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TASFOODS

50° — S

ANNUAL
REPORT

22

CORPORATE DIRECTORY

BOARD OF DIRECTORS

John Murphy
Independent Non-Executive Chair

Ben Swain
Non-Executive Director

John O'Hara
Independent Non-Executive Director

COMPANY SECRETARY

Shona Croucher

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Sydney New South Wales 2000 Australia
Telephone: + 61 2 8280 7100
Facsimile: + 61 2 9287 0303

AUDITOR

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Southbank Victoria 3006 Australia

SOLICITORS

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Level 26, 530 Collins Street
Melbourne Victoria 3000 Australia

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

BANKERS

Australia and New Zealand Banking Group
Bendigo Bank

STOCK EXCHANGE LISTING

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

TasFoods Limited
ACN 084 800 902

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OUR BRAND PORTFOLIO

OUR BRANDS EMBODY AUTHENTIC PROVENANCE THAT REFLECTS THE ESSENCE OF PREMIUM TASMANIAN PRODUCTS. OUR DIVERSIFIED CUSTOMER BASE ENABLES US TO DELIVER THE ESSENCE OF TASMANIA TO WHERE CONSUMERS CHOOSE TO SHOP.



PYENGANA
DAIRY



SHIMA
WASABI

PREMIUM

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



MEANDER VALLEY
DAIRY

EVERYDAY LUXURY

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



TASSIE TASTE



NICHOLS
POULTRY

MAINSTREAM / VALUE

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

CHAIRMAN & CEO'S REPORT



JOHN MURPHY
NON-EXECUTIVE
CHAIRMAN



SCOTT HADLEY
CHIEF EXECUTIVE
OFFICER

ON BEHALF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT OF TASFOODS LTD, WE PRESENT TO YOU THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022.

As announced in our AGM address 12 months ago, we had reviewed and refreshed the strategic plan, and our immediate priority in 2022 was to stabilise the foundations of the business and be in a position to leverage our core competencies for profitable growth. We achieved a substantial amount during the year and made significant changes to all aspects of the business with Management and the Board working together to simplify, streamline and enhance our operating model to drive superior execution and provide greater speed and nimbleness as market conditions evolve.



OUR IMMEDIATE PRIORITY IN 2022 WAS TO STABILISE THE FOUNDATIONS OF THE BUSINESS AND THEN BE IN A POSITION TO LEVERAGE OUR CORE COMPETENCIES FOR PROFITABLE GROWTH.

At our AGM last year, the Chairman of the Board, Craig Treasure, announced his decision to step down from this position and the Board. Craig made a significant contribution to TasFoods and we thank him for his commitment and service to the Company. John Murphy was appointed Acting Chairman and formally ratified to the position in August 2022. The Board's composition and capabilities continue to be reviewed to ensure the skill set, industry experience and tenure of the Directors remains appropriate for the business and continues to provide the necessary support, checks and balances and guidance to the Management team.

In the first half of the year, the Company completed a successful capital raising of \$5.5m placement, along with a \$0.5m Share Purchase Plan to fund initial stages of the Company's new strategy and working capital requirements. The placement was strongly supported by our investors to undertake the rebuild work required under the strategic reset and support the opportunity for TasFoods.

Over the course of the year, both the broader categories in which TasFoods operates and the Company itself has faced unprecedented uncertainty, supply chain disruptions and broader macro-economic pressures which impacted

CHAIRMAN & CEO'S REPORT, CONT.

operational performance. COVID-19 disruptions affected both our business divisions where labour shortages severely impacted operations and imposed significant costs. The Poultry division in particular was impacted as we prioritised continuity of supply and animal welfare during the first quarter. Temporary labour and overtime increases were required to process birds, and the team at Nichols did an outstanding job under difficult circumstances.

During the second half of the year, consumer sentiment and spending was negatively impacted by the upward momentum of inflation and interest rates. Consumers are actively controlling their spending and value offerings are seeing growth at the expense of premium brands in the categories TasFoods operates in. Our Dairy division felt the impacts of this change in behaviour with volume negatively impacted. Poultry sales performed adequately during this period as chicken remains the most affordable protein, however the division did see a swing to more affordable cuts and pack formats.

Gross margins for the year were significantly impacted by input cost increases associated with dairy (milk and cream), poultry feed and labour (COVID related). As part of the Company's ongoing efficiency program, Management have fully implemented a SKU rationalisation program across both the Dairy and Poultry divisions and implemented significant changes to the Company's logistics network. The Company has also implemented initiatives to reduce per unit conversion costs in our facilities through efficiency and effectiveness measures.

The performance in 2022 coupled with subdued forward looking industry forecasts for the categories TasFoods participates in has resulted in the company recognising an impairment charge of \$6.8m, comprising brands and trademark impairment of \$2.9m in the Poultry division and \$3.9m in the Dairy division. The impairment charges are non-cash and do not impact the Company's cash position.

FINANCIAL PERFORMANCE

	FY 2022					FY 2021					Change \$'000	Change %
	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000		
Total Revenue	31,213	39,858	423	120	71,615	30,497	39,083	412	76	70,067	1,505	2.1%
Operating Expenditure	(29,738)	(43,980)	(518)	(7,338)	(85,421)	(28,162)	(40,439)	(451)	(5,735)	(74,788)	(4,131)	5.5%
Operating EBITDA	1,475	(1,509)	(94)	(7,218)	(7,346)	2,334	(1,356)	(39)	(5,660)	(4,720)	(2,626)	(55.6%)
GP Margin	29%	18%	59%	-	22%	35%	17%	60%	-	27%		(5.0%)
Movement in Fair Value	-	298	77	-	375	(32)	(113)	69	-	(76)		
Impairment Expense	(3,925)	(2,910)	-	-	(6,835)	(2,770)	(1,137)	-	-	(3,907)		
EBITDA	(2,449)	(4,122)	(17)	(7,218)	(13,806)	(468)	(2,606)	30	(5,660)	(8,704)	(5,102)	(58.6%)
NPAT					(16,478)					(10,741)		

CHAIRMAN & CEO'S REPORT, CONT.

The Company produced a solid sales performance, reporting an increase of 1.6% to \$70.6 million, despite undertaking an extensive SKU and customer rationalisation to simplify operations. On a like for like basis, sales revenue was up 2.7%. Group operating EBITDA was a loss of \$7.3 million which was driven by significantly increased input costs relating to milk, wheat, cream and labour. COVID impacted the result, particularly in the first quarter, with labour costs increasing by \$0.4 million to ensure continuity of supply. The organic poultry operation resulted in a loss of \$0.9 million for the year (including decommissioning costs) with this business unit being closed in July to eliminate future operating losses.

The impairment expense of \$6.8 million recognised in December contributed to the full-year financial result of a net loss after tax of \$16.5 million. The impairment of intangible assets did not affect the cash position of the company.

After taking into account the SKU rationalisation programme, our two major operating divisions both achieved sales revenue growth, with the Poultry division increasing revenue by 1.5% and Dairy division increasing sales by 2.3%. The SKU rationalisation programme was significant with over 50% of poultry SKU's being rationalised, 24% of Betta Milk SKU's deleted and 56% of Meander Valley Dairy SKU's discontinued. This programme started in March 2022 and was completed by the end of the year as we ran out stocks of raw materials.

Sales to interstate markets grew in late 2H 2022 through increased volume to existing customers and the acquisition of new customers. Profitable growth in interstate markets will remain a focus in 2023.

Input costs increased at unprecedented levels in 2022 and the Company worked hard to either minimise their impact or pass through to customers where appropriate. Feed costs associated with the Poultry division increased by 14.9% per tonne, milk costs increased by 30% per litre as a direct result of higher farm gate prices, and cream prices increased by 13% per litre compared to PCP.

Against the backdrop of this challenging operating environment which may continue for sometime, whilst we are positive on the many operating initiatives we have put in place, we continue to assess the asset profile of both our key business divisions, and the businesses themselves to ensure we are able to drive long term returns for shareholders.

We continue to review our Capital management framework and have made key decisions to exit the organic poultry operations and the sale & leaseback of non-core real estate assets associated with Betta Milk.

CHAIRMAN & CEO'S REPORT, CONT.

PEOPLE & SYSTEMS CAPABILITY

During the year, a new management team and structure was implemented to best deliver upon our strategy and maximise performance of the business. New and replacement hires were made in sales, marketing, dairy operations, IT, logistics, procurement and finance, and this increased capability has enabled many initiatives to be implemented to the benefit of the Company. It is with regret that we accepted the resignation of our Chief Financial Officer, Shona Croucher, however we are pleased that we were able to find a well credentialed replacement in Joshua Fletcher. We thank Shona for her efforts in the past 15 months in helping implement key strategic and operational initiatives that are fundamental to the future success of TasFoods.

The Company's newly implemented ERP system is now operational across Meander Valley Dairy, Pyengana Dairy, Shima Wasabi, e-Commerce and Shared Services business units. Betta Milk will be operational in H1 2023 and will enable integration of all Dairy businesses to maximise efficiency and effectiveness measures.

MARKETING & E-COMMERCE

The Company was proud to accept numerous gold and silver awards at the Australian Grand Dairy Awards. Pyengana Traditional Cheese, Pyengana Milk, Betta Milk Lactose Free and Meander Valley Dairy Sour Cream all won gold awards. Numerous other Meander Valley Dairy, Betta Milk and Pyengana Cheese products received silver awards. These awards are a great testament to the high quality of our authentic products.

Recognising the rising consumer demand for online gifting and direct to consumer food offerings, the Company is investing in the growth of its e-Commerce capability.

The Company has re-branded and re-launched its authentic real wasabi brand, Shima, and initiated a chef ambassador program, partnering with some of Australia's most recognisable culinary identities and restaurants, including Luke Burgess and Tetsuya's Restaurant.

To better service consumer desire for authentic offerings with provenance, the Company has relaunched its premium cheese brand, Pyengana, through a new identity, online platform and social presence, with multiple award-winning cheddar and blue cheese offerings now available direct to home.

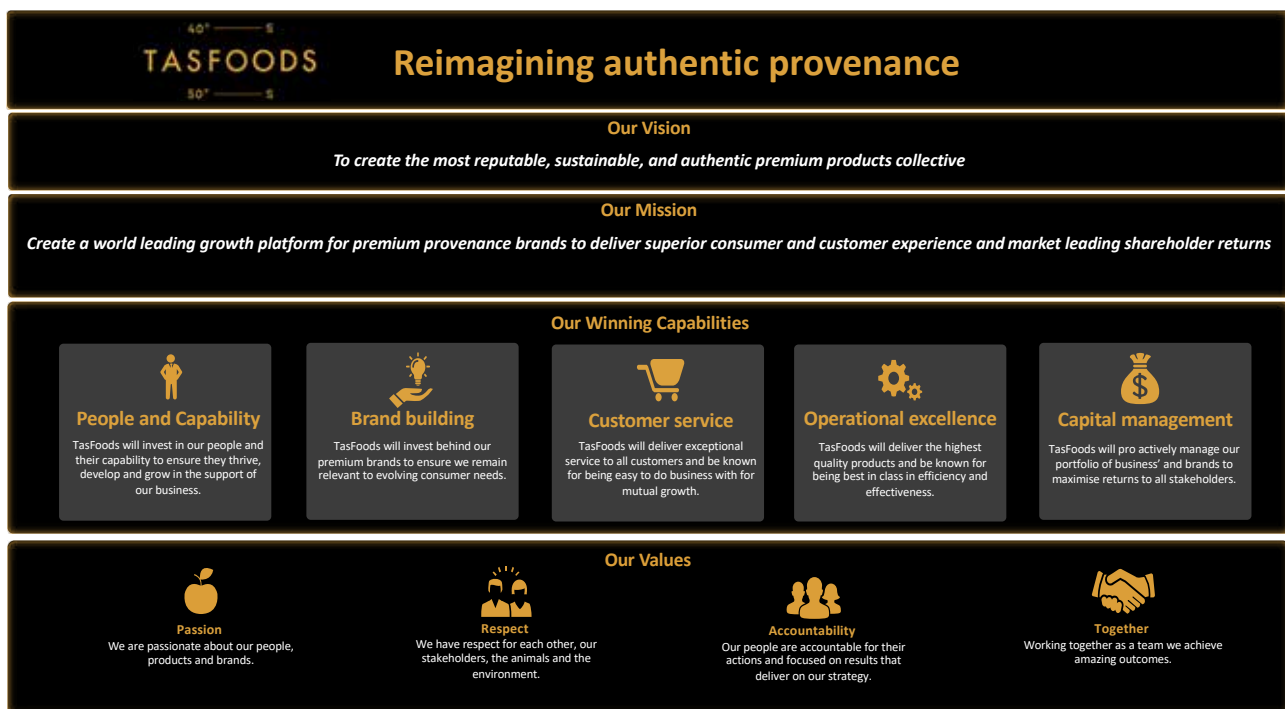
During October the Company launched a new luxury and corporate gifting brand, 'Boxolove', targeted at the consumer and corporate gifting market. The online channel will deliver curated hampers, with extensive selections of food and beverages from Tasmania's finest producers.

