When TasFoods purchased Meander Valley Dairy, Tommy was lured back to Tasmania to take up the role of leading the dairy manufacturing team. Tommy is busy developing a range of new cheese and butter products to be released in the first half of 2017.

Tommy became an Australian citizen in November 2016 and purchased his first home in Tasmania in January 2017.

REVIEW OF OPERATIONS

Continued

Quality Assurance

At TasFoods we aim to produce premium quality foods. Having systems and processes that support our production teams to produce food to meet the specifications of customers is the foundation for the success of our business. To achieve this our Quality Assurance team works across the business developing, reviewing and challenging the Food Safety and Quality Assurance Management System.

The addition of two new food production businesses to the company in 2016 saw the primary focus of the Quality Assurance team being the development of a Food Safety and Quality Assurance Management System that provides consistency of systems and processes across the business.

Our Food Safety and Quality Assurance Management Systems are subject to regular audits by independent certification bodies with an emphasis on compliance to standards and regulations.

- Our dairy and chicken processing operations are both certified to globally recognised standards of Safe Quality Food (SQF).
- Our wasabi operation has a Hazard Analysis and Critical Control Point (HACCP) program that is audited by AUS-QUAL Pty Ltd.
- Our dairy farming and processing operations are licenced and audited by the Tasmanian Dairy Industry Authority.
- Our chicken farming and processing operations are licenced and audited by the RSPCA.

The Company uses external National Association of Testing Authorities (NATA) certified food laboratories to provide all microbial, chemical and nutritional analysis of products.



**Leigh Austin,
Quality Assurance
Manager**

Leigh joined TasFoods in December 2015. Leigh brings 30 years of experience in food safety to the business. Leigh has spent much of his career working for

multinational companies in the dairy industry as a dairy technologist, quality assurance manager and troubleshooter in a newly built, large cheese processing facility. Leigh is a certified auditor who spent 10 years working for the Tasmanian Dairy Industry Authority as a farm and factory auditor. He also has experience providing hygiene services to companies in a range of food industry sectors.

Leigh heads up the Quality Assurance team for TasFoods. His experience in developing and implementing food safety and quality assurance management systems for a range of food companies combined with his farm and factory system audit experience enable him to provide leadership across the organisation for producing safe food.

"We are building a culture across our food production systems that places food safety and the customer specifications at the centre of every decision in the production process".

Leigh Austin



REVIEW OF OPERATIONS

Continued

FINANCIAL SUMMARY

Investing in a sustainable foundation for growth

Financial Results

TasFoods' focus for the year ended 31 December 2016 was one of expansion and investing in a sustainable foundation for growth. During the year, the Company expanded its operations through the acquisition of two premium food businesses, Nichols Poultry Pty Ltd and Shima Wasabi Pty Ltd, at a value of \$9.36 million and \$2.77 million respectively. The consideration included the issue of 9.2 million ordinary shares valued at \$2.3 million. Furthermore, the Company acquired a goat herd comprised of 500 goats to secure supply of goat milk to produce a premium goat milk dairy range of products under the Robur Farm Dairy brand.

To fund these acquisitions and provide working capital and funding for future investment opportunities that meet TasFoods value proposition, the Company completed a share issue, raising \$25.39 million before costs.

The Group reported total revenue from continuing operations of \$15.98 million (2015: \$1.02 million). While revenue growth can be primarily attributed to the acquisition of Nichols Poultry Pty Ltd (\$13.85 million) and Shima Wasabi Pty Ltd (\$150,000) in June 2016, all operational business units achieved growth in sales volumes during the reporting period as compared to the prior year equivalent period.

The statutory net loss before income tax of \$2.61 million included several significant non-recurrent expenditure items that affected the financial performance of the Group for the 2016 financial year. These included:

- non-capitalised expenditure associated with acquisition and integration of Nichols Poultry Pty Ltd, Shima Wasabi Pty Ltd and a 500-head goat herd, and the identification of other potential acquisitions;

- completion of an integrated branding and marketing strategy, with final concepts for the branding and packaging of each business and product line to be released in early 2017;
- development of ethical free-range chicken and goat dairy standards, which included the identification of best practice in animal husbandry to ensure that our products meet consumer standards for both quality and the ethical treatment of animals; and
- legal fees attributable to the settlement of The Van Diemen's Land (VDL) Company litigation.

A reconciliation of the statutory net loss before tax to the underlying operating loss before income tax after taking into consideration the above noted factors is shown below:

	\$'000
Statutory loss from continuing operations before income tax*	(2,611)
Expenditure associated with the acquisition of Nichols, Shima and goat herd	218
Investment expenses	110
Marketing and brand development	497
Costs of establishing ethical free range and goat dairy standards	340
VDL settlement legal fees	74
Underlying operating loss from continuing operations before income tax*	(1,372)

Note:

*Underlying operating loss from continuing operations before income tax is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating net profit before tax is used by management and the directors as the primary measure of assessing the financial performance of the Group and individual segments.



REVIEW OF OPERATIONS

Continued

Outlook

Independent data for the retail market has reported growth of greater than 10% in premium food categories, including double cream, crème fraîche and speciality cheese, which have reported growth ranging from 12.9% to 15.9% in the previous year. Furthermore, the consumption of chicken is forecast to continue to rise over the medium term, with stronger growth in premium categories such as free-range and organic.

In recognition of this data and customer research undertaken by the Company, TasFoods has developed a strategy for growth in revenue through optimising our distribution, responding to consumer feedback and trends with new product development and maximising our offer to existing customers. Strategies to achieve this will include:

- improving our distribution with the expansion of our offer to targeted retailers and food service outlets nationally for dairy products and the inclusion of a poultry offering to retailers in south eastern states. The complementary cool chain requirements of poultry and dairy products enable the same route to market to be used. We also plan to expand our offer to direct customers online and through emerging channels;
- releasing new products and changes to existing products from Q1 2017. These will meet growing consumer demand for convenience and product utility. We will also take advantage of our production flexibility to customise products for growth channels; and
- Development of an overarching brand called the Tasmanian Food Co that provides a common endorsement of the values of the company across the individual brands. New branding and packaging will be rolled out across the company in Q1 2017.

While targeting sales growth, TasFoods will continue to focus on generating efficiencies within its production environment, which will result in improving gross profit

margins and ensure the sustainability of the Group. This will be achieved by:

- changes to the process flow within our production facilities to harness labour efficiencies; and
- leveraging increased buying power with key suppliers arising from the larger scale of our business operations.

RISK

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

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

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

During 2016 TasFoods held risk identification and assessment workshops across the Group at a strategic and operational level. Each business unit considered how their risks were being managed and what steps should be taken to further mitigate the risks. The risk registers created are being actively used by the businesses and were used to inform and report to the Audit and Risk Committee. The workshops revealed risks that fall within four broad categories. The nature of the risks and their management is discussed below.

**Safety Risk**

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

Food safety and workplace health and safety are risks that must be actively managed by TasFoods all day, every day. We have strong quality and safety assurance processes that are overseen by skilled staff. Our safety processes and procedures are under review and safety culture training has been provided to the majority of our employees.

Disease Risk

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

Careful site management, biosecurity measures and good husbandry and agricultural management are used to manage Tasfoods' risk of exposure to disease. Suppliers undergo an approval process to ensure inputs comply with product specifications. These are internally audited and monitored for compliance.

Supply Risk

Ensuring our input supply is secure, stable and reliable

TasFoods is reliant on a number of key suppliers for inputs such as hatchlings, cream and wheat grain. We have strong relationships and contracts with our suppliers to ensure that quality, quantity and price are stable. Where appropriate we have also diversified supply channels to reduce risk levels.

Market risk

Delivering on our customer promises and growing our customer base

TasFoods has a number of large key customers and the loss of one or more of them would have a detrimental impact on the Group. TasFoods mitigates this risk by investing in our relationships, ensuring we deliver product in accordance with our customer's specifications, growing our customer base and entering into contracts for supply. TasFoods has also developed a point of difference in our products, reducing the risk of substitution.

BOARD OF DIRECTORS



ROB WOOLLEY
Non-Executive Chairman

Rob is the chairman of ASX-listed Bellamy's Australia Limited, a branded organic baby food company. He is a former chairman of Tandou Ltd and a former board member of Forestry Tasmania and a current board member of the not-for-profit Tasmanian Leaders Inc.

Rob was previously managing director of Webster Limited following over 20 years as a partner of Deloitte.



TONY ROBINSON
Non-Executive Director

Tony has held a number of senior management positions in a variety of service industries, including stockbroking, financial services, telecommunications and transport.



HUGH ROBERTSON
Non-Executive Director

Hugh has worked in the stockbroking industry for 30 years with a variety of firms including Bell Potter, Investor First and more lately Wilson HTM. Among his areas of interest is a concentration on small cap industrial stocks and he currently sits on the board of AMA Group Ltd. Mr Robertson resigned from the Board in February 2017



ROGER McBAIN
Non-Executive Director

Roger was a partner for 6 years with Deloitte and prior to this was a partner in a privately owned accounting firm for 25 years. Roger holds a Bachelor of Business degree and is a member of the Institute of Chartered Accountants, the Australian Reconstruction, Insolvency & Turnaround Association and is a member of the Taxation Institute of Australia.



JANE BENNETT
Executive Director & CEO

Jane has 20 years experience as a senior executive in vertically integrated dairy operations in Tasmania and UK. Jane is a director of Food Innovation Australia Ltd. She has previously served on the boards of Australian Broadcasting Corporation, CSIRO and the Brand Tasmania Council. Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Radio Rural Woman of the Year.



JANELLE O'REILLY
Company Secretary & General Counsel

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

EXECUTIVE TEAM



JANE BENNETT
Managing Director/CEO

With over 20 years experience in agricultural production management, Jane brings a depth of experience and leadership to the TasFoods Executive Management Team. As the visionary for TasFoods' commitment to agricultural sustainability and redefining industry standards to meet consumer expectations, Jane is driven to protect and expand Tasmanian employment opportunities and attract new investment to the State.

Jane was formerly founder and Managing Director of Ashgrove Cheese, one of Australia's leading premium dairy brands.



TOM WOOLLEY
Chief Operating Officer

Tom Woolley is an experienced investment manager with over 11 years of private equity and investment banking experience. Tom worked at Credit Suisse for 3 years followed by 8 years as a Director at Ironbridge Capital, an Australian private equity company focussed on growth investments.

For the past two years, Tom has implemented capital investment and resource development within TasFoods' fast moving consumer goods operations.



DONNA WILSON
Chief Financial Officer

Donna is a qualified finance executive with over 16 years of experience working within public practice at KPMG, an ASX listed company and statutory government authorities.

Since December 2014 Donna worked at the executive level as the Director of Finance within a complex healthcare organisation.

Donna holds a Masters of Business Administration and a Bachelor of Commerce and is a member of the Institute of Chartered Accountants Australia and New Zealand.



DAVID BENNETT
Chief Sales & Marketing Officer

David has extensive experience in national sales distribution and marketing fast moving consumer goods, specialising in premium dairy products. David holds a Bachelor of Laws and Bachelor of Commerce.

DIRECTORS' REPORT

The Directors of TasFoods Limited (the "Company") submit herewith the Financial Report on the Company and its controlled entities (the "Group") for the financial year ended 31 December 2016.

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

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:

Rob Woolley

Chairman and Non-Executive Director. BEc, FCA.

Rob was appointed to the Board as a Director and Chair on 3 September 2015. Rob is a member of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Experience and qualifications

Rob was appointed to the Board to enhance the Board's skills in the areas of branded food products and strategic business development.

Rob is the Chair of ASX-listed Bellamy's Australia Limited, a branded organic baby food company. He is the former chair of Tandou Limited and a former board member of Forestry Tasmania and the not-for-profit Tasmanian Leaders Inc. Rob was previously managing director of Webster Limited following over 20 years as a partner at Deloitte.

Other Directorships in listed entities:

Bellamy's Australia Limited (since 2007)

Former Directorships in listed entities in last 3 years:

Tandou Limited (until July 2015)

Interests in shares and options

4,223,000 Ordinary Shares

4,750,000 share options exercisable at \$0.21 before 3 September 2019

4,750,000 share options exercisable at \$0.42 before 3 September 2019

Jane Bennett

Chief Executive Officer ('CEO') and Managing Director.

Jane was promoted to the position of CEO and Director on 17 February 2016, having previously been the Company's Head of Strategic Development and General Manager of Dairy.

Experience and qualifications

Jane was appointed to build TasFoods into a successful branded food business based on the unique attributes of Tasmania and its produce.

Jane has extensive experience in the premium branded food industry in Tasmania, including as the former Managing Director of Ashgrove Cheese, one of Australia's leading premium dairy brands. Jane also chaired the Tasmanian Food Industry Council for 8 years and was a board member of the Brand Tasmania Council for 10 years. Jane has spent 4 years working as a non-executive director in a diverse portfolio of companies including the CSIRO, Australian Broadcasting Corporation and Tasmanian Ports Corporation.