These changes, combined with an increased digital media spend, resulted in a growth of 209% in online sales for the year.

CHAIRMAN & CEO'S REPORT, CONT.

STRATEGY

At the beginning of 2022, the Company re-purposed our strategic intent as shown below:



We are very proud of the team at TasFoods and they have shown great resilience in the face of many challenges during 2022. We always strive to deliver outstanding products of the highest quality with the team upholding our values of passion, respect, accountability and togetherness.

Against a very challenging external environment in 2022, we have made significant progress on simplifying and strengthening the business, and whilst the financial result for the year is not reflective of the many improvements that have been made we can see the initiatives coming through in the latter period of the year which give us continued confidence in the unique opportunity that Tasmanian brands have to offer. The Board and management team, with improved capability in process, systems and people, are well equipped

to implement initiatives to respond to these changing market conditions. Whilst the business transformation agenda has been progressed very quickly, it is a multi-year programme that will deliver significant benefits over time and it will adapt to evolving market conditions, to best provide improved returns for shareholders.

We would like to thank all stakeholders, our customers, suppliers, employees and shareholders for their continued support to the business.

John Murphy
Non-Executive Chair

Scott Hadley
Chief Executive Officer

OPERATING & FINANCIAL REVIEW

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POULTRY DIVISION

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POULTRY DIVISION, CONT.

The Company further extended its partnership with Coles during the year with distribution into Victoria, which is a great testament to the quality of our product and the service we provide to this valued partner. Mainland sales increased in Q4 2022 by 21 % from the PCP, which was driven by new mainland customer acquisitions. We believe Nichols Poultry is uniquely placed in the market

given its chemical and chlorine free characteristics as a result of our air-chilling process. We believe Nichols has strong consumer cut-through not only in Tasmania but importantly in the mainland market where customers are demanding better tasting poultry products. Poultry remains Australian consumers first choice for protein and Nichols is well placed to gain more share of this market.

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DAIRY DIVISION

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DAIRY DIVISION, CONT.

OUR DAIRY DIVISION COMPRISES THREE BUSINESS UNITS, BETTA MILK, MEANDER VALLEY DAIRY AND PYENGANA DAIRY. EACH BUSINESS UNIT PLAYS A UNIQUE ROLE WITHIN THE TASFOODS DAIRY DIVISION HOWEVER THERE ARE OPPORTUNITIES FOR FURTHER GROWTH AND EFFICIENCIES AS WE CONTINUE TO CONSOLIDATE THE DAIRY DIVISION.

The division reported a reasonable financial contribution at both the revenue and EBITDA levels. Total revenue for the Dairy division grew by 2.4% to \$31.2 million. The sales growth was primarily driven by increases in Pyengana Cheese and Milk and Meander Valley Butter and Cream range.



PYENGANA
DAIRY



MEANDER VALLEY
DAIRY

Betta
MILK

THE DAIRY DIVISION HAS THREE CENTRES OF EXCELLENCE;

- PYENGANA DAIRY - CHEESE AND TOURISM CAFE
- MEANDER VALLEY DAIRY - SPECIALTY CREAMS AND BUTTER
- BETTA MILK BURNIE - FRESH MILK BOTTLING

Input costs in the Dairy division increased significantly during the year, predominately on the back of rises in farm gate milk prices (23.5%). During 2022, the business absorbed the majority of these increases which resulted in gross margin decline from 2021. This translated into a lower operating EBITDA contribution of \$1.5 million, a 37% decline on 2021 results. Increased logistics, marketing and repairs and maintenance costs similarly contributed to the lower level of EBITDA performance. As part of the ERP implementation across the Dairy unit, Pyengana inventory was devalued by \$0.3m, with some of this relating to prior periods.

The Company continues to focus on implementing initiatives to reduce manufacturing conversion costs in its dairy processing facilities through efficiency and effectiveness measures. As a result of strategic changes implemented in the Betta Milk business unit in 2H 2022, overtime costs have reduced by 30% compared to 1H 2022 (an annualised savings of \$0.2m).

The Pyengana business unit produced a solid result with sales increasing by 8% which flowed through to an improve EBITDA performance from PCP. The premium brand positioning of this high-quality product resonates strongly with customers who are looking for more indulgent experiences, particularly after COVID-19 lockdowns. Management is buoyed by the growth of this brand and believes it will provide a platform for future growth into the Hotel, Restaurant and Café sector, both state-wide and mainland.

The Meander Valley Dairy business unit recorded sales growth across its key categories of Butter and Cream. Total butter volumes increased by 36% compared to PCP, resulting in a 35% increase in sales compared to PCP. Total cream volume reduced by 6% compared to PCP, mainly as a result of the Company's decision to delete loss making flavoured cream range which negatively impacted sales by 1%. The butter and cream range makes up the majority of sales in this division and continues to grow on the back of national distribution in key distribution channels, along with an increased ranging in independent channels.

DAIRY DIVISION, CONT.

White milk volume under the Betta Milk brand declined from 2021 levels by 6% on PCP. Price rises have been implemented to offset the substantial increases in input costs, as competition intensified within the Tasmanian market in this dairy commodity category. White milk remains a competitive category but new products such as

Lactose Free has helped maintain the relevance of the Betta Milk brand. Management is confident in Betta Milk continuing to contribute to the overall group performance given the strong brand equity within Tasmania, however Management will look to explore new product development to take the brand into less cost-competitive adjacencies.

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WASABI

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HORTICULTURE - SHIMA WASABI

SHIMA WASABI IS POSITIONED AS A UNIQUE, PREMIUM, PROVINCIAL OFFERING WHICH OPENS ACCESS TO PREMIUM FOOD CHANNELS SUCH AS HIGH-END RESTAURANTS FOR OTHER TASFOODS PRODUCTS. SHIMA SALES WERE CONSISTENT WITH 2021 WITH A SLIGHT DECLINE IN EBITDA CONTRIBUTION, MAINLY ATTRIBUTED TO INCREASED LABOUR COSTS.



SHIMA
WASABI

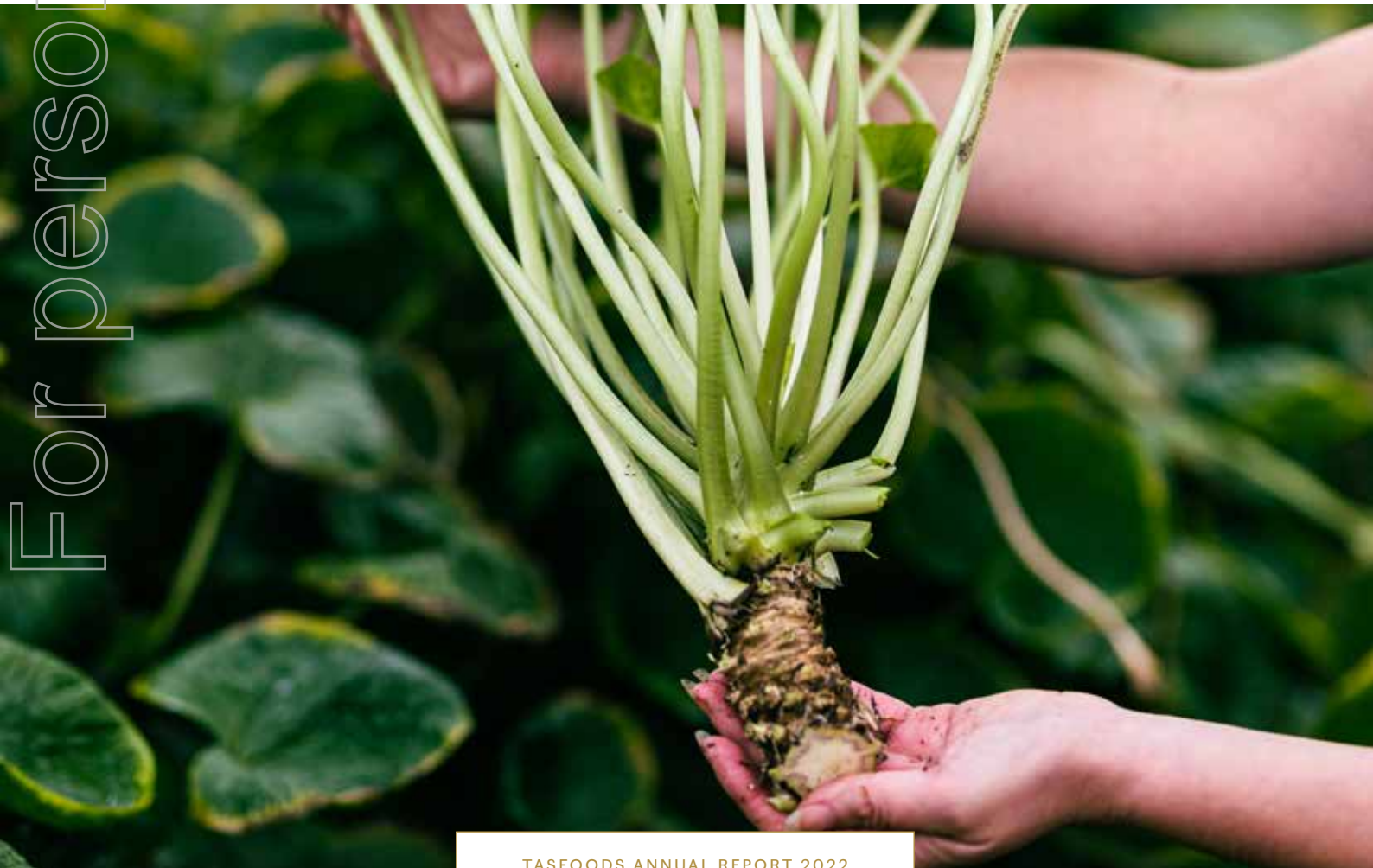
A UNIQUE, PREMIUM,
PROVINCIAL OFFERING

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

The Company's newly implemented ERP system has been in operation since Q4 2022 at Shima Wasabi.

As the market conditions improve during 2023, we expect an improvement in Shima sales revenue and profitability.

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CORPORATE

SHARED SERVICES

The Head Office Centre of Excellence for TasFoods saw an increase in expenditure compared to 2021, particularly in regard to investment in people, capability and IT infrastructure and systems. The TasFoods business has undergone significant change in FY2022 and there is an expectation of continued evolution as the Management team build capability in process, systems and personnel. These changes are expected to further improve efficiencies, leading to improved financial performance for shareholders and a platform for future growth. Whilst the business transformation agenda is moving at pace, it will be a multi-year programme and will deliver further significant benefits over time.

BALANCE SHEET AND CASHFLOWS

The Group is supported by a balance sheet with net assets at 31 December 2022 of \$18.3 million (31 December 2021: \$28.6 million), including fixed asset balances of \$25.8 million. Cash balances were \$0.3 million (31 December 2021: \$1.4 million) and the Group had an undrawn overdraft facility of \$3.2 million.

The decrease in group net assets is mainly due to the operating loss of \$16.5 million, which includes a non-cash impairment charge of \$6.8 million. Inventory at 31 December 2022 was \$4.6 million (31 December 2021: \$4.6 million).

Net cash outflows from operating activities were \$5.7 million (2021: \$4.5 million). This is reflective of the implementation of selling price increases which have been offset by increased input costs including grain costs associated with feed, farm gate milk price for milk, increased labour processing costs and significant increases in freight and distribution costs.

Net cash inflows from investing activities were \$0.7 million (2021: \$2.8 million outflow). During 2022 the group invested \$0.9 million into fixed assets including upgrades to increase butter capacity for Meander Valley Dairy, and other general upgrades of equipment as required. 2H 2022 also saw the sale of one of a non-core distribution asset based in Launceston as part of the Company's sale and leaseback strategy.

Net cash inflows from financing activities were \$4.0 million (2021: \$1.4 million). This included a successful capital raise of \$5.5 million placement along with a \$0.5 million Share Purchase Plan to fund initial stages of the Company's new strategy and working capital requirements.

Management continue to focus on a disciplined approach to working capital management to ensure improved profitability and cash flows.



2023 OUTLOOK

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2023 OUTLOOK

THE PERFORMANCE OF THE BUSINESS IN 2022 WAS CHALLENGED BY NUMEROUS FACTORS BOTH INTERNAL AND EXTERNAL. CONSUMER SENTIMENT AND SPENDING CONTINUES TO BE IMPACTED BY THE MACROECONOMIC BACKDROP OF RISING INFLATION AND INTEREST RATES HOWEVER MANAGEMENT ARE FOCUSED ON ENSURING THE COMPANY BUILDS ON OUR NOW SOLID FOUNDATIONS TO DELIVER STRONG GROWTH.

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

We have made fundamental changes to our business that establish the foundations for profitable growth. We are implementing cost reduction programmes in manufacturing and logistics that will deliver benefits in 2023, we are expanding our portfolio of products through 3rd party licensing and we continue to build capability in our Sales & Marketing team.

A major initiative for 2022 was the implementation of a TasFoods enterprise resource planning (ERP) system. It is now operational across Meander Valley Dairy, Pyengana Dairy, Shima Wasabi, e-Commerce and Shared Services business units. We have begun the implementation planning for Betta Milk, which will be operational in H1 2023 and enable integration of all Dairy businesses to maximise efficiency and effectiveness measures. Management have made the decision to not implement the same ERP (SAP Business 1) into Nichols Poultry at this time as we feel this will not facilitate the same benefits as we will see in the Dairy division.

The ERP will provide vital information to ensure profitable decision making, whilst making TasFoods easier to do business with. The ERP will provide the foundational support to improve operational efficiencies, particularly in the areas of logistics, customer service and manufacturing. TasFoods will be able to operate as one integrated Dairy business for the first time and it will help un-lock our true potential.

Recognising the rising consumer demand for online gifting and direct to consumer food offerings, the Company will continue to focus on the growth of its e-Commerce capability. The Company has re-branded and re-launched its authentic real wasabi brand, Shima, we have relaunched our premium cheese brand, Pyengana, through a new identity, online platform and social presence, and we launched a new luxury and corporate gifting brand, 'Boxolove', targeted at the consumer and corporate gifting market. The online channel will deliver curated hampers, with extensive selections of food and beverages from Tasmania's finest producers.

2022 was a year to establish new foundations for the business. We are now in a position to capitalise on our strength in Tasmania through delivering a positive financial return, aggressively expanding our interstate and on-line offerings, and being continuously aware of opportunities in adjacent categories that fit with the strategy of TasFoods premium authentic business. We believe that delivering on these initiatives will put TasFoods on the path to profit and sustainable returns to shareholders.

RISK

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RISK

TasFoods is committed to the effective management of risk to reduce uncertainty in the Group's business outcomes and to protect and enhance shareholder value. There are various internal and external risks that may have a material impact on the Group's future financial performance and economic sustainability

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

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

During 2022 the Group complied with its Risk Management Policy and Framework, ensuring all risks were regularly reviewed and risk registers were updated for new risks and changes to existing risk profiles. Identified risks remain relatively stable, with no expectation of increases or decreases in the foreseeable future unless specifically noted below. The material business risks which may have an effect on the financial performance of the Group are:

SUPPLY RISK

Ensuring our input supply is secure, stable and reliable.

TasFoods is reliant on a number of key suppliers for inputs such as hatchlings, milk, cream and chicken feed. We have strong relationships and contracts with our suppliers to ensure that quality, quantity and price are stable. Where appropriate and able, TasFoods is diversifying supply channels to reduce risk levels and dependence on key suppliers.

PANDEMIC RISK

Ensuring the safety of our employees, contractors and customers in a pandemic environment as well as securing input supplies and managing the impact of market volatility.

TasFoods operates on a number of different sites with varying levels of pandemic impact risk. The Group has developed site specific multi scenario pandemic plans for each operational location that respond to updated health, Government and industry advice as well as emerging market conditions.

Each site plan prioritises the health and safety of employees, site visitors and customers, follows recommended advice from Government and Health Officials relating to pandemic safety measures including;

- Removal of all non-essential employees from sites to work from home;
- Non-essential visitors not permitted on processing sites;
- Provision of relevant protective equipment to employees;
- Temperature testing of employees;
- Payment of standard wages to all employees awaiting COVID or other relevant test results;
- Pandemic/COVID-specific daily cleaning and sanitation programs;
- Additional staff facilities provided on large work sites to allow for isolation of work groups; and
- Identification of social and commuting groups within the workforce to ensure employees likely to have contact outside of work remain in contained work groups.

RISK, CONT.

MARKET RISK

Delivering on our customer promises and growing our customer base.

TasFoods has a number of large key customers and the loss of one or more would have a detrimental impact on the Group. TasFoods mitigates this risk by investing in the quality of its relationships with key customers, and ensuring we manufacture product in accordance with our customer's required specification and standard. The Company continues to grow and diversify its customer base. In addition, TasFoods responds to changing customer compliance requirements through the upgrading of its facilities and operating processes. TasFoods has also developed a point of difference in our products which reduces the risk of substitution.

BIOSECURITY RISK

Minimising the risk of disease and infection impacting our animals, manufacturing facilities and inputs.

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

SAFETY RISK

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

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

CLIMATE RISK

Minimising the risks to the business from a changing climate that is contributing to increased extreme weather events.

TasFoods operations are geographically dispersed across Northern Tasmania which mitigates the impact of any one climatic influenced event on its production capabilities. Business continuity plans have been established for each business operation that include policies and procedures to manage biological assets in extreme weather events to minimise the risk of losses.

Investment in irrigation infrastructure across the Tasmanian agricultural landscape provides surety of crop for key inputs such as grain and dairy. Drought or extreme weather events in other regions of Australia may impact commodity pricing for inputs to TasFoods operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK

Minimising the risk to the business of by focusing on environmental and social impacts of business operations.

TasFoods has a moral and business imperative to understand and manage its ESG risks. To consider TasFoods physical and social environment is not only the right thing to do, but it is expected by employees, customers, investors and regulatory bodies. As the speed and pace of change on these issues have increased, so have the expectations of our stakeholders. TasFoods is not only expected to do the right thing, insufficient action on these issues can have a negative financial implication. ESG risks bring a high degree of uncertainty in the form of potentially severe disruption to the environmental, financial, and social environment which may create immediate and unforeseen outcomes for TasFoods and its various stakeholders. TasFoods is focussed on reducing its carbon footprint by utilising on-site wind turbine electricity generation at it Sassafras facility to help reduce electricity costs to the business.

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FINANCIAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2022

BOARD OF DIRECTORS



JOHN MURPHY INDEPENDENT NON-EXECUTIVE CHAIR

Appointed Independent Non-Executive Director on 23 June 2021

Appointed Deputy Chair on 31 January 2022.

Appointed Acting Chair on 31 May 2022

Appointed Chair on 26 August 2022

John has over 35 years' experience in the Australian and International Beverage, Food, Fast Moving Consumer Goods and Packaging Industries. He has held a range of leadership roles in large multinational organisations including Managing Director of Coca-Cola Amatil Australia; the CEO of Visy Industries Australian business; and the Managing Director of Carlton & United Breweries Australian beer business after an extensive career with the company. John has served on the boards of both public and private companies and has previously served as a board member/advisor of PFD Foods, Bellamy's Organic and Tribe Breweries and is currently a start-up founding advisor of the Turner Stillhouse craft distillery in Tasmania.



BEN SWAIN NON-EXECUTIVE DIRECTOR

Appointed Non-Executive Director on 4 June 2020.

Ben is a partner of Tasmanian law firm Murdoch Clarke. His practice areas include corporate advice, transactional mergers and acquisitions, real property and private client matters. Ben is a director of various Pty Ltd companies and trusts including the Elsie Cameron Foundation Pty Ltd which has investment in entities including TasFoods Limited. With a passion for Tasmania's finest foods and produce and the companies that grow and produce them, Ben gets great fulfilment from assisting, in his professional capacity, various Tasmanian food and agriculture business to achieve their goals.



JOHN O'HARA INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Independent Non-Executive Director on 23 June 2021.

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



CRAIG TREASURE NON-EXECUTIVE CHAIR

Appointed Non-Executive Chair on 4 June 2020. Ceased being a Director on 30 May 2022.

Craig has had over 35 years experience in business and property development. His most recent executive role was as CEO and Managing Director of ASX listed Villa World Limited (VLW). He is an experienced ASX Director and has had many roles in private and public sectors as a business owner and director. He is a Member of the Australian Institute of Company Directors and a Fellow of the Urban Development Institute of Australia.

EXECUTIVE TEAM



SCOTT HADLEY

CHIEF EXECUTIVE OFFICER

Appointed CEO in October 2021.

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



SHONA CROUCHER

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Appointed CFO in October 2021.

Appointed Company Secretary in November 2021.

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

DIRECTORS' REPORT

The Directors of TasFoods Limited (the Company) present the financial report on the Company and its controlled entities (the Group) for the year ended 31 December 2022

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

DIRECTORS

John Murphy	Independent Non-Executive Chair
	John became the Deputy Chair on 31 January 2022, Acting Chair on 31 May 2022 and Chair on 26 August 2022
	John was appointed to the Board as an Independent Non-Executive Director on 23 June 2021. John was Chair of the Audit and Risk Committee until 29 September 2022. During FY22 John was a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.
Experience and qualifications	John has over 35 years' experience in the Australian and International Beverage, Food, Fast Moving Consumer Goods and Packaging Industries. He has held a range of leadership roles in large multinational organisations including Managing Director of Coca-Cola Amatil Australia; the CEO of Visy Industries Australian business; and the Managing Director of Carlton & United Breweries Australian beer business after an extensive career with the company. John has served on the boards of both public and private companies and has previously served as a board member/advisor of PFD Foods, Bellamy's Organic and Tribe Breweries and is currently a start-up founding advisor of the Turner Stillhouse craft distillery in Tasmania.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,106,061 Share Appreciation Rights
Ben Swain	Non-Executive Director
	Ben was appointed to the Board as a Non-Executive Director on 4 June 2020. During FY22 Ben was a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee. Ben became Chair of the Audit and Risk Committee on 29 September 2022.
Experience and qualifications	Ben is a partner of Tasmanian law firm Murdoch Clarke. His practice areas include corporate advice, transactional mergers and acquisitions, real property and private client matters. Ben is a director of various private companies and trusts including the Elsie Cameron Foundation Pty Ltd which has an investment in entities including TasFoods Limited. With a passion for Tasmania's finest foods and produce and the companies that grow and produce them, Ben gets great fulfilment from assisting, in his professional capacity, various Tasmanian food and agriculture business to achieve their goals.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	1,578,571 Ordinary Shares 2,106,061 Share Appreciation Rights

DIRECTORS' REPORT, CONT.