Other Directorships in listed entities:

Nil

Former Directorships in listed entities in last 3 years:

Nil

Interests in shares and options

1,999,000 Ordinary Shares

1,250,000 share options exercisable at \$0.21 before 3 September 2019

1,250,000 share options exercisable at \$0.42 before 3 September 2019

Hugh Robertson

Non-Executive Director.

Hugh Joined the Board as a Director on 21 February 2014. Hugh was appointed as Chairman on 30 June 2015 and stood down when Rob Woolley was appointed. Hugh is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Hugh resigned from the position of Non-Executive Director on 10 February 2017.

Experience and qualifications:

Hugh has over 25 years' experience in the financial services industry, commencing his stockbroking career in 1983. During that time, he has been involved in a number of successful stockbroking and equity capital markets businesses including Falkiners Stockbroking and Bell Potter Securities.

Other Directorships in listed entities:

Primary Opinion Limited (since October 2015), AMA Limited (since June 2015)

Former Directorships in listed entities in last 3 years:

Hub24 Limited (from April 2011 - October 2016).

Interests in shares and options

1,014,000 Ordinary Shares

DIRECTORS' REPORT Continued

Roger McBain

Executive Director Finance until 30 June 2016, Non-Executive Director thereafter. BBus, ACA.

Roger was appointed to the Board as an Executive Director on 3 September 2015 and transitioned to a Non-Executive Director role on 1 July 2016. Roger is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Experience and qualifications: Roger is a chartered accountant and brings broad commercial and financial skills to the board. Roger is a former partner of Deloitte, based in Launceston.

Other Directorships in listed entities: Nil

Former Directorships in listed entities in last 3 years: Nil

Interests in Shares and options: 2,199,000 Ordinary Shares
1,250,000 share options exercisable at \$0.21 before 3 September 2019
1,250,000 share options exercisable at \$0.42 before 3 September 2019

Antony Robinson

Non-Executive Director. BCom, ASA, MBA.

Antony joined the Board on 29 May 2014 and was appointed as Managing Director on 6 June 2014. On 1 September 2015 Antony's role as Managing Director ceased, and he was appointed as a Non-Executive Director. Antony is the Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Experience and qualifications: Antony has extensive experience in senior roles in the financial services, insurance and telecommunications sectors. He is currently a director of Bendigo & Adelaide Bank Limited and was previously managing director of Centrepont Alliance Limited. Prior to that he held a number of senior executive roles including executive director and CEO of IOOF Holdings Ltd, managing director and CEO of OAMPS Limited.

Other Directorships in listed entities: Bendigo & Adelaide Bank Limited (since April 2006), Pacific Current Group Limited (since August 2015), Primary Opinion Limited (since October 2015), PSC Insurance Group Ltd (since July 2015)

Former Directorships in listed entities in last 3 years: Centrepont Alliance Limited - Resigned April 2014

Interests in shares and options: 800,000 Ordinary Shares
1,500,000 options exercisable at \$0.21 before 3 September 2019.

Company Secretaries

Janelle O'Reilly

Company Secretary & General Counsel BEcLLB, GAICD, FGIA

Experience and qualifications: Janelle became Joint Company Secretary on 9 September 2016 and sole Company Secretary on 7 October 2016. Janelle was previously Company Secretary & General Counsel for ASX listed companies Crane Group Limited and Ruralco Holdings Limited. She is an expert in commercial law and corporate governance and was the General Manager of Governance for State owned Aurora Energy Pty Ltd where she was responsible for legal services, company secretariat, risk, compliance and information management. She is a Director of Tasmanian not for profit Colony 47.

Mark Licciardo

Joint Company Secretary until 7 October 2016

Experience and qualifications: Mark Licciardo (B Bus(Acc), GradDip CSP, FGIA, GAICD) is the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is also the former Chairman of the Governance Institute of Australia (GIA) Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

Matthew Rowe

Joint Company Secretary until 30 June 2016

Experience and qualifications: Matthew Rowe is a Corporate Governance Advisor at Mertons Corporate Services, is an Associate of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and has a Masters in Corporate Governance. Matthew has extensive experience of providing corporate governance, administration and company secretarial services to boards of directors of Australian, UK and European listed companies.

DIRECTORS' REPORT

Meeting of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2016 and the number of meetings attended by each Director.

During the financial year 10 board meetings were held in addition to the Company's Annual General Meeting held on 23 May 2016.

DIRECTOR	BOARD MEETING		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
R Woolley	10	9	3	1	3	2
J Bennett*	10	10	3	3	3	3
H Robertson	10	9	3	2	3	2
R McBain	10	10	3	3	3	3
A Robinson	10	10	3	3	3	3

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

Principal Activities

During the year the principal activities of the Group were the processing, manufacture and sale of premium Tasmanian made produce. Until June 2016 the Group was focused on production of premium cream, butter and dairy products. Upon the acquisition of Nichols Poultry and Shima Wasabi in June 2016, the scope of the principal activities expanded into other premium food categories.

Other than the expansion into other premium food categories, there have been no significant changes in the nature of the principal activities of the Group during the financial year.

Operating Results and Financial Position

A comprehensive review of operations is set out in the front section of this Annual Report under Review of Operations.

Significant Change in State of Affairs

Discontinued operations

Following the strategic review carried out during 2015, the Company discontinued all loyalty, rewards and payment solutions operations. During the 2016 financial year, the Company deregistered all interests in Hong Kong, Singapore and Malaysia and, in the case on Oncard Pte Ltd in Singapore, liquidated the company's assets. All interests in Chinese entities were disposed of during the 2015 financial year.

Acquisition of Nichols Poultry Pty Ltd

The Company completed the acquisition of the share capital and associated land and buildings and wind turbine of Nichols Poultry Pty Ltd ("Nichols Poultry") on 15 June 2016, a business based in Tasmania. The consideration paid to the owners of Nichols Poultry amounted to \$9.359 million and included the issue of 8,000,000 new fully paid ordinary shares issued at a nominal value of \$0.25 (25 cents) per share to the vendor (R & J N Family Trust). The balance of the consideration (\$7.359 million) was paid in cash.

The Nichols Poultry brand is well known for quality. It is the second largest poultry processor in Tasmania, producing chickens for the Tasmanian market where it holds a market share of approximately 25%. Nichols Poultry has a number of attributes that positions it to supply products for a premium market.

Acquisition of Shima Wasabi Pty Ltd

The Company also completed the acquisition of the share capital of Shima Wasabi Pty Ltd ("Shima Wasabi") on 15 June 2016, a business based in Tasmania. The consideration paid to the owners of Shima Wasabi amounted to \$2.768 million and included the issue of 1,200,000 new fully paid ordinary shares issued at a nominal value of \$0.25 (25 cents) per share to the vendors (Stephen Welsh and Karen Welsh). The balance of the consideration (\$2.468 million) was paid in cash.

Shima Wasabi operates a business producing and distributing both fresh and powdered wasabi and is the largest producer of fresh wasabi in the Southern hemisphere.

Acquisition of Goat Herd

In June 2016, the Company acquired a goat herd and assets comprised of 500 milking goats, and related plant and equipment from Cosy Goats in Tasmania.

This acquisition was made to provide milk for a new range of products, the first of which, being fresh goat milk under the Robur Farm Dairy brand, was made available to the market in December 2016.

Capital Raising

On 19 February 2016 the Company issued 22,232,000 ordinary shares at \$0.25 (25 cents) per share to investors associated with the Company, who took up the shortfall in the Company's share purchase plan offer (due to eligible shareholders not applying for their full entitlement of shares under the offer) under a placement of new and fully paid ordinary shares in the Company.

DIRECTORS' REPORT Continued

On 8 March 2016 the Company issued a further 1,200,000 ordinary shares at \$0.25 (25 cents) per share to sophisticated investors to enable further acquisitions and other growth opportunities.

A prospectus was issued in May 2016, detailing a public offer of the Company's shares. The offer was concluded in June 2016 and, as a result, 101,577,000 ordinary shares were issued by the Company at \$0.25 (25 cents) per share, raising \$25,394,250 before costs. The cash raised was utilised in the settlement of the acquisition of Nichols Poultry and provides the Company with working capital as it continues its strategy of acquiring and developing (including capital infrastructure expenditure) premium branded food products and businesses.

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

After Balance Date Events

No matters or circumstances have arisen since 31 December 2016, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Remuneration Report

Introduction

The Directors of TasFoods Limited present the Remuneration Report for the Company and its controlled entities for the financial year ended 31 December 2016, prepared in accordance with the requirements of the Corporations Act 2001 and its regulations.

This report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group, which comprises all Directors (executive and non-executive) and those other members of the TasFoods Executive who have authority and responsibility for planning, directing and controlling the activities of the Group.

After OnCard International Limited acquired the assets of the Meander Valley Dairy in 2015 the Company changed its name to TasFoods Limited and altered the nature of its business. Accordingly, in 2016 the Company's main activity related to acquiring and developing Tasmanian premium branded food businesses (including, Nichols Poultry and Shima Wasabi) and, therefore, the details of KMP remuneration for 2016 relate to those activities and the current remuneration structure and proposed changes for 2017.

Key Management Personnel

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

The KMP of TasFoods for the year ended 31 December 2016 were:

Non-executive Directors	Role	Appointment
Rob Woolley	Chairman	03-September-2015
Hugh Robertson ¹	Non-executive Director	21-February-2014
Antony Robinson ²	Non-executive Director	29-May-2014
Roger McBain ³	Non-executive Director	03-September-2015
KMP - Executive Director		
Jane Bennett ⁴	Managing Director and CEO	03-September-2015
KMP Executives		
Tom Woolley	Chief Operating Officer	03-September-2015
Donna Wilson ⁵	Chief Financial Officer	27-June-2016

1. Hugh Robertson remained a Non-Executive Director after OnCard International acquired the assets of the Meander Valley Dairy in 2015 and the Company changed its name to TasFoods Limited and altered the nature of its business. Hugh resigned from the position of Non-Executive Director on 10 February 2017.

2. Antony Robinson remained a Non-Executive Director after OnCard International acquired the assets of the Meander Valley Dairy in 2015 and the Company changed its name to TasFoods Limited and altered the nature of its business.

3. Roger McBain was an Executive Director as he also held the role of Finance Director. Effective 1 July 2016 Mr Roger McBain transitioned to a role as Non-Executive Director.

4. Jane Bennett was appointed to the role of Head of Dairy Strategy on 3 September 2015 and then to the role of CEO and Managing Director on 17 February 2016.

5. Donna Wilson was appointed to the role of Chief Financial Officer effective 27 June 2016.

Role of the Nomination and Remuneration Committee

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

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

DIRECTORS' REPORT

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

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

The Nomination and Remuneration Committee periodically engages independent external consultants to advise and assess the remuneration of the Chairman, Non-executive Directors, CEO and those executives reporting to the CEO.

Kurt Elder, an independent remuneration consultant, was engaged by the Nomination and Remuneration Committee in the year ended 31 December 2016 to benchmark the remuneration of the Non-Executive Directors, CEO and those executives reporting to her against market data. The engagement was in accordance with the TasFoods' governance processes. The fees incurred were \$3,750.

Remuneration Structure

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

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

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

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

- Total Fixed Remuneration (base salary + superannuation)
- At-Risk Remuneration:
 - Short-Term Incentive ("STI")
 - Long-Term Incentive ("LTI")

Fixed Remuneration

The remuneration for executives includes a fixed component comprised of base salary and employer superannuation contributions. To ensure that fixed remuneration for TasFoods' executives remains competitive, it is reviewed regularly by the Remuneration and Nomination Committee with reference to similar roles in ASX-listed companies that have comparable market capitalisation, revenues, and financial metrics relevant to the executive's role, skills and experience.

On Jane Bennett's appointment to Managing Director and CEO on 17 February 2016 Jane's salary was increased from \$200,000 (plus superannuation) to \$240,000 (plus superannuation). The Nomination and Remuneration Committee and the Board of Directors are satisfied that the remuneration is an appropriate reward in relation to the increased responsibilities and accountabilities and Jane's ongoing contribution to the Company's development and financial performance.

In recognition of the amount of car travel undertaken by the COO, Tom Woolley, the Nomination and Remuneration Committee and the Board of Directors approved a car allowance of \$10,000 per annum effective 8 August 2016.

	Base Salary	Allowances	Superannuation	Total Fixed Remuneration
KMP - Executive Director				
Jane Bennett	\$240,000	-	\$22,800	\$262,800
KMP Executives				
Tom Woolley	\$200,000	\$10,000	\$19,000	\$229,000
Donna Wilson	\$160,000	-	\$15,200	\$175,200

Details of KMP executives' total fixed remuneration paid for the year ended 31 December 2016 (and 31 December 2015) can be found in the 'Remuneration Tables' below.