DIRECTORS

John O'Hara	Independent Non-Executive Director since 23 June 2021
	John was appointed to the Board as an Independent Non-Executive Director on 23 June 2021. During FY22 John was a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee. John became Chair of the Nomination and Remuneration Committee on 31 January 2022.
Experience and qualifications	John is a highly accomplished Executive and Non-Executive Director with a track record of substantive contribution to strategic development and growth, cultural reform, value creation, building reputation and stakeholder relationships. John's Director experience spans across large private entities, corporations, and Not For Profit. His executive roles have encompassed ASX organisations, Co-Operatives and large private companies with national and international operations. John spent the last 18 years with Sunny Queen Australia, the last 8 as CEO & Managing Director. Prior to that he has held Senior Executive roles in both Dairy Farmers Cooperative and National Foods. He was previously Chair of Mulgowie Farming Company and is currently Advisory Board Chair of Morgan's Pastoral Company, Prestley's Gourmet Delights and Simon George & Sons.
Other Directorships in listed entities:	Nil
Former Directorships in listed entities in the last 3 years:	Nil
Interest in shares and options:	2,106,061 Share Appreciation Rights
Craig Treasure	Non-Executive Chair until 30 May 2022
	Craig joined the Board on 4 June 2020 and was appointed by the Board as Independent Non-Executive Chair on this date. During FY21 Craig joined the Board of substantial shareholder CVC Limited as Executive Chairman. The TasFoods Board designated Craig a Non-Independent Non-Executive Director and Chair on 31 January 2022. Craig was a member of the Audit and Risk Committee and during FY22 was the Chair of the Nomination and Remuneration Committee. Craig ceased to be a Director on 30 May 2022.
Experience and qualifications	Craig has over 35 years' experience in business and property development. Craig's most recent executive role was as CEO and Managing Director of ASX listed Villa World Limited. Craig is an experienced ASX Director and has had many roles in the public and private sectors as a business owner and director. He is a member of the Australian Institute of Company Directors and a Fellow of the Urban Development Institute of Australia.
Other Directorships in listed entities:	CVC Limited
Former Directorships in listed entities in the last 3 years:	Villa World Limited; Eildon Capital Limited
Interest in shares and options:	721,861 Ordinary Shares (at the time of resignation)

DIRECTORS' REPORT, CONT.

COMPANY SECRETARY

Shona Croucher

Company Secretary and Chief Financial Officer

Shona joined the Company as Chief Financial Officer on 25 October 2021. She was appointed as Company Secretary on 26 November 2021.

Experience and qualifications

Shona is an experienced finance professional. Previously Shona has worked at Bellamy's Organic where she has held the roles of Chief Financial Officer and Director of Finance and People. Prior to this role, Shona was a Director at KPMG where she specialised in taxation, corporate business advisory, and business valuation. Shona holds a Master of Applied Finance (Kaplan Professional), is a Fellow of the Taxation Institute of Australia, has a Graduate Diploma of Financial Planning (Securities Institute of Australia), and is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ).

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DIRECTORS' REPORT, CONT.

MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 31 December 2022 and the number of meetings attended by each Director during that time. Board Meetings were held in addition to the Company's Annual General Meeting held on 30 May 2022.

Director	Board Meeting		Audit And Risk Committee		Nomination & Remuneration Committee	
	Held during time on Board	Attended	Held during time on Board	Attended	Held during time on Board	Attended
J Murphy ¹	19	19	7	7	4	4
B Swain ¹	19	19	7	7	4	4
J O'Hara ¹	19	19	7	7	4	4
C Treasure ²	8	8	3	1	3	3

¹Mr Murphy, Mr O'Hara and Mr Swain were on the Board for the entire financial year.

²Mr Treasure resigned from the Board effective 30 May 2022.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS AND FINANCIAL POSITION

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

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year, other than those outlined in the Operating and Financial Review.

AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since 31 December 2022, which have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

DIRECTORS' REPORT, CONT.

REMUNERATION REPORT

Message from the Chairman of the Remuneration & Nominations Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 31 December 2022, outlining the nature and amount of remuneration for Tasfood's Non-Executive Directors and other Key Management Personnel ("KMP").

TasFood's remuneration strategy is designed to be responsible and sufficiently competitive to attract and retain valued Executives and directors who create value for shareholders whilst maintaining alignment with the short term and long term objectives of the Company. In May 2022 Craig Treasure stepped down as Chair and Non-Executive Director of the Company and John Murphy assumed the role of Non-Executive Acting Chair until he was formally appointed as Non-Executive Chair on 26 August 2022. I wish to thank Craig for his leadership and contribution during his tenure. During 2022 Tasfoods CEO, Scott Hadley, continued to build the leadership team including key appointments in marketing, Operations and Sales divisions to support sustainable business growth and implementation of strategic initiatives.

Adopting independent expert advice received early in the year, FY22 saw the implementation of new short term and long term incentive plans designed to improve strategy alignment and support sustainability of returns for shareholders. This included a grant of restricted equity to Directors in the form of sacrificed Board Fees as well as a one-off grant aimed at retention of key Directors during the business turnaround. The new long term incentive plan was approved by shareholders at the May 2022 AGM. It is especially important that any reward for Executives under the long-term incentive plan is clearly linked to business performance and our shareholders' expectations. The Board will, over the course of FY23, consider what further improvements to remuneration governance, policies, procedures and practices could be made, implement them, provide updates and respond to feedback in future Remuneration Reports.

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

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

Yours sincerely,



John O'Hara
Chair - Remuneration and Nomination Committee

DIRECTORS' REPORT, CONT.

REMUNERATION REPORT (AUDITED)

The Directors of TasFoods Limited present the Remuneration Report for the Company and its controlled entities for the financial year ended 31 December 2022, prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

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

In 2022 the Company's main activity related to developing Tasmanian branded food businesses (including Nichols Poultry, Betta Milk, Meander Valley Dairy, Pyengana Dairy and Shima Wasabi).

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

The Report has been set out as follows:

1. Key management personnel
2. Role of the Nomination and Remuneration Committee
3. Engagement of remuneration consultants
4. Remuneration strategy and framework
 - 4.1. Executive remuneration schedule
 - 4.2. Remuneration mix and linking pay to performance
 - 4.3. 2022 fixed remuneration
 - 4.4. 2022 short-term incentive arrangements
 - 4.5. 2022 long-term incentive arrangements
 - 4.6. KMPs 2022 short-term incentive arrangement results
 - 4.7. Company financial performance
5. Executive contracts
6. Non-executive directors' remuneration structure
 - 6.1. Current fee levels and fee pool
 - 6.2. 2022 long-term incentive arrangements
7. Restrictions on long-term incentive plan shares prior to vesting
8. Remuneration tables – Directors and KMP Executives

DIRECTORS' REPORT, CONT.

1. KEY MANAGEMENT PERSONNEL

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

The KMP of TasFoods for the year ended 31 December 2022 were:

Current Non-Executive Directors	Role	Appointment Date
John Murphy ¹	Non-executive Chair	23 June 2021
Ben Swain	Non-executive Director	4 June 2020
John O'Hara	Non-executive Director	23 June 2021
Former Executive and Non-Executive Directors	Role	End Date
Craig Treasure ²	Non-executive Chair	30 May 2022
Current KMP Executives	Role	Appointment Date
Scott Hadley	Chief Executive Officer	1 October 2021
Shona Croucher	Chief Financial Officer	25 October 2021

¹ John Murphy was appointed Acting Chair on 31 May 2022, and appointed as Chair on 26 August 2022

² Craig Treasure resigned as Director and Chair on 30 May 2022

2. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE

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

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

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

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

DIRECTORS' REPORT, CONT.

3. ENGAGEMENT OF REMUNERATION CONSULTANTS

The Nomination and Remuneration Committee periodically engages independent external consultants to advise and assess KMP remuneration arrangements. During 2022 Mercer Consulting Australia Pty Ltd (Mercer) was engaged to provide the valuation of rights to senior Executives (issued under the existing LTI Plan), but did not provide any recommendations on the participants, quantum for participants, or the hurdles.

During 1H22, the Remuneration Committee engaged Godfrey Remuneration Group Pty Ltd (GRC) to provide supporting documentation for the implementation of the short term and long-term incentive plan (previously designed by GRC in 2021). GRC was paid \$29,000 for these services.

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

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

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

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

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK

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

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

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

In the case of non-executive directors, their remuneration does not contain performance-based or 'at risk' components. Non-executive directors are paid fees (via both cash and a newly implemented salary sacrifice mechanism) and are encouraged to hold shares in TasFoods.

4.1. Executive remuneration structure

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

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

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

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

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.1. Executive remuneration structure, continued.

	Performance Condition	Remuneration Strategy/ Performance Link
<p>Total Fixed Remuneration (TFR)</p> <ul style="list-style-type: none"> • salary • statutory superannuation 	<p>Executive remuneration levels are market-aligned by comparison to similar roles in ASX-listed companies that have comparable market capitalisation, revenues, and financial metrics relevant to the executive's role, executive's knowledge, skills and experience, and individual performance.</p>	<p>Fixed remuneration is set to attract, motivate and retain Executives to ensure they can deliver on TasFoods business strategy and contribute to the TasFoods ongoing financial performance.</p>
<p>Short Term Incentive (STI)</p> <p>Annual incentive opportunity delivered in cash</p>	<p>Performance is measured against:</p> <ul style="list-style-type: none"> • Financial Group performance (i.e. sales revenue, gross profit margin and EBITDA); and • Non-Financial KPIs (i.e. WH&S (LTIFR) and other operational KPIs). <p>The STI plan applies more broadly beyond the KMP and KPI's vary depending on the executive's level and role.</p> <p>Non-Financial KPIs also vary and depend on the executive's individual role and responsibilities.</p> <p>Details of the specific measures and results for 2022 can be found in section 4.6.</p>	<p>The STI plan is designed to encourage and reward high performance and for this reason it places a significant proportion of the Executives' remuneration at-risk against targets linked to the Company's annual performance objectives and therefore supports the alignment between the interests of the executive, TasFoods and our shareholders.</p> <p>A combination of financial and non-financial KPIs are used because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support the growth of TasFoods.</p> <p>The Board believes the STI provides the right measures and appropriately challenging targets for participants.</p>
<p>Long Term Incentive (LTI)</p> <p>An award of rights with performance assessed over 3 years</p>	<p>LTI awards for the 2022 grants were provided under the LTIP approved by shareholders at the 2022 AGM.</p> <p>A three-year performance period provides a reasonable period to align reward with shareholder return and also acts as a vehicle to help retain the KMP, align the business planning cycle, and provide sufficient time for the longer-term performance to be achieved.</p> <p>Due to the importance that the Board places on an improvement in share price and profitable growth, two measures (Total Shareholder Return (TSR) and EBITDA growth) were chosen for the 2022 grant.</p>	<p>The purpose of the LTI is to focus the Executives' efforts on the achievement of sustainable long-term shareholder value creation and the long-term financial success of TasFoods.</p> <p>The provision of LTIP awards via performance rights for ordinary shares in TasFoods encourages long-term share exposure for the executives and, therefore, aligns the long-term interests of executives and shareholders.</p>

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.2. Remuneration mix and linking pay to performance

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

Remuneration is linked to performance by:

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

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

The relative weighting of fixed and variable components for target performance is set according to the scope of the executive's role. For the KMP the 'at risk' components for 2022 were as follows:

	TFR	Short Term Incentive (At-Target) ¹	Short Term Incentive (Stretch) ²	Long Term Incentive (Target Opportunity) ³	Long Term Incentive (Maximum Opportunity)
Current KMP Executives					
Scott Hadley	\$450,000	50.0%	75.0%	90.0%	180.0%
Shona Croucher	\$292,000	40.0%	60.0%	40.0%	80.0%

¹ The short-term incentive is the total payment at-target as a % of TFR

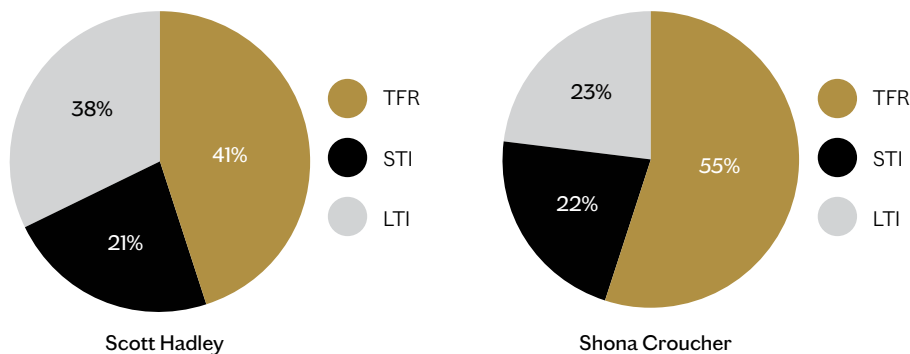
² KMP Executives' STIs have a stretch component that is designed to encourage above at-target performance as a % of TFR.