DIRECTORS' REPORT Continued

Variable Remuneration

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

Variable remuneration is linked to performance by:

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

Short-Term Incentive (STI)

The Board recognises that a short-term incentive plan should put a meaningful proportion of an executive's remuneration at risk, to be delivered based on the achievement of performance measures linked to the Group's annual business objectives together with the executive's individual performance over that period.

During 2016 the Board has undertaken work to establish an STI structure and the quantum for its executives. It is expected that this will be in place for 2017 and details of the STI structure and quantum will be disclosed in the 2017 remuneration report. It is intended that the STI will include a mixture of business and individual measures that will be set based on the Company's annual objectives. The STI measures will aim to increase financial performance, market share, and shareholder returns.

No STI payments will be made to KMP executives in respect of the year ended 31 December 2016.

Long-Term Incentive (LTI)

The Board recognises that an LTI plan rewards executives in a manner that aligns this element of remuneration with the creation of shareholder value. As such, LTI grants are only made to executives who are able to influence the generation of shareholder value and thus have a direct impact on the Company's performance against relevant long-term performance hurdles.

During 2016 the Board has undertaken work to establish an LTI structure and the quantum for its executives. It is expected that this will be in place for 2017 and details of the LTI structure and quantum will be disclosed in the 2017 remuneration report.

No LTI grants will be made to KMP executives in respect of the year ended 31 December 2016.

Relationship between remuneration policy and company performance

As stated above, no STI payments were made to executives in 2016. Nonetheless, TasFoods has set out information about the Group's earnings and movements in shareholders' value for the current financial year (the first year that TasFoods undertook its major activities relating to dairy, poultry, and wasabi).

Financial Year Ended 30 December	2016
Revenue (\$000)	\$15,980
Net (loss)/profit before tax	\$(2,611)
Net (loss)/profit after tax	\$(2,577)
Share price at start of year	\$0.41
Share price at end of year	\$0.18
Share price growth	-56.10%
Dividends	\$0.00
Basic (loss)/earnings per share	\$(2.33)
Diluted (loss)/earnings per share	\$(2.33)
Average STI payout as a % at-target for eligible KMP executives	0.00%

DIRECTORS' REPORT

Key Management Personnel - Service Agreements

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

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

Non-executive directors' remuneration structure

TasFoods' remuneration policy for non-executive directors aims to ensure that TasFoods can attract and retain suitably qualified and experienced directors having regard to:

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

Under the ASX Listing Rules, the total amount paid to all non-executive directors in any financial year must not exceed the amount fixed in a general meeting of the Company. This amount is currently \$400,000 as determined by Shareholders at an Annual General Meeting held on 23 November 2009.

At 1 January 2016 the non-executive director fees (inclusive of superannuation) were:

NED	Base Fee	Committee Chair Fee	Total
Rob Woolley (Chair)	\$50,000	-	\$50,000
Hugh Robertson	\$30,000	-	\$30,000
Antony Robinson	\$45,000	\$5,000	\$50,000

Within the aggregate amount of \$400,000, non-executive directors' fees are reviewed periodically and determined by the Nomination and Remuneration Committee and the Board with reference to other ASX-listed companies that have comparable market capitalisation.

A review of NED fees was undertaken in 2016, based on the benchmark data of a market capitalisation comparator group.

As a result of this review the NED fees, effective 1 July, (inclusive of superannuation) were:

NED	Base Fee	Committee Chair Fee	Total
Rob Woolley (Chair)	\$100,000	-	\$100,000
Hugh Robertson	\$45,000	-	\$45,000
Antony Robinson	\$45,000	\$5,000	\$50,000
Roger McBain¹	\$45,000	\$5,000	\$50,000

1. Effective 1 July 2016, the date he transitioned to non-executive director.

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

DIRECTORS' REPORT Continued

A non-executive director may be paid such additional or special remuneration as the Board decides is appropriate where a director performs extra work or services. Roger McBain provides TasFoods with consultancy services in relation to acquisitions and special projects work on merger and acquisition related activities. These services are in addition to his directors' duties and require substantial involvement outside non-executive board and committee meetings. Where these services are provided to TasFoods, Roger McBain is paid a daily rate of \$1,500. This rate has been approved by the Board.

Subsequent to his appointment as a non-executive director Roger McBain provided services relating to the due diligence for proposed acquisitions. Roger McBain was paid \$4,500 for these services. The amount is included in Table A below.

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

Restrictions on LTIP shares prior to vesting

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

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

Remuneration Tables - Directors and KMP Executives

Details of the nature and amount of each element of the remuneration and shareholdings of the KMP of the consolidated entity are set out in the following tables.

Table A: Remuneration for KMP for the year ended 31 December 2016

	Year	Short Term Employee Benefits				Post-employment Benefits	Share Based Payments		Total	Performance Related %
		Salary/Fees	STI Payment ⁴	Non- monetary benefits	Movement in Employee Entitlements	Superannuation	Long term employment benefits	Shares ⁵	Options ⁶	
Non-executive Directors		\$	\$	\$	\$	\$	\$	\$	\$	%
Robert Woolley	2016	75,000	-	-	-	-	-	-	75,000	-
	2015	15,873	-	-	-	794	-	-	104,500	-
Hugh Robertson ¹	2016	34,060	-	-	-	3,440	-	-	37,500	-
	2015	48,810	-	-	-	2,440	-	-	51,250	-
Antony Robinson ²	2016	45,662	-	-	-	4,338	-	-	50,000	-
	2015	153,106	850,000	-	-	9,390	-	-	30,000	-
Roger McBain ³	2016	119,023	-	-	-	11,881	-	-	130,904	-
	2015	24,167	-	-	1,410	1,583	-	-	27,500	-
KMP - Executive Director										
Jane Bennett	2016	228,127	-	-	10,067	21,633	-	-	259,827	-
	2015	66,667	-	-	3,949	6,333	-	-	27,500	-
KMP Executives										
Tom Woolley	2016	203,397	-	-	11,577	19,323	-	-	234,297	-
	2015	66,667	-	-	3,103	6,333	-	-	27,500	-
Donna Wilson	2016	83,364	-	-	6,566	7,920	-	-	97,850	-
	2015	-	-	-	-	-	-	-	-	-

1. The remuneration disclosed for Hugh Robertson in 2015 includes remuneration that relates to his role of Chairman of OnCard International Limited and his duties as a non-executive director of TasFoods (effective 3 September 2015).

2. The remuneration disclosed for Antony Robinson in 2015 includes remuneration that relates to his role of Managing Director of OnCard International Limited and his duties as a non-executive director of TasFoods (effective 3 September 2015).

3. Up until 30 June 2016 Mr Roger McBain was paid a base salary of \$200,000 (plus superannuation) in his role of Executive Director Finance. From 1 July 2016 Roger McBain received board fees as set out in this report. The amount for 2016 also includes \$4,500 which relates to consultancy services provided to TasFoods also set out in this report.

4. No STI payments were made to KMP in 2016.

5. No new shares were issued to Directors or Executives as part of their remuneration during the year ended 31 December 2016.

6. No options were issued to Directors or Executives as part of their remuneration during the year ended 31 December 2016.

DIRECTORS' REPORT

Share based payments

Table B: Details of share-based payments granted as remuneration to KMP during 2016 are set out below:

	Year	Grant Date	Number Granted	Value of Options Granted	Number Vested	Percentage of Grant Forfeited
			No.	\$	No.	No.
Non-executive Directors						
Rob Woolley	2016		-	-	-	0%
	2015	19-Nov-15	9,500,000	104,500	-	0%
Hugh Robertson	2016		-	-	-	0%
	2015		-	-	-	0%
Antony Robinson	2016		-	-	-	0%
	2015	19-Nov-15	1,500,000	30,000	-	0%
Roger McBain	2016		-	-	-	0%
	2015	19-Nov-15	2,500,000	27,500	-	0%
KMP - Executive Director						
Jane Bennett	2016		-	-	-	0%
	2015	19-Nov-15	2,500,000	27,500	-	0%
KMP Executives						
Tom Woolley	2016		-	-	-	0%
	2015	19-Nov-15	2,500,000	27,500	-	0%
Donna Wilson	2016		-	-	-	0%
	2015		-	-	-	0%

Options over shares in TasFoods Limited

Table C: Shows the movements during 2016 in the options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Options held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Options held at End of Year
		No.		No.	No.	No.	No.
Non-executive Directors							
Rob Woolley	2016	9,500,000	-	-	-	-	9,500,000
	2015	-	9,500,000	-	-	-	9,500,000
Hugh Robertson	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Antony Robinson	2016	1,500,000	-	-	-	-	1,500,000
	2015	-	1,500,000	-	-	-	1,500,000
Roger McBain	2016	2,500,000	-	-	-	-	2,500,000
	2015	-	2,500,000	-	-	-	2,500,000
KMP - Executive Director							
Jane Bennett	2016	2,500,000	-	-	-	-	2,500,000
	2015	-	2,500,000	-	-	-	2,500,000
KMP Executives							
Tom Woolley	2016	2,500,000	-	-	-	-	2,500,000
	2015	-	2,500,000	-	-	-	2,500,000
Donna Wilson	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-

DIRECTORS' REPORT Continued

Fully paid ordinary shares of TasFoods Australia Limited

Table D: Shows the movement during 2016 in the shares of TasFoods

	Year	Shares held at Start of Year	Issued as Remuneration	Share Buyback	Net other changes	Shares held at End of Year
Non-executive Directors		No.		No.		No.
Rob Woolley	2016	223,000	-	-	4,000,000	4,223,000
	2015	-	-	-	223,000	223,000
Hugh Robertson	2016	174,000	-	-	840,000	1,014,000
	2015	150,000	-	-	24,000	174,000
Antony Robinson	2016	400,000	-	-	400,000	800,000
	2015	-	-	-	400,000	400,000
Roger McBain	2016	199,000	-	-	2,000,000	2,199,000
	2015	-	-	-	199,000	199,000
KMP - Executive Director						
Jane Bennett	2016	199,000	-	-	1,800,000	1,999,000
	2015	-	-	-	199,000	199,000
KMP Executives						
Tom Woolley	2016	199,000	-	-	1,400,000	1,599,000
	2015	-	-	-	199,000	199,000
Donna Wilson	2016	-	-	-	-	-
	2015	-	-	-	-	-

Indemnity and Insurance of Officers

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

Indemnity and Insurance of Auditor

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

Environmental Regulations

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

Shares under Option or Issued on Exercise of Options

The Company has 18,500,000 options on issue at 31 December 2016. These options were issued in 2015 year under the Company's Employee Share Option Plan ('ESOP'). All options are exercisable on or before 3 September 2019. 10,000,000 are exercisable at \$0.21 (21 cents) per share, and the remaining 8,500,000 are exercisable at \$0.42 (42 cents) per share. The options do not entitle the holder to participate in any share issue or interest issue by virtue of holding the option. The options do not carry voting rights or any dividend entitlement.

Proceedings on Behalf of the Company

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

Non-Audit Services

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

DIRECTORS' REPORT

Details of amounts paid or payable to the Group's auditor, PricewaterhouseCoopers (2015: BDO East Coast Partnership) for audit and non-audit services provided during the year are set out below.

	2016 \$	2015 \$
Auditors of the parent entity: Auditing the financial report	108,850	63,000
Non-audit services (a)	-	38,865
	108,850	101,865
PKF offices (b) Auditing the financial report – subsidiary companies	-	14,813
Non-audit services - subsidiary companies	-	-
	108,850	116,678

(a) Non-audit services performed in the 2015 financial year by BDO East Coast Partnership relate principally to tax compliance advice.

(b) Audit services provided by PKF (HK) in relation to subsidiary company audits located in Hong Kong, Singapore and audit services provided by PKF Daxin to subsidiary company audits located in China.

The Directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Profession and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included at page 41 of the Annual Report.

Auditor

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

Corporate Governance

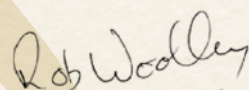
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The Group continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Group has not followed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

Rounding of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Class Order applies. Amounts in the directors' report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

On behalf of the Directors



Rob Woolley
Chairman

24 February 2017

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Alison Tait', written in a cursive style.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
24 February 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2016

	Note	2016 \$000	2015 \$000
Revenue from continuing operations	6	15,980	1,019
Other income	6	159	1,457
Fair value adjustment of biological assets		1,183	-
Raw materials used		(9,475)	(510)
Employment and contractor expense		(6,849)	(2,000)
Occupancy costs		(620)	(104)
Depreciation and amortisation		(307)	(16)
Legal and professional fees		(601)	(1,280)
Marketing and advertising expense		(606)	-
Research and development expense		(119)	-
Investment expenses		(110)	(400)
Travel and accommodation		(249)	(51)
Other expenses		(997)	(211)
Loss before income tax		(2,611)	(2,096)
Income tax expense	8	(371)	-
Net Loss after tax for the year from continuing operations		(2,982)	(2,096)
Net Profit/(Loss) after tax for the year from discontinued operations	9	405	(2,107)
Net Loss for the year		(2,577)	(4,203)
Other Comprehensive income			
<i>Items that may be reclassified to profit or loss in future periods:</i>			
Exchange differences on translation of discontinued operations		-	(8)
<i>Items that have been reclassified to profit or loss in the current period:</i>			
Exchange differences on translation of discontinued operations		(367)	-
Other comprehensive income/(loss) net of tax		(367)	(8)
Total comprehensive loss		(2,944)	(4,211)
Net Profit for the period is attributable to:			
Non-controlling interest		-	2
Owners of TasFoods Limited		(2,577)	(4,205)
		(2,577)	(4,203)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	2
Owners of TasFoods Limited		(2,944)	(4,213)
		(2,944)	(4,211)
Attributable to continuing operations		(2,982)	(2,096)
Attributable to discontinued operations		38	(2,115)
		(2,944)	(4,211)
Basic loss per share (cents per share)		(2.33)	(4.39)
Diluted loss per share (cents per share)		(2.33)	(4.39)
Basic loss per share from continuing operations (cents per share)		(2.70)	(2.19)
Diluted loss per share from continuing operations (cents per share)		(2.70)	(2.19)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 \$000	2015 \$000
Current Assets			
Cash and cash equivalents	20	11,862	2,799
Trade and other receivables	10	2,222	1,718
Current tax receivable	8	42	-
Biological assets	11	1,814	-
Inventory	12	1,222	30
Prepayments		305	71
Total Current Assets		17,467	4,618
Non-Current Assets			
Property, plant and equipment	13	12,793	230
Intangible assets	14	8,989	1,879
Biological assets	11	255	-
Deferred tax assets	8	168	-
Total Non-Current Assets		22,205	2,109
Total Assets		39,672	6,727
Current Liabilities			
Trade and other payables	15	3,117	990
Borrowings	16	690	-
Provisions	17	373	187
Total current liabilities		4,180	1,177
Non-Current Liabilities			
Borrowings	16	321	-
Provisions	17	98	-
Total Non-Current Liabilities		419	-
Total Liabilities		4,599	1,177
Net Assets		35,073	5,550
Equity			
Contributed equity	18	39,086	6,618
Reserves	19	217	584
Accumulated losses		(4,230)	(1,652)
Total Equity		35,073	5,550

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Contributed Equity	Reserves	(Accumulated losses)/ Retained Earnings	Non- Controlling Interest	Total
	\$000	\$000	\$000	\$000	\$000
At 1 January 2015	38,516	375	18,265	203	57,359
Profit / (Loss) for the year	-	-	(4,205)	2	(4,203)
Other comprehensive income	-	(8)	-	-	(8)
Total comprehensive income for the year	-	(8)	(4,205)	2	(4,211)
Transactions with owners in their capacity as owners:					
Disposal of non-controlling interest	-	-	-	(205)	(205)
Dividends paid	-	-	(15,712)	-	(15,712)
Issue of shares	1,918	-	-	-	1,918
Purchase of shares under the share buy-back scheme	(33,816)	-	-	-	(33,816)
Share based payments	-	217	-	-	217
As at 31 December 2015	6,618	584	(1,652)	-	5,550
At 1 January 2016	6,618	584	(1,652)	-	5,550
Loss for the year	-	-	(2,577)	-	(2,577)
Other comprehensive income	-	(367)	-	-	(367)
Total comprehensive income for the year	-	(367)	(2,577)	-	(2,945)
Transactions with owners in their capacity as owners:					
Acquisition transactions	2,300	-	-	-	2,300
Issue of shares	31,252	-	-	-	31,252
Share issue costs (net of tax)	(1,084)	-	-	-	(1,084)
As at 31 December 2016	39,086	217	(4,230)	-	35,073

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		16,122	659
Payments to suppliers and employees		(19,532)	(5,691)
Interest received		33	709
Interest paid		(32)	-
Income taxes received in overseas jurisdictions		-	3
Settlement proceeds regarding The Van Diemen's Land (VDL) Company acquisition litigation		1,250	-
Legal fees associated with the VDL litigation and settlement		(576)	-
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(231)	-
Net cash outflow from operating activities	20	(2,966)	(4,320)
Cash flows from investing activities			
Payments for property, plant & equipment		(3,693)	(20)
Proceeds from disposal of financial assets		-	2,751
Acquisition of goat herd		(204)	-
Net cash used in business combination		(9,827)	(1,800)
Settlement of litigation claim		-	(250)
Net cash foregone from disposal of subsidiaries		(4)	(944)
Net cash outflow from investing activities		(13,728)	(263)
Cash flows from financing activities			
Proceeds from issue of shares		31,252	1,842
Cost of issuing shares		(1,549)	(224)
Payments made to buy back shares		-	(33,816)
Dividends paid to equity holders		-	(15,712)
Proceeds from borrowings		163	-
Repayment of borrowings		(4,617)	-
Net cash inflow from financing activities		25,249	(47,910)
Net increase/(decrease) in cash held		8,555	(52,493)
Cash and cash equivalents at the beginning of the year		2,799	55,331
Effects of exchange changes on the balances held in foreign currencies		-	(39)
Cash and cash equivalents at the end of the year	20	11,354	2,799

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information

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

The financial statements were authorised for issue on 24 February 2017 by the Directors of the Company.

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

2. Significant changes in the current reporting period

During the year the Company completed the acquisition of the Nichols Poultry and Shima Wasabi business units to complement the existing operations and advance the Company's growth strategy.

The consideration paid to the owners of Nichols Poultry amounted to \$9.359 million and included the issue of 8,000,000 new fully paid ordinary shares issued at a nominal value of \$0.25 (25 cents) per share to the sellers (R & J N Family Trust). The balance of the consideration (\$7.359 million) was paid in cash.

The consideration paid to the owners of Shima Wasabi amounted to \$2.768 million and included the issue of 1,200,000 new fully paid ordinary shares issued at a nominal value of \$0.25 (25 cents) per share to the sellers (Stephen Welsh and Karen Welsh). The balance of the consideration (\$2.468 million) was paid in cash.

The Company also completed a public offer of its shares which raised \$25.394 million before costs, with a further \$5.858 million raised through other share issues.

There is a detailed discussion of the Group's financial performance and position included in the Review of Operations on pages 12 to 27 at the start of this Annual Report.

There have been no changes in accounting policies since the previous financial report at 31 December 2015.

3. Segment information

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

- The Dairy segment incorporates the Meander Valley Dairy business, the assets of which were acquired in September 2015, and goat farming operations which were acquired in June 2016.
- 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 comprises:
 - Corporate costs that are not directly attributable to operational business units, including the recently established 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;
 - The net assets and business operations of Shima Wasabi Pty Ltd, which was acquired in June 2016; and
 - The MarketSmart loyalty system, which provided services to a significant customer that in turn, managed customer loyalty programmes. The customer terminated services in June 2015. Management resolved in 2016 to close and deregister MarketSmart.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Consolidated - 2016	Dairy	Poultry	Corporate and Other	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
Total segment revenue	1,981	13,849	150	15,980
Other income	16	126	17	159
				16,139
Segment profit/(loss)	(816)	134	(1,929)	(2,611)
Profit after tax from discontinued operation				405
Loss before income tax expense				(2,206)
Income tax expense				(371)
Loss after income tax expense				(2,577)
Assets				
Segment assets	5,538	18,037	15,929	39,504
<i>Unallocated assets continuing operations:</i>				
Deferred Tax Asset				168
<i>Unallocated assets - discontinued operations:</i>				-
Total assets				39,672
<i>Total assets include:</i>				
Goodwill on acquisition of non-current assets	1,879	4,709	2,218	8,806
Liabilities				
Segment liabilities	384	3,738	477	4,599
<i>Unallocated liabilities - discontinued operations:</i>				-
Total liabilities				4,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated - 2015	Meander Valley Dairy \$'000	Corporate and Other \$'000	Total \$'000
Revenue			
Total segment revenue	790	229	1,019
Other income	-	1,457	1,457
Total revenue			2,476
Segment profit/(loss)	47	(2,143)	(2,096)
Loss after tax from discontinued operation			(2,107)
Loss before income tax expense			(4,203)
Income tax benefit			-
Loss after income tax expense			(4,203)
Assets			
Segment assets	3,033	3,645	6,678
<i>Unallocated assets - discontinued operations:</i>			
Cash and cash equivalents			44
Other current assets			5
Total assets			6,727
<i>Total assets include:</i>			
Goodwill on acquisition of non-current assets	1,879	-	1,879
Liabilities			
Segment liabilities	172	805	977
<i>Unallocated liabilities - discontinued operations:</i>			
Other payables			200
Total liabilities			1,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

SHAREHOLDER RETURNS

4. Earnings per share

	2016 CENTS	2015 CENTS
Basic loss per share	(2.33)	(4.39)
Diluted loss per share	(2.33)	(4.39)
Basic loss per share from continuing operations	(2.70)	(2.19)
Diluted loss per share from continuing operations	(2.70)	(2.19)
Basic (loss)/earnings per share from discontinued operations	0.37	(2.20)
Diluted (loss)/earnings per share from discontinued operations	0.37	(2.20)
	\$'000	\$'000
Net (loss)/profit from continuing operations attributable to the Owners of TasFoods Limited used in calculation of basic and diluted earnings per share for:		
All operations	(2,577)	(4,203)
Continuing operations	(2,982)	(2,096)
Discontinued operations	405	(2,107)

	2016 Number	2015 Number
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	110,521,565	95,864,090
Diluted		
Weighted average number of ordinary shares and convertible redeemable cumulative preference shares outstanding and performance rights during the period used in the calculation of basic earnings per share	110,521,565	95,864,090

Information Concerning the Classification of Securities

(a) Ordinary shares held in escrow:

8,000,000 ordinary shares were issued in part satisfaction of the consideration for the Nichols Poultry Pty Ltd acquisition (held in the name of Nichols Investments Pty Ltd as trustee for the R & J N Nichols Family Trust) were held in voluntary escrow from 15 June 2016 until 15 December 2016. There were no ordinary shares held in escrow at 31 December 2016 (31 December 2015: nil)

(b) Potential ordinary shares:

There were no options (other than those referred to in Note 32) or other forms of potential shares on issue at 31 December 2016 (31 December 2015: Nil).

Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

5. Dividends to shareholders

On 16 February 2015, the Company declared an unfranked dividend of 9 cents per share, a total of \$15,711,560. This dividend had a record date of 23 February 2015 and a payment date of 20 March 2015. The amount per security of this dividend that related to foreign sourced income was 9 cents per share.

No dividends have been paid or declared during the year ended 31 December 2016.

PROFIT & LOSS INFORMATION

6. Revenue

	2016 \$000	2015 \$000
Revenue from Continuing Operations		
Sales Revenue	15,980	1,019
	15,980	1,019
Other income		
Interest received	33	707
Settlement of legal matter	-	750
Sundry income	126	-
Total other income	159	1,457

Recognition and measurement

Sales revenue

Revenue from the sale of goods is measured at the fair value of the consideration received after taking into account any trade discounts and volume rebates allowed.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of dispatch of the goods to the customer.

Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

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

Interest revenue

Interest revenue is recognised using the effective interest method.

Dividend revenue

Dividend revenue is recognised when the Group's right to receive the payment is established.