³ The long-term incentive refers to the value, of any grant as a % of TFR.

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

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



4.3. 2022 fixed remuneration

TasFoods uses a total fixed remuneration (base salary and superannuation) for the purposes of calculating STI and/or LTI amounts.

Details of KMP Executives' total fixed remuneration for the year ended 31 December 2022 (and 31 December 2021) can be found in the 'Remuneration Tables' section of this report.

4.4. 2022 short-term incentive arrangements

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

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

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

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

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.4. 2022 short-term incentive arrangements, continued.

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

Details of the STI performance measures and targets for 2022 are set out in section 4.6.

4.5. 2022 long-term incentive arrangements

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

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

The key elements of the Executive LTI plan are:

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

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

Maximum number of Performance Rights: The maximum number of PSARs is calculated by multiplying the total fixed remuneration (TFR) of the Participant at the beginning of the financial year by the maximum LTI % and then dividing that figure by the relative value of the PSAR. The value of a PSAR is calculated using the Black Scholes option pricing model, and for the FY22 grant calculation, the value of the PSAR was determined to be \$0.0298.

Measurement Period: The Measurement Period is the three financial years from 1 January 2022 to 31 December 2024.

Vesting Conditions: In order for PSARs to vest, the Participant must remain employed by the Company during the Measurement Period (except in the case of a "Good Leaver") and the performance conditions must be satisfied. The performance conditions in relation to the 2022 grant of PSARs are Total Shareholder Return (TSR) and EBITDA growth as outlined below:

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

Total Shareholder Return

The vesting percentages (of the grant/stretch/maximum level of LTI) to be determined by the following scale:

Performance Level	Absolute TSR (CAGR)	Indicative TFL Share price	% of Maximum vesting
Stretch	25%	\$0.14	100%
Between Target and Stretch	>19%, <25%	>\$0.12 and <\$0.14	Pro-Rata
Target	19%	\$0.12	50%
Between Threshold and Target	>14%, <19%	>\$0.10 and <\$0.12	Pro-Rata
Threshold	14%	\$0.10	25%
Below Threshold	<14%	<\$0.10	0%

The targets for share price growth are based on a starting share price of \$0.07 (being the average share price of the capital raisings undertaken by the Company in 1H 2022) which is a Compound Annual Growth Rate (CAGR) from June 2022 of 19.6% to achieve 'target' share price and a CAGR of 26.0% to achieve 'stretch' share price.

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

EBITDA Growth

The Company's compound annual growth in EBITDA, and achievement against the EBITDA Hurdle, will be determined by the Board in its absolute discretion, having regard to matters it considers relevant. It is intended that EBITDA for each relevant financial year will be calculated as EBITDA for that financial year, adjusted to exclude the costs of servicing equity (other than dividends), adjusted for any bonus elements. For relevant financial years, the calculation may be adjusted to take into account one-off items associated with equity raising, if considered appropriate by the Board. The Board also reserves the right to make any other adjustments it thinks fit to the calculation of EBITDA having regard to the impact of any other exceptional items.

Retesting: Retesting is not permitted under the terms of the Invitations.

Exercise Price: The exercise price for the PSARs is \$0.066 however this price is notional and no amount needs to be paid by the Participant in order to exercise the PSARs. Instead it is accounted for in the calculation of the Exercised PSARs Value which is as follows:

$(\text{Share Price} - \text{Exercise Price}) \times \text{Number of PSARs Exercised}$

Cessation of Employment: In the event of a termination of employment by the Company for cause, all unvested PSARs will be forfeited unless otherwise determined by the Board.

Subject to the Rules, in other cases cessation of employment will generally result in pro-rata forfeiture of the PSARs reflecting the remaining portion of the first year of the Measurement Period that will not be served, with the excess staying on foot for testing at the end of the measurement period, unless otherwise determined by the Board.

Following a Participant ceasing employment with the Group, 90 days after the first date that all PSARs that the Participant holds are fully vested and not subject to Exercise Restrictions, all PSARs they hold will be automatically exercised on a date determined by the Board, unless otherwise specified in an Invitation or the Board determines that they may be held for any remainder of the Term specified in the Invitation.

DIRECTORS' REPORT, CONT.

4. REMUNERATION STRATEGY AND FRAMEWORK, CONTINUED.

4.6. KMPs 2022 short-term incentive arrangement results.

The measures and targets for the 2022 STI were set by the Board in February 2022 and were based on the priorities for 2022. The key performance indicators were based upon stretch targets, with operating EBITDA set as a hurdle requirement (or gate) for payment of the 2022 STI.

The following table shows the Company's 2022 STI performance measures and weightings as applied to KMP.

Performance Measure	Description	Weighting	Comment
Operating EBITDA	Statutory EBITDA adjusted for acquisition costs, capital raising costs and incentive payments	40%	EBITDA is seen as a key factor of trading performance and operational sustainability. Operating EBITDA is a hurdle requirement for STI payments
Gross Profit Margin (\$)	Statutory gross profit margin in dollars excluding biological asset movements	20%	The gross profit margin is seen as a key outcome of sales effectiveness and operational efficiency
Gross Profit Margin (%)	Statutory gross profit margin percentage excluding biological asset movements	20%	The gross profit margin is seen as a key outcome of sales effectiveness and operational efficiency
WHS - Lost time injury frequency rate (LTIFR)	LTIFR are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million	5%	Employees are a key asset to TasFoods and their safety is paramount. A reduction in LTIFR is a key outcome of the WHS program
Other Non-Financial Targets	Including capital management, capability build and operational KPIs	15%	A number of others non-financial KPIs were set to focus on both capability and operational efficiencies across the TasFoods business.

4.7. Company financial performance

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

Financial Year Ended 31 December	2022	2021	2020	2019	2018
Revenue (\$'000)	\$70,587	\$69,441	\$67,436	\$51,105	\$38,920
Net (loss)/profit before tax (\$'000)	(\$16,399)	(\$10,741)	(\$7,709)	(\$3,202)	(\$2,273)
Net (loss)/profit after tax (\$'000)	(\$16,478)	(\$10,741)	(\$6,407)	(\$3,459)	(\$1,358)
Share price at start of year	\$0.105	\$0.120	\$0.120	\$0.135	\$0.190
Share price at end of year	\$0.040	\$0.105	\$0.120	\$0.120	\$0.135
Share price growth	-61.90%	-12.50%	0.00%	-11.11%	-28.95%
Dividends	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Basic (loss)/earnings per share (cents)	(4.03)	(3.05)	(2.56)	(1.48)	(0.67)
Diluted (loss)/earnings per share (cents)	(4.03)	(3.05)	(2.56)	(1.48)	(0.67)
Average STI payout as a % at-target for eligible KMP executives	0%	0%	N/A	0%	0%

The average STI payout as a % of the at-target for eligible KMP Executives for FY22 was 0% as the EBITDA hurdle was not met. The EBITDA hurdle was also the gate for all non-financial STI awards.

DIRECTORS' REPORT, CONT.

5. EXECUTIVE CONTRACTS

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

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

DIRECTORS' REPORT, CONT.

6. 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.

6.1. Current fee levels and pool

Within the aggregate amount of \$400,000, (not including securities issued to a non-executive director) non-executive director and the former Executive Chair's directors' fees are reviewed periodically and determined by the Nomination and Remuneration Committee and the Board with reference to other ASX-listed companies that have comparable market capitalisation.

A review of NED fees was undertaken in December 2021, based on the benchmark data of a market capitalisation comparator group. During the 2022 financial year non-executive and the former Executive Chair's directors' fees (inclusive of superannuation) were:

Director	Base Fee	Committee Chair Fee	Fees sacrificed into Equity in FY22	One-off Equity grant in FY22 ³	Total
John Murphy ¹	70,000	-	28,000	69,300	167,300
Ben Swain	45,000	-	28,000	69,300	142,300
John O'Hara	45,000	-	28,000	69,300	142,300
Former Directors					
Craig Treasure ²	70,000	-			70,000

¹ John Murphy was appointed Chair on 26 August 2022. From 1 July 2022 his Directors fees increased from \$45,000 pa to \$70,000 pa to reflect appointment to the new role of Chair.

² Craig Treasure ceased as NED/Chair on 30 May 2022.

³ Includes a one-off equity grant which was vested on grant and fully expensed in FY22.

The FY22 equity grant to Directors included a one-off retention component. As both the salary sacrificed equity grant and the one-off equity grant vested immediately on grant date, the cost was fully expensed in FY22.

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

A non-executive director may be paid such additional or special remuneration as the Board decides is appropriate where a director performs extra work or services. No fees were paid during 2022 as additional or special remuneration.

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

DIRECTORS' REPORT, CONT.

6. NON-EXECUTIVE DIRECTORS' REMUNERATION STRUCTURE, CONTINUED.

6.2. 2022 long-term incentive arrangements

The key elements of the Non-Executive Directors LTI plan are:

Participants: Non-Executive Directors of TasFoods Limited (NED's)

Instrument: Performance Share Appreciation Rights (PSARs) which are an entitlement, when exercised, to a Share or Restricted Share (a Share which is subject to disposal restrictions). Generally, it is expected that vested PSARs will be satisfied in Restricted Shares. Grants of SARs under the TLRP are intended to be a component of Board Fees that are part of the remuneration of NEDs, based on an exchange of future cash remuneration, in return for a future grant of Share Appreciation Rights.

Maximum number of Performance Share Appreciation Rights: The maximum number of PSARs is calculated by dividing the Annual Directors Cash Fee Sacrifice by the relative value of the PSAR. The value of a PSAR is calculated using the Black Scholes option pricing model, and for the FY22 grant calculation, the value of the PSAR was determined to be \$0.0462.

Term: The SARs have a term that ends on 31 December 2026, and if not exercised within the term the SARs will lapse.

Vesting Conditions: The SARs are fully vested at Grant, but are subject to Specified Disposal Restrictions that facilitate long term holding of equity interests.

Specified Disposal Restrictions: A Specified Disposal Restriction applies to the PSARs (and resulting Restricted Shares that may flow from exercising them) such that the Restricted Shares may not be disposed of until the earlier of:

- the Participant ceasing to hold office or employment with the Company, and
- the elapsing of 15 years from the Grant Date.