Settlement of legal matter

During the previous year the Company entered into an agreement to acquire the assets of The Van Diemen's Land Company ("VDL"). As part of the agreement the Company paid a non-refundable deposit of \$500,000. Subsequent to signing the agreement the Company received notice that the owners of VDL intended to terminate the agreement as it did not consider it possible that all conditions precedent would be satisfied. The Company subsequently came to an agreement with the owners of VDL under which the Company received compensation of \$1,250,000 in full and final settlement of the matter, consisting of \$500,000 refund of deposit and \$750,000 costs reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7. Expenses

	Note	2016 \$000	2015 \$000
Profit before income tax expense includes the following specific expenses:			
Employee benefits expense:			
Salaries and wages		4,625	1,395
Temporary employees		1,410	-
Share based payments		-	217
Superannuation expense (defined contribution)		384	50
Cash bonus		-	850
Termination payments		-	1
Total employment benefits		6,419	2,513
Consultant fees		64	294
Other employment expenses		479	78
Total employment and contractor expense		6,962	2,885
The expense above is split as follows: -			
Continuing operations		6,849	2,000
Discontinued operations		113	885
		6,962	2,885
Rental expense relating to operating leases		147	348
Investment expense		110	400

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8. Income tax

	Note	2016 \$000	2015 \$000
(a) Income tax recognised in profit or loss:			
Tax expense/(benefit) comprises:			
Current tax (benefit)/expense		(54)	(10)
Deferred tax movements		425	-
		371	(10)
Income tax (benefit)/expense is attributable to:			
Continuing operations		371	-
Discontinued operations		-	(10)
		371	(10)
Deferred income tax (benefit)/expenses included in income tax expense comprises:			
Increase in deferred tax assets		873	-
Increase in deferred tax liabilities		(502)	-
		371	-
Reconciliation of income tax expense to prima facie tax on accounting profit:			
Loss before income tax expense		(2,206)	(4,211)
Tax benefit at Australian tax rate of 30% (2015: 30%)		(662)	(1,264)
Tax effect of amounts which are not deductible in calculating taxable income		7	778
Tax effect of amounts which are not taxable in calculating taxable income – discontinued operations		(122)	-
Capital Gain		17	-
Research and development tax offset		(54)	-
		(814)	(486)
Difference in overseas tax rates		-	12
Deferred taxes not recognised		1,185	464
Previously unrecognised temporary differences now recognised as deferred tax balances		-	-
Income Tax (Benefit)/Expense for the Period		371	(10)
(b) Income tax benefit recognised directly in equity during the period:			
Deferred tax arising from share issue costs		(465)	-
		(465)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(c) Deferred tax balances:

Taxable and deductible temporary differences arise from the following:

	Opening Balance \$'000	Acquired as part of Business Combination \$000	Charged to Income \$'000	Charged to Equity \$'000	Closing Balance \$'000
Gross deferred tax assets:					
Provisions	-	100	41	-	141
Trade and other payables	-	28	12	-	40
Share issue expense	-	-	(39)	465	426
Trade and other receivables	-	-	7	-	7
Property, plant and equipment	-	-	2	-	2
Intangibles	-	-	54	-	54
	-	128	77	465	670
Gross deferred tax liabilities:					
Biological assets	-	-	(313)	-	(313)
Inventory	-	-	(156)	-	(156)
Property, plant and equipment	-	-	(8)	-	(8)
Other	-	-	(25)	-	(25)
	-	-	(502)	-	(502)
Net deferred tax asset/(liability)	-	128	(425)	465	168

(d) Tax Losses

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

	2016 \$000	2015 \$000
Capital losses	1,597	-
Revenue losses	15,295	10,004
	16,892	10,004
Potential tax benefit at 30%	5,068	3,001

Unused tax losses

Losses incurred post 1 January 2015

As at 31 December 2016 the Group has unused tax losses of \$6.483 million for which no deferred tax asset has been recognised. The Company has adopted a conservative approach to the recognition of deferred tax assets with respect to tax losses available to the Group, and has determined not to recognise these losses until such time there is greater evidence supporting taxable profit of the Group.

Losses incurred prior to 31 December 2014

In addition, the Company has unused tax losses (\$8.812 million revenue losses and \$1.597 million capital losses) which were incurred under the loyalty, rewards and payment solutions operations of OnCard International Limited. The Company has conservatively decided not to recognise a deferred tax asset in relation to these tax losses on the basis that the Australian tax losses are subject to further review by the Group to determine if they satisfy the necessary legislative requirements under income tax legislation for the carry forward and recoupment of tax losses. The Company is currently undertaking a review of the accessibility of the unrecognised tax losses under the "Continuity of Ownership" Test. The review is not yet complete and the Company is not currently in a position to state that the losses are accessible in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Recognition and measurement

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

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

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

Tax Consolidation

The Company and its wholly-owned Australian controlled entities have formed an income tax consolidated group effective 1 July 2016 under tax consolidation legislation. Each entity in the Group recognises its own deferred tax assets and liabilities arising from temporary differences. Such taxes are measured using the 'stand-alone taxpayer' approach. Current tax liabilities or assets and deferred tax assets arising from unused tax losses and tax credits in the controlled entities are immediately transferred to the head entity which is the Parent entity. No tax sharing or funding arrangements are presently in place.

9. Discontinued operations

(a) Description

On 20 January 2015, the Company announced that the Board, having received and considered the results of the strategic review, had decided to close the Chinese business operations on the basis that the Directors believed: -

- The businesses were likely to require material ongoing investment to make them profitable, and
- The potential returns were uncertain, may not have materialised for some time, and were unlikely to be material.

On 1 June 2015, the Company entered into contracts to sell the following entities and as such reported in the financial statements for the Year ended 31 December 2015: -

- OnCard Consulting Services Shanghai Ltd;
- Yin Chang Information Technology Shanghai Co., Ltd;
- Shanghai Yifutong Network Technology Co., Ltd;
- Beijing All Payments Company Ltd;

Furthermore, during the current year the Company ceased all remaining operations in Asia, and de-registered or liquidated the following entities: -

- OnCard Limited;
- OnCard China (HK) Limited;
- OnCard Rewards Limited
- Consolidated Payment Services Ltd;
- Payment Services China Limited;
- Payment Services China Number 2 Limited;
- OnCard Pte Ltd.

Accordingly, the results of these entities have been disclosed within discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(b) Financial Performance and cash flow information

	Note	2016 \$'000	2015 \$'000
Revenue		-	201
Expenses		(144)	(1,549)
Loss before income tax		(144)	(1,348)
Income tax expense		-	10
Net Loss after tax for the year from discontinued operations		(144)	(1,338)
Gain/(Loss) on disposal of discontinued operations after income tax (refer c below)		549	(769)
Net Profit/(Loss) for the year		405	(2,107)
Basic (loss)/earnings per share (cents per share)	4	0.37	(2.20)
Diluted (loss)/earnings per share (cents per share)	4	0.37	(2.20)
Net cash inflow (outflow) from ordinary activities		-	(1,542)
Net cash inflow (outflow) from investing activities (i)		(9)	(943)
Net cash inflow (outflow) from financing activities (i)		-	-
(i) Net cash outflow from investing activities includes cash paid to the purchaser and the cash foregone on the disposal of these operations.			
(c) Details of the sale of the discontinued operations			
Disposal proceeds and tax withheld		-	-
Disposal costs and payments to purchaser (ii)		374	(445)
		374	(445)
Cash		4	499
Trade receivables		-	1
Other current assets		-	137
Other payables		(179)	(108)
Outside equity interest		-	(205)
Carrying amount of net assets disposed		(175)	324
Gain (Loss) on disposal of discontinued operations		549	(769)

(ii). Amounts include loans written off, written back and the reversal of foreign exchange translation reserve back through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Recognition and measurement

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property, which are carried at fair value and contractual rights under insurance contracts.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets held for sale, and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is a part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with the view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

CURRENT ASSETS

10. Trade and other receivables

	2016 \$000	2015 \$000
Trade receivables	1,911	434
Provision for impairment	(25)	-
Other receivables	336	1,284
	2,222	1,718
Provision for impairment		
Movements in the provision for impairment were as follows:		
Carrying value at the beginning of the year	-	-
Provision for impairment recognised/(derecognised)	25	-
Receivables written off as uncollectable	-	-
Provision for impairment at year end	25	-
Trade receivables past due but not impaired		
Under one month	248	-
One to three months	43	-
Over three months	62	-
	353	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Recognition and measurement

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

Trade receivables are initially recognised at fair value and subsequently recognised less any provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the consolidated income statements within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses.

Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount approximated to fair value.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for within the provision for impairment. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

The above table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining the solvency of the debtors and are provided for where there are specific circumstances that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trading terms are considered to be of low credit risk.

11. Biological assets

	Poultry \$'000	Goats \$'000	Wasabi Plants \$'000	Total \$'000
Balance as at 1 January 2016	-	-	-	-
Increases:				
- As part of a business combination	652	-	102	754
- Due to purchases and production	661	204	-	865
Decreases due to sales/processing/mortality (i)	(652)	(1)	(80)	(733)
Movement in fair value as a result of physical and/or price changes (ii)	289	53	841	1,183
Balance as at 31 December 2016	950	256	863	2,069
Current	950	1	863	1,814
Non-current	-	255	-	255
	950	256	863	2,069

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Recognition and Measurement

Biological assets of the Group include poultry, goats and wasabi plants and are measured at fair value less costs to sell in accordance with AASB 141 Agriculture. Where fair value cannot be reliably measured or little or no biological transformation has taken place biological assets are measured at cost less impairment losses.

Market prices are derived from observable market prices and achieved sales prices and are reduced for costs associated with bringing the finished product to market including incremental selling costs and harvesting and production costs to process the biological asset into a saleable form.

The change in estimated fair value is charged to the income statement on a separate line item as fair value adjustment of biological assets. This line item includes movements in fair value as a result of both physical and price changes.

Biological assets are reclassified as inventory at the point of harvesting or processing.

As at 31 December 2016, the Group held 371,594 live poultry (2015: nil), 640 goats (2015: nil) and 4,217 wasabi plants (2015: nil).

Poultry

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

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

Based on market prices and weights utilised at 31 December, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by \$36,343 by a pricing or dressed weight increase/decrease of 5%.

Goats

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

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

Wasabi Plants

Wasabi plants which are greater than twelve months of age are considered mature and ready for harvest, as such plants which are greater than twelve months of age are disclosed as a current asset. As at 31 December 2016 the Group's wasabi plants were an average of 17 months of age and suitable for harvest, as such wasabi plants are valued at fair value less estimated point of sale costs. The valuation methodology is deemed to be Level 3 in the fair value hierarchy as it contains unobservable inputs due to the rare nature of the crop.

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

Based on market prices and estimated yields utilised within the valuation methodology at 31 December 2016, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by \$43,148 by a yield increase/decrease of 5%.

Fair Value Measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements	-	950	-	950
- Goats	-	256	-	256
- Wasabi Plants	-	-	863	863
Total biological assets recognised at fair value	-	1,206	863	2,069

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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	31 December 2016
Wasabi Plant biological assets at fair value	
Unobservable inputs	Average yield per wasabi plant used in fair value measurement: 0.37 kilograms
Relationship of unobservable inputs to fair value	An increase in yield would result in a direct increase in the fair value.

12. Inventory

	2016 \$000	2015 \$000
Finished goods	394	30
Raw materials and packaging	309	-
Other	519	-
	1,222	30

Recognition and measurement

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

Inventories are accounted for in the following manner:

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

NON-CURRENT ASSETS

13. Property, plant and equipment

	2016 \$000	2015 \$000
Land and Buildings - at cost	6,747	-
Less accumulated depreciation	(60)	-
	6,687	-
Plant and equipment - at cost	4,950	267
Less accumulated depreciation	(268)	(39)
	4,682	228
Office equipment - at cost	201	158
Less accumulated depreciation	(161)	(156)
	40	2
Motor vehicles - at cost	142	-
Less accumulated depreciation	(11)	-
	131	-
Capital Work in Progress		
At cost	1,253	-
	1,253	-
Total Assets	12,793	230

Reconciliations

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Land & Buildings \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Capital work in progress \$'000	Total \$'000
Carrying value						
As at 1 January 2015	-	-	52	-	-	52
Additions	-	18	2	-	-	20
Additions as part of a business combination	-	221	-	-	-	221
Disposals	-	-	(37)	-	-	(37)
Depreciation expense	-	(11)	(15)	-	-	(26)
Balance 31 December 2015	-	228	2	-	-	230
Additions	821	2,160	43	94	569	3,687
Additions as part of a business combination	5,926	2,524	-	55	684	9,189
Disposals	-	-	-	(6)	-	(6)
Depreciation expense	(60)	(230)	(5)	(12)	-	(307)
Balance 31 December 2016	6,687	4,682	40	131	1,253	12,793

Recognition and measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. Intangible Assets

	2016 \$000	2015 \$000
Goodwill	8,806	1,879
Patents and trademarks	8	-
Water rights	175	-
	8,989	1,879
Gross Carrying Value		
At cost	9,590	2,480
Accumulated impairment	(601)	(601)
Total net carrying amounts	8,989	1,879
Reconciliations		
Carrying amount at beginning	1,879	-
Business combinations during the year	7,110	1,879
Impairment during the period	-	-
Carrying amount at end	8,989	1,879

Goodwill related to the acquisition of the Meander Valley Dairy business in 2015, along with the acquisition of the wholly-owned controlled entities Nichols Poultry Pty Ltd and Shima Wasabi Pty Ltd acquired in the 2016 year. Refer to note 25 for further details regarding the acquisitions.

Recognition and measurement

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

Goodwill

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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Before recognition of impairment losses, the carrying amount of the goodwill (other than goodwill relating to discontinued operations) was allocated to CGUs as follows:

	2016 \$'000	2015 \$'000
Meander Valley Dairy	1,879	1,879
Nichols Poultry	4,709	-
Shima Wasabi	2,218	-
MarketSmart	-	601
	8,806	2,480

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

Recoverable amount of goodwill

Meander Valley Dairy

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

Key assumptions used in the value-in-use calculations for the Meander Valley Dairy CGU include:

Revenue Growth	<p>Revenue growth over the five-year period is based upon budgeted revenue growth associated with the Groups growth strategy with the expansion of the business unit via increases in production volumes, new product offerings and expansion into new markets.</p> <p>Revenue growth is forecast to be 78% in the 2017 financial year and 23% per year on average in the subsequent four years of the forecast period.</p> <p>The forecast revenue growth of 78% in the 2017 financial year is supported by revenue growth already achieved in the CGU arising from acquisitions and initiatives taken in 2016, which resulted in a revenue increase of 47% in the 2016 financial year.</p>
Production costs	<p>Forecast production costs are anticipated to increase over the five-year period in line with revenue growth, and are projected to be on average 62% of revenue over the five-year period (2015: 65%). Conservative savings and efficiencies to be generated as a result of achieving economies of scale in production have been recognised within the forecast cash flows.</p>
Indirect costs	<p>Indirect costs are anticipated to increase by 7.5% per annum.</p>
Long-term growth rate	<p>The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% has been used in the value-in-use calculation, which is consistent with the Reserve Bank of Australia rates.</p>
Pre-tax discount rates	<p>Discount rates represent the current market assessment of the risks relating to the relevant CGU.</p> <p>In performing the value-in-use calculations for the CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 10.8% (2015: 10.3%).</p>

Based on the above assumptions the recoverable amount of the CGU is estimated to be \$11.3 million, which exceeds the CGU's carrying amount by \$6.2 million. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

Pre-tax discount rate	Increase from 10.8% to 17.2%.
Annual revenue growth rate	Reduction in average from 34% (over the five-year period) to 27%.
Production costs	Increase from 62% of revenue to 70%.

Nichols Poultry and Shima Wasabi

On 15 June 2016, TasFoods Limited acquired 100% controlling interest in Nichols Poultry Pty Ltd and Shima Wasabi Pty Ltd.

At 31 December 2016, the recoverable amount of the goodwill and assets of both Nichols Poultry and Shima Wasabi have been determined based on fair value less costs of disposal, with reference to the purchase price of the acquired interests. There are no indicators to suggest that the fair value of Nichols Poultry or Shima Wasabi has significantly changed since acquisition.

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MarketSmart

Management has resolved to close and deregister the MarketSmart CGU, and as such no value-in-use calculations have been prepared for the CGU. Accordingly, the goodwill that was impaired at 31 December 2015 remains fully impaired at 31 December 2016.

Impairment of assets

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

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value-in-use.

LIABILITIES

15. Trade and other payables

	2016 \$'000	2015 \$'000
Trade and other payables	3,117	990
	3,117	990

Recognition and measurement

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

Fair value of trade and other payables

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

16. Borrowings

	2016 \$'000	2015 \$'000
<i>Current</i>		
Bank Overdraft	508	-
Secured finance lease liabilities	182	-
	690	-
<i>Non-Current</i>		
Secured finance lease liabilities	321	-
Total borrowings	1,011	-

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Finance Lease Commitments

Commitments in relation to finance leases are payable as follows:

	2016 \$'000	2015 \$'000
Within one year	213	-
Later than one year but not later than five years	338	-
Later than five years	-	-
	551	-
Future finance charges	(48)	-
Recognised as a liability	503	-

The present value of finance lease liabilities is as follows:

Within one year	192	-
Later than one year but not later than five years	311	-
Later than five years	-	-
Minimum lease payments	503	-

Financing Arrangements

	2016 \$'000		2015 \$'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Equipment Financing Liabilities	503	-	-	-
Bank Bill Facility	2,000	2,000	-	-
Bank Overdraft	1,000	492	-	-
	3,503	2,492	-	-

Recognition and measurement

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

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

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

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

Secured liabilities and assets pledged as security

Finance lease liabilities relate to specific operating equipment within Nichols Poultry arranged with the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia Limited (CBA). These facilities are secured over the assets financed under each facility. The finance leases are held over a remaining period of less than 1 year to 5 years and have a weighted average effective interest rate of 5.85%.

The Group also has access to an undrawn bank bill facility with the ANZ. This bill facility, along with the bank overdraft facility, is secured by mortgage over the property and water rights owned by Nichols Poultry Pty Ltd and a general security agreement over property of Nichols

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Poultry Pty Ltd not otherwise secured.

Financial covenants

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

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

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

17. Provisions

	2016 \$'000	2015 \$'000
<i>Current</i>		
Employee benefits	368	15
Restructure provision	-	172
Other provisions	5	-
	373	187
<i>Non-current</i>		
Employee benefits	98	-
	98	-

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the quantum of the obligation.

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

Employee benefits

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

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

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

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

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

Restructure provision

The Company commenced winding up the Buffet Club Singapore operations prior to 31 December 2015 following a board decision that the benefits of further investment into the operations were outweighed by the potential downside following regulatory changes to outbound call

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centre sales operations. All entities were dissolved and deregistered or liquidated during the 2015 and 2016 financial years.

EQUITY

18. Contributed Equity

	NUMBER OF SHARES		SHARE CAPITAL	
	2016	2015	2016 \$000	2015 \$000
Ordinary shares – fully paid (no par value)	164,107,181	29,898,181	39,086	6,618
Total Share Capital			39,086	6,618

Movements in ordinary share capital:

DATE	DETAILS	ORDINARY SHARES	PRICE	\$000
1/1/15	Balance at end of period	174,572,890		38,516
	Issued in current year	7,368,000	0.25	1,842
	Acquisition shares	1,666,667	0.18	300
	Share buy-back	(153,709,376)	-	(33,816)
	Share issue costs	-		(224)
31/12/15	Balance at end of year	29,898,181		6,618
19/2/2016	Issue of shares	22,232,000	0.25	5,558
8/3/2016	Issue of shares	1,200,000	0.25	300
15/6/2016	Public offer	101,577,000	0.25	25,394
15/6/2016	Acquisition of Nichols Poultry (i)	8,000,000	0.25	2,000
15/6/2016	Acquisition of Shima Wasabi (ii)	1,200,000	0.25	300
	Issue costs - net of tax			(1,084)
		164,107,181		39,086

(i) 8,000,000 ordinary shares were issued at \$0.25 (25 cents) per share as part of the consideration for the acquisition of Nichols Poultry Pty Ltd.

(ii) 1,200,000 ordinary shares were issued at \$0.25 (25 cents) per share as part of the consideration for the acquisition of Shima Wasabi Pty Ltd.

Terms and Conditions of Issued Capital

Ordinary Shares

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

Options

Share options do not entitle the holder to participate in dividends and the proceeds on winding up of the Company. The holder is not entitled to vote at General Meetings. There were 18,500,000 options on issue during the financial year and as at 31 December 2016 (2015: 18,500,000).

Recognition and measurement

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

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

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

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subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in the equity attributable to the owners of TasFoods Limited.

19. Reserves

	2016 \$'000	2015 \$'000
Foreign currency translation reserve	-	367
Employee share options reserve	217	217
	217	584

Nature and Purpose of Reserves

Share based payment reserve

This reserve is used to record the exchange differences arising on translation of foreign operations where the foreign operations functional currency is different from the Group's presentation currency.

Employee share option reserve

The reserve is used to record the value of equity instruments issued to employees and directors as part of their remuneration, and other parties as part of compensation for their services. Details of the Employee share option payments are contained in note 32.

Movements in Reserve

	ESOP	Foreign currency	Total
Balance at 1 January 2015	-	375	375
Movement during the period	217	(8)	209
Balance at the beginning of period	217	367	584
Movement during the period	-	(367)	(367)
Balance at end of period	217	-	217

OTHER NOTES

20. Additional Cash Flow Information

	2016 \$'000	2015 \$'000
Cash and cash equivalents	11,862	2,799

Recognition and measurement

Cash and cash equivalents include cash on hand and at banks and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(a) Reconciliation of cash and cash equivalents to the statement of cash flows:

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	11,862	2,799
Bank overdraft	(508)	-
	11,354	2,799

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

	2016 \$'000	2015 \$'000
Operating (loss)/profit after income tax:	(1,005)	(4,203)
Depreciation and amortisation	314	26
Impairment expense	-	37
Losses on fair value through profit or loss financial assets	-	3
Loss on disposal of property, plant and equipment	6	-
Disposal of foreign operations	(549)	769
Share based payments	-	217
Change in net operating assets and liabilities:		
(Increase)/decrease in trade receivables	1,269	(1,458)
(Increase)/decrease in biological assets	(1,207)	-
(Increase)/decrease in inventories	(364)	-
Decrease in other assets	(136)	150
Movement in deferred taxes	(1,133)	-
Increase/(decrease) in trade and other payables	(116)	244
(Decrease) in tax liability	(54)	(6)
(Decrease)/Increase in operating provisions	9	(99)
Net cash (outflow) from operating activities	(2,966)	(4,320)

(c) Non-cash activities

There were no non-cash financing activities.

The Company funded part of the acquisitions of the Nichols Poultry and Shima Wasabi business units by the issue of shares. Details are contained in Note 25. There were no other non-cash investment activities.

21. Financial risk management

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

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

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

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

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

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The carrying amounts and net fair values of the Group's financial assets and liabilities at balance date are:

	CARRYING AMOUNT		NET FAIR VALUE	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial Assets				
Cash and cash equivalents	11,862	2,799	11,862	2,799
Trade and other receivables	2,222	1,718	2,222	1,718
Non-Traded Financial Assets	14,084	4,517	14,084	4,517
Financial Liabilities				
Trade and other payables	3,117	990	3,117	990
Borrowings	1,011	-	1,011	-
Non-Traded Financial Liabilities	4,128	990	4,128	990

Recognition and measurement

Classification

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

Financial Assets at Fair Value through Profit or Loss

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

- An entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit and loss.
- Doing so results in more relevant information, because either:
 - It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.
 - A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

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

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

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

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

Loans and Receivables

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

Financial Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

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Risk Exposures and Responses

Interest Rate Risk

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

	2016 \$'000	2015 \$'000
Financial Assets		
Cash and cash equivalents	11,862	2,799
Net exposure	11,862	2,799

The Group regularly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangements for its deposits.

The following sensitivity analysis is based on the interest rate opportunity/risk relating to cash deposits at balance date.

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	2016 \$'000	2015 \$'000
Judgements of reasonably possible movements:		
+0.5% (50 basis points)	57	14
-0.5 % (50 basis points)	(57)	(14)

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

Foreign Currency Risk

As a result of operations in China, Hong Kong and Singapore, the Group's statement of financial position has previously been affected significantly by movements in the RMB/AUD, HKD/AUD and SGD/AUD exchange rates. As the Group has discontinued all foreign operations, it is no longer subject to significant foreign exchange risks.

Liquidity Risk

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

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

The Group has total liabilities of \$4,599 (2015: \$1,177) of which \$3,672 (2015: \$1,177) is recorded as current liabilities and total current assets of \$17,467 (2015: \$4,618) of which \$11,862 (2015: \$2,799) consists of cash or cash equivalents providing the Board with comfort that the Group is solvent and can meet its payment obligations in full as they fall due.

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

Credit Risk

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

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

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

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The risks are regularly monitored. An analysis of the ageing of receivables is included in note 10.

In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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Fair Value

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

22. Capital Management

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

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

During 2015, management elected to pay a dividend of \$0.09 (9 cents) per share, and repaid equity to shareholders out of proceeds from the sale of its joint venture interest. As a result, the Company now has a more flexible and manageable capital base, and can use this base to identify and pursue suitable acquisition and investment opportunities.

	2016 \$'000	2015 \$'000
Borrowings	1,011	-
Trade and other payables	3,117	990
Total debt	4,128	990
Less cash and cash equivalents	(11,862)	(2,799)
Net debt/(cash)	(7,734)	(1,809)
Total equity	35,073	5,550
Total capital	39,086	6,618
Gearing Ratio (Total debt / Total equity)	11.8%	17.8%

The Group is not subject to any externally imposed capital requirements.

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GROUP MANAGEMENT

23. Parent entity supplementary information

Information relating to TasFoods Limited:

	2016 \$'000	2015 \$'000
Financial position		
Current assets	12,924	4,473
Non - current assets	18,380	1,045
Total assets	31,304	5,518
Current liabilities	720	976
Non-current liabilities	59	-
Total liabilities	779	976
Net assets	30,525	4,542
Contributed equity	39,086	6,618
Reserves	217	217
Accumulated Losses	(8,779)	(2,293)
Total equity	30,524	4,542
Financial performance		
Total revenue	2,012	918
Loss for the period	(2,157)	(3,270)
Comprehensive income for the period	(2,157)	(3,270)

The Company has not entered into any guarantees in respect to its controlled entities or associates.