Exercise Price: The exercise price for the PSARs is \$0.065 however this price is notional and no amount needs to be paid by the Participant in order to exercise the PSARs. Instead it is accounted for in the calculation of the Exercised PSARs Value which is as follows:

$(\text{Share Price} - \text{Exercise Price}) \times \text{Number of PSARs Exercised}$

Exercise Restriction: An exercise restriction applies to the SARs until 31 December 2024.

Cessation of Holding the office of NED: If a Participant ceases to hold the office of NED or employed position with the Company and is not immediately re-appointed, Exercise Restrictions and Specified Disposal restrictions attaching to Restricted Shares will cease to apply at the date of cessation of holding the office of NED and the Company will remove any CHES holding lock.

7. RESTRICTIONS ON LTIP SHARES PRIOR TO VESTING

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

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

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DIRECTORS' REPORT, CONT.

8. REMUNERATION TABLES – DIRECTORS AND KMP EXECUTIVES

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

Table A: Remuneration for KMP for the year ended 31 December 2022

	Short Term Employee Benefits				Long Term Employee Benefits	Post-employment Benefits		Share Based Payments		Total	Performance Related %
	Year	Salary/ Fees	STI Payment	Non-monetary benefits	Annual Leave and Long Service Leave	Superannuation	Long term employment benefits	Shares	Share Appreciation Rights/ Options		
Current Non-Executive Directors		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
John Murphy ¹	2022	52,175	-	-	-	5,428	-	-	79,609	137,212	0%
	2021	21,519	-	-	-	2,152	-	-	-	23,671	0%
Ben Swain	2022	40,770	-	-	-	4,230	-	-	79,609	124,609	0%
	2021	41,114	-	-	-	4,061	-	-	-	45,175	0%
John O'Hara	2022	45,000	-	-	-	-	-	-	79,609	124,609	0%
	2021	23,548	-	-	-	-	-	-	-	23,548	0%
Former Executive Chair and Non-executive Directors											
Craig Treasure ²	2022	26,278	-	-	-	2,681	-	-	-	28,959	0%
	2021	63,955	-	-	-	6,317	-	-	-	70,272	0%
Roger McBain	2022	-	-	-	-	-	-	-	-	-	0%
	2021	19,478	-	-	-	1,850	-	-	-	21,328	0%
Current KMP Executives											
Scott Hadley ³	2022	426,432	-	-	27,881	25,246	-	-	119,046	598,605	0%
	2021	108,248	-	-	7065	5,983	-	-	20,531	141,827	0%
Shona Croucher ⁴	2022	267,179	-	-	14,595	24,608	-	-	26,439	332,821	0%
	2021	49,314	-	-	3,034	4,532	-	-	-	56,880	0%
Former KMP Executives											
Jane Bennett ⁵	2022	-	-	-	-	-	-	-	-	-	0%
	2021	368,244	-	-	13,561	36,266	-	-	21,221	439,292	0%
Donna Wilson ⁵	2022	-	-	-	-	-	-	-	-	-	0%
	2021	227,418	-	-	14,142	20,636	-	-	15,326	277,522	0%

¹ John Murphy was appointed to Acting Chair on 31 May 2022 and Chair on 26 August 2022.

² Craig Treasure ceased as Chair effective from 30 May 2022. An equity grant to Craig was not put to vote at the 2022 ACM due to his resignation as a Director on 30 May 2022.

³ The 2021 share based payment amount for Scott Hadley has been amended to amortise the fair value of the award over the 3 year service period it is to be earned. In prior years an estimate of the fair value of the award was amortised for 3 years from his employment contract date. The 2021 share based payment amount has decreased by \$16,119.

⁴ Due to the resignation of Shona Croucher on 7 December 2022, the FY22 value of share based payments includes acceleration to her estimated departure date in 2023.

⁵ The 2021 share based payment for the former KMP executives Jane Bennett and Donna Wilson have been amended to accelerate their SBP expense to the end of their employment. The 2021 share based payment amounts have increased \$10,540 and \$7,686 respectively.

DIRECTORS' REPORT, CONT.

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

Table B: Shareholdings

	Year	Shares held at Start of Year	Net other changes	Shares held at End of Year
		No.		No.
Current Non-Executive Directors				
John Murphy	2022	-	-	-
	2021	-	-	-
Ben Swain	2022	1,150,000	428,571	1,578,571
	2021	1,150,000	-	1,150,000
John O'Hara	2022	-	-	-
	2021	-	-	-
Former Executive Chair and Non-executive Directors				
Craig Treasure¹	2022	721,861	-	721,861
	2021	721,861	-	721,861
Current KMP Executives				
Scott Hadley	2022	-	-	-
	2021	-	-	-
Shona Croucher	2022	-	-	-
	2021	-	-	-

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

DIRECTORS' REPORT, CONT.

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

Table C: Movements during 2022 in performance rights or options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Share Appreciation Rights held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Share Appreciation Rights held at End of Year
		No.		No.	No.	No.	No.
Current Executive Chair and Non-executive Directors							
John Murphy	2022	-	2,106,061	-	-	-	2,106,061
	2021	-	-	-	-	-	-
Ben Swain	2022	-	2,106,061	-	-	-	2,106,061
	2021	-	-	-	-	-	-
John O'Hara	2022	-	2,106,061	-	-	-	2,106,061
	2021	-	-	-	-	-	-
Former Executive Chair and Non-executive Directors							
Craig Treasure	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
	Year	Performance Share Appreciation Rights or Options held at Start of Year	Granted as remuneration	Vested and exercisable	Exercised during the reporting period	Forfeited	Performance Share Appreciation Rights or Options held at End of Year
		No.		No.	No.	No.	No.
Former KMP Executives							
Scott Hadley	2022	5,000,000	27,181,208	-	-	-	32,181,208
	2021	-	5,000,000	-	-	-	5,000,000
Shona Croucher	2022	-	7,838,926	-	-	-	7,838,926
	2021	-	-	-	-	-	-

DIRECTORS' REPORT, CONT.

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

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

	Year	Grant Date	Number Granted	Exercise Price	Expiry Date	Date when Options/SAR's may be exercised	Value of Performance Share Appreciation Rights or Options Cranted	Unamortised amount as at 31 December 2022	Number Vested	Percentage of Grant Forfeited
Current Non-executive Directors			No.				\$		No.	No.
John Murphy	2022	30-May-22	2,106,061	\$0.065	30-May-27	31-Dec-24	79,609	0	0	0%
	2021									Nil
Ben Swain	2022	30-May-22	2,106,061	\$0.065	30-May-27	31-Dec-24	79,609	0	0	0%
	2021									Nil
John O'Hara	2022	30-May-22	2,106,061	\$0.065	30-May-27	31-Dec-24	79,609	0	0	0%
	2021									Nil
Current KMP Executives										
Scott Hadley	2022	7-Jun-22	27,181,208	\$0.066	7-Jun-27	31-Dec-24	649,631	73,842	0	0%
	2021	27-Aug-21	5,000,000	\$0.10			283,750	181,094	0	0%
Shona Croucher	2022	7-Jun-22	7,838,926	\$0.066	7-Jun-27	31-Dec-24	187,350	5,505	0	0%
	2021									Nil

End of Remuneration Report (Audited)

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

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

ENVIRONMENTAL REGULATIONS

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

DIRECTORS' REPORT, CONT.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Share Options and Performance Rights over ordinary shares of TasFoods Limited at the date of this report are as follows:

Grant Date	Grant Instrument	Expiry Date	Exercise Price	Number Granted
				No.
30-May-22	Share Appreciation Rights	31-Dec-26	\$ 0.065	6,318,183
7-Jun-22	Performance Share Appreciation Rights	7-Jun-27	\$ 0.066	40,187,920
27-Aug-21	Options	27-Aug-26	\$ 0.010	2,500,000
27-Aug-21	Options	27-Aug-26	\$ 0.010	2,500,000
6-Sep-21	Performance Rights	6-Sep-26	\$ -	1,851,707
				53,357,810

Further details regarding share options and performance rights granted are contained within the Remuneration Report and in note 30.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any proceedings during the year.

NON-AUDIT SERVICES

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

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

	2022	2021
	\$	\$
Auditors of the parent entity:		
Auditing the financial report	278,500	172,250
Other assurances services	-	-
	278,500	172,250

DIRECTORS' REPORT, CONT.

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 48 of the Annual Report.

AUDITOR

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

CORPORATE GOVERNANCE

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

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors



John Murphy
Non-Executive Chair

27 February 2023

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Auditor's Independence Declaration

As lead auditor for the audit of TasFoods Limited for the year ended 31 December 2022, 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 that reads 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
27 February 2023

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FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Revenue from operations	6	70,587	69,441
Other income	6	1,028	626
Fair value adjustment of biological assets	10	375	(76)
Impairment	13	(6,835)	(3,907)
Raw materials used		(41,863)	(40,840)
Employment and contractor expense	7	(22,296)	(20,230)
Freight		(5,472)	(5,048)
Occupancy costs		(1,520)	(1,422)
Depreciation and amortisation		(2,099)	(2,037)
Finance costs		(542)	(314)
Insurance		(796)	(591)
Legal and professional fees		(856)	(637)
Marketing and event expenses		(610)	(730)
Repairs and maintenance		(1,463)	(1,091)
Other expenses		(4,037)	(3,885)
Loss before income tax		(16,399)	(10,741)
Income tax benefit/(expense)	8	(79)	-
Net Loss after tax for the year from continuing operations		(16,478)	(10,741)
Net profit after tax for the year from discontinued operations		-	-
Net Loss after tax for the year		(16,478)	(10,741)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Other comprehensive loss net of tax		-	-
Total comprehensive income		(16,478)	(10,741)
Net profit for the period attributable to:			
Owners of TasFoods Limited		(16,478)	(10,741)
		(16,478)	(10,741)
Total comprehensive income for the year is attributable to:			
Owners of TasFoods Limited		(16,478)	(10,741)
		(16,478)	(10,741)
Basic loss per share (cents per share)	4	(4.03)	(3.05)
Diluted loss per share (cents per share)	4	(4.03)	(3.05)
Basic loss per share from continuing operations (cents per share)	4	(4.03)	(3.05)
Diluted loss per share from continuing operations (cents per share)	4	(4.03)	(3.05)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 \$'000	2021 \$'000
Current Assets			
Cash and cash equivalents	19	351	1,450
Trade and other receivables	9	4,734	4,973
Biological assets	10	2,557	2,145
Inventory	11	4,574	4,647
Prepayments		1,144	976
Total Current Assets		13,360	14,191
Non-Current Assets			
Property, plant and equipment	12a	23,713	25,904
Right of use assets	12b	1,541	1,418
Intangible assets	13	556	7,195
Biological assets	10	14	30
Deferred tax assets	8	-	-
Total Non-Current Assets		25,824	34,547
Total Assets		39,184	48,738
Current Liabilities			
Trade and other payables	14	11,645	9,605
Borrowings	15	1,022	1,047
Lease Liabilities	12b	373	193
Provisions	16	1,362	1,365
Total Current Liabilities		14,402	12,210
Non-Current Liabilities			
Borrowings	15	4,739	6,422
Lease Liabilities	12b	1,494	1,339
Provisions	16	219	169
Deferred tax liabilities	8	-	-
Total Non-Current Liabilities		6,452	7,930
Total Liabilities		20,854	20,140
Net Assets		18,330	28,598
Equity			
Contributed Equity	17	66,834	61,053
Reserves	18	1,121	691
Accumulated Losses		(49,625)	(33,146)
Total Equity		18,330	28,598

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
At 1 January 2021	61,054	594	(22,406)	39,241
Loss for the year	-	-	(10,741)	(10,741)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(10,741)	(10,741)
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Share-based payment expense	-	97	-	97
As at 31 December 2021	61,054	691	(33,147)	28,598
At 1 January 2022	61,054	691	(33,147)	28,598
Loss for the year	-	-	(16,478)	(16,478)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(16,478)	(16,478)
Issue of shares	5,964	-	-	5,964
Share issue costs	(184)	-	-	(184)
Share-based payment expense	-	430	-	430
As at 31 December 2021	66,834	1,121	(49,625)	18,330

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		71,722	69,587
Payments to suppliers and employees		(76,987)	(73,969)
Interest received		1	1
Interest paid		(435)	(127)
Other		(111)	51
Net cash used in operating activities	19	(5,810)	(4,457)
Cash flows from investing activities			
Payments for property, plant and equipment		(972)	(2,436)
Payments for leases		-	-
Payments for other non-current assets		-	(159)
Proceeds from sale of property, plant, and equipment		1,593	-
Net cash used in investing activities		621	(2,595)
Cash flows from financing activities			
Proceeds from issue of shares		5,964	-
Cost of issuing shares		(153)	(14)
Proceeds from borrowings		925	2,136
Principal elements of borrowing payments		(2,304)	(450)
Principal elements of lease payments		(320)	(392)
Transaction costs related to borrowings		(21)	(23)
Net cash provided by financing activities		4,091	1,257
Net (decrease)/increase in cash held		(1,098)	(5,795)
Cash and cash equivalents at the beginning of the year		1,450	7,245
Cash and cash equivalents at the end of the year	19	351	1,450

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

1. GENERAL INFORMATION

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

The financial statements were authorised for issue on 27 February 2023 by the Directors of the Company.

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

Going Concern

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

For the year ended 31 December 2022 the consolidated entity incurred losses of \$16.48 million after tax (2021: \$10.74 million) and incurred net cash outflows from operations of \$5.81 million (2021: \$4.84 million). At 31 December 2022, the consolidated entity had cash and cash equivalents on hand of \$0.35 million (31 December 2021: \$1.45 million), external borrowings of \$5.76 million (31 December 2021: \$747 million) and unused finance facilities of \$3.26 million. The consolidated entity was in a net current liability position of \$1.04 million (31 December 2021: net current asset position of \$1.98 million).

The ability of the Company to continue as a going concern is dependent on the continuing implementation of its strategic initiatives, a disciplined approach to managing input cost increases and other profitability enhancement initiatives and obtaining funding from alternative sources should it be required to ensure the Company can continue to meet its working capital requirements. The strategic objectives include:

- Implementation of the new Dairy and Poultry business ways of working, focusing on consolidation of logistics networks and warehousing efficiencies, and implementation of further cost savings/ways of working improvements across both divisions (including wastage reduction and yield improvement initiatives).
- Finalisation of the implementation of an integrated ERP system for the Dairy business unit which will facilitate the integration of the businesses, provide cost saving opportunities and allow the Dairy business to operate as an integrated dairy unit.
- On-going assessment of customer and product profitability with low or negative margin products exited.
- Increasing gross margins through negotiated sales price increases with customers and execution of identified cost savings over raw material inputs, distribution and logistics.
- Continued new product development in the dairy business focussed on both the Pyengana and Meander Valley Dairy brands.
- Continued acceleration of mainland growth initiatives and customer acquisition.
- Implementation of the 2023 Marketing and Brand Investment Plans. Focussed marketing on a simplified brand pyramid to build brand awareness of key brands.
- Continued adoption of the developed capital management framework and a disciplined approach to assessing all opportunities to ensure strategic alignment, financial return, risk management and capability to execute.

Some progress was made during 2022 towards the above strategies, noting the benefits of which were already evident in 2H 2022. Initiatives include SKU rationalisation of low volume/loss making products, successful implementation of price rises in 2022, implementation of minimum order quantities as well as implementation of a number of distribution network profit improvement strategies in 2H 2022. The Directors are of the opinion the Company will be successful in the continued implementation of further enhancements to the above strategic objectives during 2023.

The consolidated entity's ability to repay current borrowings and meet its working capital requirements is based on a forecast EBITDA and cash flow requirements, which is based on meeting sales forecasts and margin. Partial debt repayment has also occurred as part of the sale and lease back arrangements. The Company's bank overdraft facility will decrease from \$3.26m to \$2.56m at 30 June 2023. To the extent further asset sales occur, some of the net proceeds generated by the sale will be used to further repay debt.

The consolidated entity's forecasted EBITDA is based on a combination of historic trends, engagement with key customers and internal demand analysis and includes judgement in relation to future pricing and demand for new products. Future forecasts incorporate recently agreed price increases with additional growth to be achieved through increased brand awareness and increased distribution, whilst costs will be managed through a combination of previously implemented restructuring activities and cost reduction strategies to be employed across the business, the exiting of unprofitable business operations and SKU rationalisation.

Given the risk associated with the timing and quantum of profitability improvement initiatives and the agricultural risk associated with key drivers of input costs and gross profit margins, there is material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the forecast the Directors believe the Company is well positioned to achieve its EBITDA forecast, cash flow forecasts, and working capital requirements. Accordingly, the consolidated annual report has been prepared on a going concern basis.

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

2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

During December 2022 and January 2023, a sale and lease-back arrangement occurred in relation to the two non-core distribution properties owned by Van Diemen's Land Dairy Pty Ltd. A portion of the proceeds was used to repay term debt with ANZ.

Other than the above, there were no significant changes in the state of affairs of the Group during the financial year.

There have been no changes in accounting policies since the previous financial report at 31 December 2021.

3. SEGMENT INFORMATION

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

- The Dairy segment incorporates the Meander Valley Dairy, Pyengana Dairy and Betta Milk (Van Diemen's Land Dairy) businesses, the assets of which were acquired in September 2015, October 2017 and July 2019, respectively. In addition, the Dairy segment includes goat farming operations which were acquired in June 2016. The Dairy segment primarily derives revenue from dairy processing activities including the manufacture of premium fresh milk, cheese, cream and butter products. These products are sold under the Meander Valley Dairy, Pyengana Dairy, Real Milk, Robur Farm Dairy, Betta Milk and Tassie Taste brands.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016. Revenue is primarily derived from the sale of poultry meat products sold under the Nichols Poultry and Nichols Kitchen brands.
- The Shared Services segment, which comprise:
 - Corporate costs that are not directly attributable to operational business units, including Shared Service teams, which provide administrative support to the operational production units in the areas of financial management, human resources, sales, marketing, brand management, route to market, quality assurance and food safety, and work health and safety; and
- The Horticulture Segment, which comprises the net assets and business operations of Shima Wasabi Pty Ltd, which were acquired in June 2016.

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

	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000
Consolidated - 2022					
Revenue					
Total segment sales revenue	30,553	39,535	391	108	70,587
Other income	660	323	32	12	1,028
	31,213	39,858	423	120	71,615
Segment profit/(loss)	(3,354)	(5,480)	(117)	(7,449)	(16,399)
Profit after tax from discontinued operation					-
Loss before income tax expense					(16,399)
Income tax (expense)/benefit					(79)
Loss after income tax expense					(16,478)
Assets					
Segment assets	(3,756)	1,499	(2,578)	44,020	39,185
Unallocated assets from continuing operations:					-
Total Assets					39,185
Total assets include:					
Liabilities					
Segment liabilities	6,422	11,740	160	2,532	20,854
Deferred tax liability/(asset)					-
Total liabilities					20,854

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

3. SEGMENT INFORMATION, CONT.

	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000
Consolidated - 2021					
Revenue					
Total segment sales revenue	30,362	38,636	392	51	69,441
Other income	134	448	20	24	626
	<u>30,496</u>	<u>39,083</u>	<u>412</u>	<u>76</u>	<u>70,067</u>
Segment profit/(loss)	(1,367)	(3,563)	(59)	(5,752)	(10,741)
Loss before income tax expense					(10,741)
Income tax (expense)/benefit					0
Loss after income tax expense					<u>(10,741)</u>
Assets					
Segment assets	383	8,194	(2,586)	42,749	48,738
<i>Unallocated assets from continuing operations:</i>					-
Total Assets					<u>48,738</u>
<i>Total assets include:</i>					
Liabilities					
Segment liabilities	5,580	12,544	55	1,961	20,140
Deferred tax liability/(asset)					-
Total liabilities					<u>20,140</u>

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

SHAREHOLDER RETURNS

4. EARNINGS PER SHARE

	2022 Cents	2021 Cents
Basic loss per share	(4.03)	(3.05)
Diluted loss per share	(4.03)	(3.05)
	2022 \$'000	2021 \$'000
Net (loss)/profit from continuing operations attributable to the shareholders of TasFoods Limited used in calculation of basic and diluted earnings per share for: All operations	(16,478)	(10,741)
	2022 Number	2021 Number
Basic Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	408,941,536	351,902,660
Diluted Weighted average number of ordinary shares and convertible redeemable preference shares outstanding and performance rights during the period used in the calculation of basic earnings per share	408,941,536	351,902,660

Information Concerning the Classification of Securities

Potential ordinary shares:

- a) There were no options (other than those referred to in note 29) or other forms of potential shares on issue at 31 December 2022 (31 December 2021: Nil).
- b) Options granted (as referred to in note 29) are not included in the calculation of diluted earnings per share as the share price as at 31 December 2022 was lower than the exercise price. If the share price were to increase above the exercise price, any options exercised would have a dilutive impact on the earnings per share.

Recognition and measurement

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

Diluted earnings per share is calculated as net profit attributable shareholders, adjusted for:

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

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

5. DIVIDENDS TO SHAREHOLDERS

No dividends have been paid or declared during the year ended 31 December 2022 (31 December 2021: Nil).

PROFIT AND LOSS INFORMATION

6. REVENUE

	2022 \$'000	2021 \$'000
Revenue from continuing operations		
Sales revenue	70,587	69,441
Other income		
Interest received	-	-
Profit/Loss on Sale of Property, Plant & Equipment	664	3
Sundry income	364	623
	1,028	626

Profit on sale of property, plant and equipment includes sale of non-core property assets of \$0.614 million. Sundry income includes freight recovered, fuel tax credits, rent received, freight equalisation recoveries received as well as other sundry items.

Recognition and measurement

Sales revenue

Accounting for wholesale sales of dairy, poultry and wasabi goods

The sale of dairy, poultry and wasabi goods is measured at the fair value of consideration received net of any trade discounts and volume rebates allowed.

The sale of dairy, poultry and wasabi goods represents a single performance obligation and accordingly, revenue is recognised in respect of the sale of these goods at the point in time when control over the corresponding goods and services is transferred to the customer (i.e. at a point in time for sale of goods when the goods are delivered to the customer or transferred to the freight forwarder).

Revenue is recognised when control of the goods transfer to the customer i.e when the goods have been delivered to a customer pursuant to a sales order. Delivery occurs when the products have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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

A gain on Sale of Property, Plant and Equipment is recognised when title has transferred and the purchaser has the right to control the asset.

Revenue on sale of freehold land and buildings is recognised when title has transferred and the purchaser has the right to control the asset.