Capital Commitments

There are no commitments for the acquisition of plant and equipment contracted for at the reporting date.

Finance Leases

There are no commitments in relation to finance leases.

Contingent Liabilities

The parent entity is not subject to any liabilities that are considered contingent upon events known at balance date.

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24. Subsidiaries

	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	EQUITY HOLDING		PARENT ENTITY INVESTMENT	
			2016 %	2015 %	2016 \$'000	2015 \$'000
Van Diemen's Land Dairy Pty Ltd	Australia	Dairy	100	100	-	-
Nichols Poultry Pty Ltd	Australia	Poultry	100	-	-	-
Shima Wasabi Pty Ltd	Australia	Wasabi	100	-	-	-
MarketSmart International Pty Limited	Australia	Loyalty Solutions	100	100	-	-
OnCard Ltd	Hong Kong	Loyalty Solutions	-	100	-	-
OnCard (China) HK Ltd	Hong Kong	Investment	-	100	-	-
OneRewards Ltd	Hong Kong	Rewards	-	100	-	-
Consolidated Payment Services Limited	Hong Kong	Investment	-	100	-	-
Payment Services China Limited	Hong Kong	Investment	-	100	-	-
OnCard Pte Ltd	Singapore	Loyalty Solutions	-	100	-	-
					-	-

- A. OnCard Pte Ltd was a wholly owned subsidiary of OnCard Limited (HK).
- B. Payment Services China Limited was wholly owned by Consolidated Payment Services Limited.
- C. Van Diemen's Land Dairy Pty Ltd (formerly TasFoods (VDL) Pty Ltd) is a company incorporated by the parent for the operation of dairy businesses. At 31 December 2016 this company is not operational.

25. Business combinations

Current Year

On 15 June 2016 the Company announced that it had completed the acquisition of Nichols Poultry Pty Ltd and associated assets ("Nichols Poultry") and Shima Wasabi Pty Ltd ("Shima Wasabi").

Nichols Poultry Pty Ltd

The acquisition was completed for cash consideration of \$7.359 million and upon the issue of 8,000,000 ordinary shares in TasFoods Limited, valued at \$2.0 million to the vendor of Nichols Poultry Pty Ltd. Details of the acquisition were as follows: -

	\$'000
Consideration	
Cash consideration	7,359
Issue of 8,000,000 ordinary shares	2,000
	9,359

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FOR THE YEAR ENDED 31 DECEMBER 2016

Acquisition-related costs amounting to \$135,744 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year within Legal and professional fees.

The net identifiable assets acquired are considered to be preliminary. In accordance with the Groups 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
Assets acquired	
Property plant and equipment	8,747
Intangible assets	183
Trade and other receivables	1,798
Other current assets	1,478
Deferred tax asset	129
Trade and other payables	(4,675)
Borrowings	(2,564)
Provisions	(446)
Net assets acquired	4,650
Goodwill	4,709
Purchase consideration	9,359

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of Nichols Poultry Pty Ltd. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Shima Wasabi Pty Ltd

The acquisition was completed for cash consideration of \$2.468 million and upon the issue of 1,200,000 ordinary shares to the vendors of Shima Wasabi Pty Ltd. Details of the acquisition were as follows:

	\$'000
Consideration	
Cash consideration	2,468
Issue of 1,200,000 ordinary shares	300
	2,768

Acquisition-related costs amounting to \$19,172 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year within Legal and professional fees.

The net identifiable assets acquired are considered to be preliminary. In accordance with the Groups 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Preliminary Fair Value \$'000
Assets acquired	
Property plant and equipment	442
Trade and other receivables	13
Other current assets	108
Trade and other payables	(13)
Net tangible assets acquired	550
Goodwill	2,218
Purchase consideration	2,768

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of Shima Wasabi Pty Ltd. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Finalisation of Prior Year Acquisition

Meander Valley Dairy

On 4 September 2015 the Company announced that it had acquired the business operations of the Meander Valley Dairy food products business based in Tasmania. The acquisition was completed for cash consideration of \$1.80 million and upon the issue of 1,666,667 ordinary shares in TasFoods Limited, valued at \$300,000 to the vendor of Meander Valley Dairy.

In the financial statements for the year ended 31 December 2015, the net asset valuation and allocation of the purchase price to acquired assets and fair values assigned to intangible assets were preliminary.

In accordance with the Group's accounting policy, the acquisition of Meander Valley Dairy was finalised during the current year and the preliminary balances confirmed.

The final fair values of the assets arising from the Meander Valley Dairy acquisition are as follows:

	Final Fair Value \$'000
Assets acquired	
Property plant and equipment	221
Net assets acquired	221
Goodwill	1,879
Purchase consideration	2,100

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of Meander Valley Dairy. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Recognition and Measurement

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire, and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed as incurred.

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If,

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

UNRECOGNISED ITEMS

26. Contingent liabilities and assets

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

27. Commitments for expenditure

Capital Commitments - Capital Expenditure Projects

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

	2016 \$'000	2015 \$'000
Payable:		
- Not longer than one year	427	-
- Longer than one year and not longer than five years	-	-
- Longer than five years	-	-
	427	-

Other Commitments - Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2016 \$'000	2015 \$'000
Payable:		
- Not longer than one year	3,421	-
- Longer than one year and not longer than five years	-	-
- Longer than five years	-	-
	3,421	-

Operating expenditure commitments are reflective of contracts entered into with suppliers of Nichols Poultry Pty Ltd to secure grain supply during the 2017 financial year, with contracted volumes at levels to meet forecast feed demand.

28. Operating lease arrangements

Operating Leases

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

	2016 \$'000	2015 \$'000
Payable:		
- Not longer than one year	133	-
- Longer than one year and not longer than five years	158	-
- Longer than five years	-	-
	291	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

29. Events occurring after reporting date

The Board 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.

OTHER INFORMATION

30. Related party transactions

(a) Key Management Personnel Compensation

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

	2016 \$'000	2015 \$'000
Short term employment benefits	816	1,423
Post-employment benefits	69	29
Share based payments	-	217
Termination payment	-	-
	885	1,669

Refer to the Remuneration Report in the Director's Report for detailed compensation disclosures on key management personnel.

31. Auditor's remuneration

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

	2016 \$	2015 \$
Auditors of the parent entity:		
Auditing the financial report	108,850	63,000
Non-audit services (i)	-	38,865
	108,850	101,865
PKF offices (ii)		
Auditing the financial report - subsidiary companies	-	14,813
Non-audit services - subsidiary companies	-	-
	108,850	116,678

(i) Non-audit services performed in the 2015 financial year by BDO East Coast Partnership relate principally to tax compliance advice.

(ii) Audit services provide by PKF (HK) in relation to subsidiary company audits located in Hong Kong, Singapore and audit services provided by PKF Daxin to subsidiary company audits located in China.

32. Share based payments

TasFoods Limited had established an employee share ownership plan ("ESOP"). The Scheme was designed to provide a long-term incentive for employees and Directors of TasFoods Limited. It allows entitled officers of the Group to participate in TasFoods Limited's future growth and provides them with an incentive to increase profitability and returns to shareholders. Full-time employees, part-time employees, directors and contractors of TasFoods Limited and controlled entities are eligible to participate in the ESOP.

The entitlement of eligible participants under the ESOP is at the absolute discretion of the Directors. The exercise price of each option offered pursuant to the Scheme is also at the discretion of the Directors.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Set out below are summaries of options granted under the plan:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
4/9/2015	3/9/2019	\$0.21	-	10,000,000	-	-	10,000,000
4/9/2015	3/9/2019	\$0.42	-	8,500,000	-	-	8,500,000
			-	18,500,000	-	-	18,500,000
Weighted average exercise price			-	\$0.31	-	-	\$0.31

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

Grant date	Exercisable date	Expiry date	Share price at grant date	Exercise price	Fair value at grant date
4/9/2015	3/9/2019	3/9/2019	\$0.15	\$0.042	\$0.002
4/9/2015	3/9/2019	3/9/2019	\$0.15	\$0.02	\$0.020

There are no EPS hurdles attached to the options granted.

33. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements cover the Company and its controlled entities as a group for the financial year ended 31 December 2016. The Company is a company limited by shares, incorporated and domiciled in Australia.

Separate financial statements for the Company as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*, however limited financial information for the Company as an individual entity is included in Note 23.

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

(b) Compliance with IFRS

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

(c) Historical Cost Convention

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

(d) Principles of Consolidation

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

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

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

Details of the controlled entities are contained in Note 24.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(e) Critical Accounting Estimates, Judgements and Errors

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

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

The areas involving significant estimates or judgements are:

- Estimated fair value of biological assets
- Estimated value in use calculations for the assessment of the recoverable amount of goodwill
- Estimation of fair values of assets and liabilities as part of a business combination

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

(f) Leases

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

(g) Comparatives

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

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

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2016:

- AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.'

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not yet mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The major accounting standards that have not been early adopted for the year ended 31 December 2016, but will be applicable to the Group in future reporting years, are detailed below. Apart from these standards, the Group has considered other accounting standards that will be applicable in future years, however they have been considered insignificant to the Group.

- AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that requires entities to account for expected credit losses at the time or recognising the asset. The Group does not expect the adoption of the new Standard to have a material impact on its classification and measurement of the financial assets and liabilities, its hedging arrangements or its results on adoption of the new impairment model. The Group has decided not to early adopt AASB 9.
- AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts', and IFRIC 13 'Customer Loyalty Programmes'. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has decided not to early adopt AASB 15 as a detailed assessment of the impact, additional disclosures and reporting requirements is still in progress
- AASB 16 'Leases' introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This standard becomes mandatory for the Group's 31 December 2019 financial statements. The Group has decided not to early adopt AASB 16, this is in line with the requirement to adopt AASB 15 at the same time. Once adopted, the structure of cash flows and the presentation of the balance sheet and income statement will change, with no material impact on overall cash flows and net profits.

(j) Rounding Amounts

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

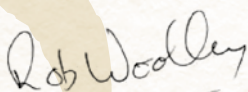
TASFOODS LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2016

1. In the opinion of the Directors of TasFoods Limited (the "Company"):
 - (a) The financial report and the Remuneration Report included in the Directors' Report, designated as audited, of the Group are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
 - ii. Complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as described in Note 1 to the financial statements; and
3. This declaration has been made after receiving the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 31 December 2016.

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



Rob Woolley
Chairman

24 February 2017
Launceston



Independent auditor's report

To the shareholders of TasFoods Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit and loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Our audit approach

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

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

The Group has three main operating business units being Nichols Poultry, Meander Valley Dairy and Shima Wasabi with sites across Tasmania. We have focused our audit procedures at the corporate head office in Launceston where the majority of accounting records are kept.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$300,000 calculated by reference to revenue as a benchmark. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose revenue as the materiality benchmark because, in our view, it is the benchmark against which the Group is most commonly measured during its acquisition phase. 	<ul style="list-style-type: none"> Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. We performed a full scope audit on the most significant operations of the Group, being Nichols Poultry and Meander Valley Dairy. We performed specific audit procedures over Shima Wasabi and the corporate head office. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Accounting for acquisition of Nichols Poultry and Shima Wasabi. Carrying value of goodwill. Accounting for biological assets. These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Accounting for acquisition of Nichols Poultry and Shima Wasabi

Refer to note 25 in the financial report

In June 2016, the Group acquired two businesses:

- Nichols Poultry, which raises and processes chickens, for \$9.4m consideration; and
- Shima Wasabi, which grows, harvests and processes wasabi, for \$2.8m consideration.

At 31 December 2016, the acquisition accounting for both businesses is provisional and, in line with the Australian Accounting Standards, the Group has up to 12 months, from date of acquisition to finalise the accounting for these acquisitions.

Under Australian Accounting Standards the Group is required to identify all assets and liabilities of the newly acquired entities and estimate fair value of each item. Any excess consideration that is not attributed to an asset or liability is to be recognised as goodwill.

The value of the provisional goodwill recognised by the Group at 31 December 2016 is \$4.7m for Nichols Poultry and \$2.2m for Shima Wasabi however other potential intangible assets will be considered by the Group as part of the finalisation of acquisition accounting during the next financial year ended 31 December 2017.

We focused on the accounting for the acquisition of the businesses due to:

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

We performed a number of audit procedures on the purchase consideration for each acquired business including the following:

- Agreed the purchase price to the sale and purchase agreement and agreed the cash payment required under the sale and purchase agreement to banking and accounting records.
- Tested the calculation of shares allocated and recognised as consideration and agreed the share price used in the calculation to the ASX quoted share price at the date of acquisition.
- Read the sale and purchase agreement to understand the key terms and conditions regarding the purchase price and considered whether the purchase price has been appropriately reflected in the accounting for the acquisitions.

We performed a number of audit procedures on the recognition of the provisional fair value allocation to assets and liabilities acquired (and resultant goodwill), including the following:

- Physically inspected a sample of material assets on the date of acquisition for each business.
- Agreed the recognised fair value of property, plant and equipment for each business to third party valuation reports, where available, and assessed the appropriateness of the valuation methodology used by the valuation expert.
- Compared the recognised fair value of biological assets (chickens and wasabi plants) to the supporting fair value calculations prepared by management and assessed the assumptions in those calculations.
- Tested the mathematical accuracy of the calculation of the resultant goodwill.

Key audit matter

How our audit addressed the key audit matter

Carrying value of goodwill

Refer to note 14 in the financial report

The Group recognised \$8.8m of goodwill as at 31 December 2016 and under Australian Accounting Standards is required to assess the carrying value of goodwill for impairment annually.

The Group identified three cash generating units (CGUs), being Meander Valley Dairy, Nichols Poultry and Shima Wasabi. The goodwill is allocated across these CGUs.

The Group performed an impairment assessment for each of the three CGUs as described below.

Nichols Poultry and Shima Wasabi

The Group considered whether there had been any changes in the fair value of the businesses since the date of acquisition to identify any impairment.

Meander Valley Dairy

Meander Valley Dairy was acquired in September 2015. At 31 December 2016 the Group had performed an impairment assessment by calculating the value in use of the net assets (including intangibles). This calculation is based on estimated future cash flows, discounted to a net present value. This calculation includes the following key assumptions:

- Revenue growth over the coming 5 years.
- Discount rate of 10.8%.
- A terminal growth rate of 2.5% from 2021 onwards.

We focused on the carrying value of goodwill in each of the three CGUs given the size of the goodwill balance and the significant judgement involved in determining fair value and in estimating future cash flows in the value in use model used by the Group when assessing impairment of the Meander Valley Dairy.

Nichols Poultry and Shima Wasabi

To test the fair value of goodwill for Nichols Poultry and Shima Wasabi we performed a number of procedures including the following:

- Considered whether there were any changes in the businesses since the date of acquisitions which would result in impairment based on our knowledge of the businesses and discussions with management.
- Considered the Group's pre-acquisition assumptions for the performance of each business and compared these to current reported results for the period ending 31 December 2016.
- Considered whether there was any deterioration in the market which would impact on the fair value since acquisition.
- Discussed with directors their views on the fair value.

Meander Valley Dairy

To test the value in use valuation model used for Meander Valley Dairy goodwill we performed a number of procedures including the following:

- Tested the mathematical accuracy of the underlying calculations in the model and compared the future cash flow forecasts in the model to the latest Board approved budget.
- Assessed the 5 year cash flow forecasts in the model by developing an understanding of the underlying drivers for growth and profitability, in the context of the Group's future plans.
- Compared the discount rate used in the model to economic forecasts and industry trends.
- Performed a sensitivity analysis by reducing the cash flow growth rate and terminal growth rate used in the model, and increasing the discount rate within a reasonably foreseeable range.
- Considered the disclosure in note 14 of the financial statements in light of the requirements of Australian Accounting Standards, including after taking into account the impact which reasonably foreseeable changes in the model assumptions may have on the fair value of goodwill.

Key audit matter

How our audit addressed the key audit matter

Accounting for biological assets

Refer to note 11 in the financial report

The Group held biological assets of \$2.1m at 31 December 2016. The biological assets include live poultry, wasabi plants and goats.

Australian Accounting Standards require biological assets to be measured at fair value less cost to sell or, in the absence of a fair value, at cost less impairment.

The Group has valued each of the biological assets. We focused on the valuation of poultry and wasabi plants on the basis that these involve judgement and estimates using key assumptions.

Poultry

At 31 December 2016 the carrying value of poultry was \$950,000. The quantity, age and related weight of the chickens are key elements of the valuation methodology. The Group considered the cost of the chicks, feed costs, grower costs and the conversion rate for the chicken meat (using industry standards), to determine the fair value less cost to sell.

Wasabi plants

The carrying value of wasabi plants at 31 December 2016 was \$863,000. This was determined based on the current market price of wasabi powder net of the costs of harvesting, preparing and selling the product. The valuation takes into account an estimated yield per plant in kilograms which has been determined based on historical growth rates and harvest data for mature wasabi plants.

We performed a number of audit procedures in relation to the Group's valuation for both poultry and wasabi plants, including the following:

- Considered the appropriateness of the valuation methodology against the relevant Australian Accounting Standard.
- Tested the mathematical accuracy of the calculations.
- On a sample basis, compared the fair value recognised as at 31 December 2016 to the actual selling price once biological assets were reclassified into inventory.

We performed a number of procedures in relation to the Group's valuation of poultry biological assets, including the following:

- Compared the reasonableness of the number and age of chickens recognised as at 31 December 2016 based on a sample of purchase information for chicks for the December period and physical observation of chickens as at 31 December 2016.
- Compared the conversion rate for chicken meat used in the Group's calculation as at 31 December 2016 to the industry valuation methodology standards for such biological assets.
- Agreed the cost of feed and grower costs in the Group's calculation as at 31 December 2016 to a sample of supplier invoices.

We performed a number of procedures in relation to the Group's valuation of the wasabi biological assets, including the following:

- Considered the reasonableness of the number of plants on hand based on physical observation at 31 December 2016.
- Assessed the reasonableness of the yield per plant based on the harvest data prepared by the Group over the preceding 6 month period.
- Considered the reasonableness of the costs of harvest and selling costs based on the costs incurred over the preceding 6 month period.



Other information

The directors are responsible for the other information. The other information comprises the Director's Report and the Corporate Directory included in the Group's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 33 to 39 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A stylized, handwritten signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Alison Tait.

Alison Tait
Partner

Melbourne
24 February 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 February 2017.

A. Distribution of Equity Securities

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

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	273	102,607	0.06%
1,001 - 5,000	520	1,591,914	0.97%
5,001 - 10,000	298	2,527,784	1.54%
10,001 - 100,000	682	24,452,859	14.90%
> 100,000	142	135,432,017	82.53%
Total	1,915	164,107,181	100.00%

The number of shareholders with less than a marketable parcel is 598.

B. Equity Security Holders

Twenty largest quoted equity security holders.

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

Name	Ordinary Shares Number Held	% of Issued Shares
Bollinger Investments Limited <Brightside A/C>	20,684,000	12.604
National Nominees Limited <DB A/C> and National Nominees Limited	20,000,244	12.187
HSBC Custody Nominees (Australia) Limited and HSBC Custody Nominees (Australia) Limited - A/C 2	11,564,037	7.047
Nichols Investments Pty Ltd <the R&JN family A/C>	8,000,000	4.875
Helbern Investments Pty Ltd	6,000,000	3.656
JB Were (NZ) Nominees Limited <45230 a/c>	5,858,732	3.570
*Mrkat Pty Ltd <RG Woolley super acc> Mrkat Pty Ltd <RG Woolley super fund A/C> and VEF Pty Ltd	4,209,000	2.56
Krisami Investments Pty Ltd	3,000,000	1.828
*Mr Andrew Woolley & Mr Stephen Richard Kreft <Diesel Superfund A/C> *Mr Andrew Woolley	2,799,257	1.706

SHAREHOLDER INFORMATION

Name	Ordinary Shares Number Held	% of Issued Shares
Vermilion 21 Pty Ltd <the McNeilhaus Super Fund A/C> and Cerulean 37 Pty Ltd	2,199,000	1.339
Quality Life Pty Ltd <the Neill Family A/C>	2,000,000	1.219
Elsie Cameron Foundation	2,000,000	1.219
Elphinstone Holdings Pty Ltd	2,000,000	1.219
Chardon Lodge Pty Ltd Jane Bennett	1,999,000	1.218
Picton Cove Pty Ltd	1,900,000	1.138
Buduva Pty Ltd <Baskerville Super Fund A/C>	1,800,000	1.097
JB Were (NZ) Nominees Limited <50645 A/C>	1,648,700	1.005
Elsie Cameron Foundation Pty Ltd <Foundation Account>	1,600,000	0.975
Bob Wilson <R T Wilson Family A/C>	1,600,000	0.975
Mr Darius Isaac	1,402,500	0.855

As at 15 February 2017, the 20 largest shareholders held ordinary shares representing 62.31 % of the issued share capital.

Substantial Shareholders

Substantial holders in the Company are set out below:

Name	Number of Shares Held	%
Bollinger Investments Limited <Brightside A/C>	20,684,000	12.6
National Nominees Limited National Nominees Limited <DB A/C>	20,000,244	12.187
HSBC Custody Nominees (Australia) Limited and HSBC Custody Nominees (Australia) Limited - A/C 2	11,564,037	7.047

C. Voting Rights

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

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

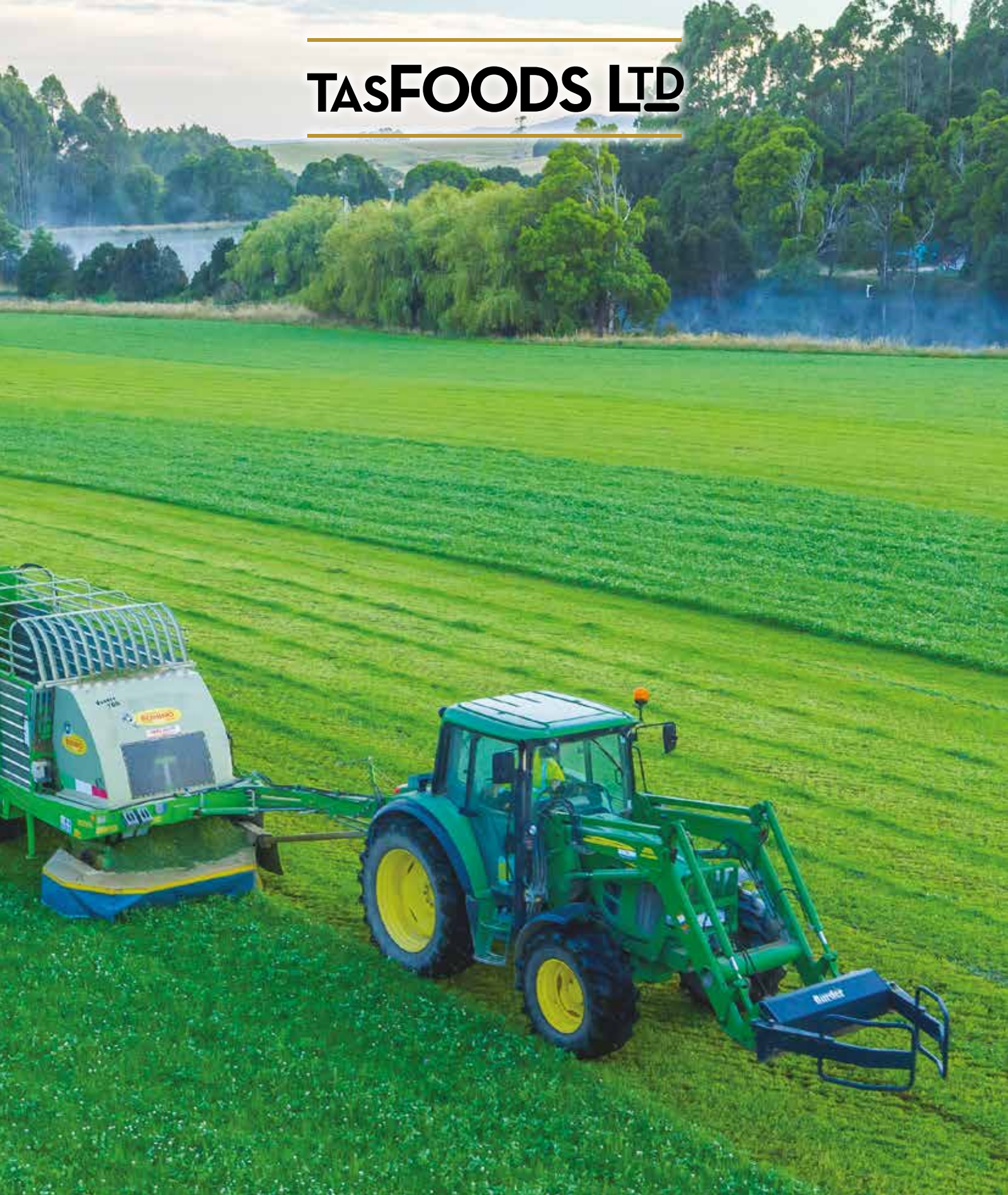
D. Use of Cash

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





TASFOODS LTD



The TASMANIAN FOOD CO