Interest revenue

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

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

7. EXPENSES

	2022 \$'000	2021 \$'000
Profit before income tax expense includes the following specific expenses:		
Employee benefits expense:		
Salaries and wages	19,051	18,366
Temporary employees	1,233	395
Share based payments	430	97
Superannuation expense (defined contribution)	1,582	1,372
Total employee benefits	22,296	20,230

8. INCOME TAX

	2022 \$'000	2021 \$'000
(a) Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	-	-
Deferred tax movements	-	-
Deferred income tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(1,842)	238
Increase/(decrease) in deferred tax liabilities	1,842	(238)
Reconciliation of income tax expense to proforma facie tax on accounting profit:		
Loss before income tax expense	(16,399)	(10,741)
Tax benefit at Australian tax rate of 30% (2021: 30%)	(4,920)	(3,222)
Tax effect of amounts which are not deductible in calculating taxable income	142	1,198
Deferred tax on taxable losses not brought to account	4,857	2,024
	79	-
(b) Income tax benefit recognised directly in equity during the period		
Deferred tax arising from share issue costs	(79)	-
	(79)	-

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

8. INCOME TAX, CONT.

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Closing Balance \$'000
Gross deferred tax assets:				
Provisions	484	83		567
Trade and other payables	36	22		57
Share issue expenses	99	11		110
Trade and other receivables	11	9		20
Property, plant and equipment	-	240		240
Intangibles	-	-		-
Tax Losses	2,743	(2,274)		469
Interest bearing liabilities	-	-		-
Acquisition costs	96	-		96
Lease liability	30	68		98
	3,499	(1,842)	-	1,657
Gross deferred tax liabilities:				
Biological assets	(733)	(134)		(867)
Inventory	(36)	31		(5)
Property, plant and equipment	(684)	14		(669)
Intangibles	(2,040)	2,040		-
Other	(7)	(110)		(116)
	(3,499)	(1,842)	-	(1,657)
Net deferred tax asset/(liability)	-	-	-	-

Unused tax losses

The Group has recognised tax losses in the year ended 31 December 2022 only to the extent of the Groups taxable temporary differences. After recognition of these losses the Group had a further \$45.85 million of carry forward tax losses for which no deferred tax asset has been recognised (31 December 2021: \$29.59 million). The losses relate to both Group's current operations and losses incurred by the loyalty, rewards and payments business previously operated by the Group. Prior to recognising the carry forward tax losses transferred into and incurred by the loyalty, rewards and payments business, the Group will finalise the application of the continuity of ownership and continuity of business tests.

(d) Tax losses

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

	2022 \$'000	2021 \$'000
Capital losses	-	-
Revenue losses	45,852	29,589
	45,852	29,589
Potential tax benefit at 30%	13,752	8,877

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

8. INCOME TAX, CONT.

Recognition and measurement

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

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

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

Tax Consolidation

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

CURRENT ASSETS

9. TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Trade Receivables	4,487	4,120
Loss allowance	(67)	(47)
Other receivables	313	900
	4,734	4,973
Loss Allowance		
Movements in the loss allowance were as follows:		
Carrying value at the beginning of the year	47	13
Increase/(decrease) in loss allowance recognised	20	34
Carrying value at the end of the year	67	47
Trade receivables past due but not impaired		
Under one month	774	744
One to three months	296	55
Over three months	131	91
	1,201	890

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

9. TRADE AND OTHER RECEIVABLES, CONT.

Recognition and measurement

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

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

The loss allowance is determined as follows for trade receivables:

	Current	30 days	60 days	90+ days	Total
31 December 2022					
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount (\$'000)	3,285	744	296	131	4,487
Loss Allowance (\$'000)	-	-	-	67	67
	Current	30 days	60 days	90+ days	Total
31 December 2021					
Expected Loss Rate	0%	0%	0%	51%	
Trade Receivables Gross Carrying Amount (\$'000)	3,231	744	55	91	4,120
Loss Allowance (\$'000)	-	-	-	47	47

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

Fair values of trade and other receivables

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

Credit risk

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

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

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

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

10. BIOLOGICAL ASSETS

	Poultry \$'000	Goats \$'000	Wasabi Plants \$'000	Total \$'000
Balance as at 1 January 2021	2,037	167	172	2,376
Increases due to purchases and production	2,029	-	20	2,049
Decreases due to sales/processing/mortality ⁽ⁱ⁾	(2,037)	(135)	(2)	(2,174)
Movement in fair value as a result of physical and/or price changes ⁽ⁱⁱ⁾	(113)	(32)	69	(76)
Balance as at 31 December 2021	1,916	-	259	2,175
Current	1,916	-	229	2,145
Non-current	-	-	30	30
	1,916	-	259	2,175
Balance as at 1 January 2022	1,916	-	259	2,175
Increases due to purchases and production	1,929	-	37	4,459
Decreases due to sales/processing/mortality ⁽ⁱ⁾	(1,916)	-	(28)	(4,438)
Movement in fair value as a result of physical and/or price changes ⁽ⁱⁱ⁾	298	-	77	375
Balance as at 31 December 2022	2,227	-	345	2,571
Current	2,227	-	331	2,558
Non-current	-	-	14	14
	2,227	-	345	2,571

(i) includes biological assets reclassified as inventory at the point of harvest and/or processing.

(ii) includes physical changes as a result of biological transformation such as growth, degeneration and procreation.

Recognition and Measurement

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

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

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

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

As at 31 December 2022, the Group held 510,494 live poultry (2021: 517,693), 7,847 mature wasabi plants (2021: 6,650) and 1,489 immature wasabi plants (2021: 2,543) that are less than 12 months of age and not suitable for harvest.

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

10. BIOLOGICAL ASSETS, CONT.

Poultry

For live poultry with an age of below 26 days (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 age of greater than 26 days 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 2022, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by \$88,201 (2021: \$78,867) by a pricing or dressed weight increase/decrease of 5%.

Wasabi Plants

Wasabi plants which are greater than twelve months of age are considered mature and ready for harvest, as such plants which are greater than twelve months of age are disclosed as a current asset. On 31 December 2022 the Group's wasabi plants were an average of 27 months of age (31 December 2021: 22 months) and at various stages of growth post-harvest. As such, wasabi plants are valued at fair value less estimated point of sale costs. The valuation methodology is deemed to be Level 3 in the fair value hierarchy as it contains unobservable inputs due to the rare nature of the crop.

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

AASB 141 Agriculture applies to all biological assets (excluding bearer plants) and agricultural produce at the point of sale, and is applied to the valuation of the wasabi crop (the biological asset) as well as harvested material. Changes in market conditions due to COVID-19 and the resulting change in product sales mix necessitated a review of the crop valuation focused on fair value less costs to sell in June 2020. This review resulted in a movement in fair value of biological assets of \$1.179 million (recorded in 30 June 2020), primarily driven by a reduction in the selling price per kilogram as the Company transitions from high value fresh wasabi sales, towards industrial and ingredient powder commodity markets. The write-down was non-cash in nature and did not impact the biomass of the wasabi crop available for future use.

Based on market prices and estimated yields utilised within the valuation methodology at 31 December 2022, with all other variables held constant, the Group's net profit/(loss) for the period would have been impacted by \$17,177 (31 December 2021: \$12,901) by a price increase/decrease of 5%.

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

10. BIOLOGICAL ASSETS, CONT.

Fair value measurement

	2022			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	2,227	-	2,227
- Wasabi plants	-	-	345	345
Total biological assets recognised at fair value	-	2,227	345	2,571
	2021			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	1,916	-	1,916
- Wasabi plants	-	-	259	259
Total biological assets recognised at fair value	-	1,916	259	2,175

Fair value measurements using significant unobservable inputs

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Description	
Wasabi plant biological assets at fair value:	
Unobservable inputs	Average yield per wasabi plant used in fair value measurement: 0.28 kilograms (31 December 2021: 0.37 kilograms)
Relationship to unobservable inputs to fair value	An increase/decrease in yield would result in a direct increase/decrease in the fair value

AASB 141 Agriculture applies to all biological assets (excluding bearer plants) and agricultural produce at the point of sale, and is applied to the valuation of the wasabi crop (the biological asset) as well as harvested material.

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

11. INVENTORY	2022 \$'000	2021 \$'000
Finished goods	1,641	1,921
Raw materials and packaging	2,363	2,244
Other	570	482
	4,574	4,647

Recognition and measurement

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

Inventories are accounted for in the following manner:

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

NON-CURRENT ASSETS

12. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment	2022 \$'000	2021 \$'000
Land and buildings - at cost	15,260	16,021
Less accumulated depreciation	(1,784)	(1,435)
	13,476	14,586
Plant and equipment - at cost	16,639	16,311
Less accumulated depreciation	(7,155)	(5,871)
	9,484	10,440
Office equipment - at cost	290	256
Less accumulated depreciation	(224)	(194)
	67	62
Motor vehicles - at cost	692	913
Less accumulated depreciation	(318)	(370)
	374	543
Capital Work in Progress - at cost	312	273
Total Property, Plant and Equipment	23,713	25,904

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

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

Reconciliations

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

	Land and buildings \$000	Plant and equipment \$000	Office equipment \$000	Motor vehicles \$000	Capital work in progress \$000\$	Total \$000
Carrying value						
As at 1 January 2021	13,186	10,987	61	535	539	25,308
Additions	1,748	821	28	105	1,876	4,578
Capitalisation to asset categories	-	-	-	-	(2,142)	(2,142)
Disposals	-	-	-	-	-	-
Depreciation expense	(348)	(1,368)	(27)	(97)	-	(1,840)
Balance as at 31 December 2021	14,586	10,440	62	543	273	25,904
As at 1 January 2022	14,586	10,440	62	543	273	25,904
Additions	69	432	35	19	39	594
Capitalisation to asset categories	-	-	-	-	-	-
Disposals	(830)	(105)	-	(238)	-	(1,174)
Depreciation expense	(349)	(1,283)	(29)	50	-	(1,611)
Balance as at 31 December 2022	13,476	9,484	67	374	312	23,713

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	5-50%
Office equipment	10-50%
Motor vehicles	13.33-20%

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. During the year a sale and lease-back transaction occurred in relation to one of the non-core properties owned by Van Diemen's Land Dairy Pty Ltd.

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

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

(b) Right of Use Assets and Lease Liabilities

Right of Use Assets

Recognised right-of-use assets relate to the following types of assets:

	31 December 2022 \$'000	31 December 2021 \$'000
Right of use assets		
Land and buildings	1,166	1,418
Motor vehicles	375	-
Total right-of-use assets	1,541	1,418

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

	Right-of-use assets		Total \$'000
	Land and buildings \$'000	Motor vehicles \$'000	
Balance at 1 January	1,418	-	1,418
Additions	360	409	769
Disposals	(400)		-400
Depreciation expense	(212)	(33)	(246)
Net carrying amount at 31 December 2022	1,166	375	1,541

	Right-of-use assets		Total \$'000
	Land and buildings \$'000	Motor vehicles \$'000	
Balance at 1 January	968	-	968
Additions	647	-	647
Disposals	0	-	-
Depreciation expense	(197)	-	(197)
Net carrying amount at 31 December 2021	1,418	-	1,418

Lease Liabilities

	31 December 2022 \$'000	31 December 2021 \$'000
Current	373	193
Non-Current	1,494	1,339
	1,867	1,532

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

12. PROPERTY, PLANT AND EQUIPMENT, CONT.

Recognition and measurement

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

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

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

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period.

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

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial indirect costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's life.

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

Extension and termination options are included in a number of property leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

13. INTANGIBLE ASSETS

	2022 \$'000	2021 \$'000
Goodwill	-	-
Brands and trademarks	4	6,835
Other	552	360
	556	7,195
Gross carrying value		
At cost	17,553	17,341
Accumulated impairment and amortisation	(16,997)	(10,146)
Total net carrying amounts	556	7,195
Reconciliations		
Carrying amount at beginning	7,195	10,953
Additions	192	160
Impairment and amortisation during the year	(6,831)	(3,918)
Carrying amount at end	556	7,195

Brands and trademarks are predominantly associated with the Nichols Poultry brand acquired in 2016 and the Betta Milk brand acquired in 2019.

Other intangible assets include water rights and intellectual property. Water rights are considered to have an indefinite life and intellectual property is amortised over 5 years.

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

	2022				2021			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Goodwill	Brands & Trademarks	Other	Total	Goodwill	Brands & Trademarks	Other	Total
Dairy	-	-	-	-	-	3,925	1	3,925
Poultry	-	-	196	196	-	2,910	194	3,104
Corporate and Other	-	4	356	360	-	-	166	166
Total	-	4	552	556	-	6,835	361	7,195

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

13. INTANGIBLE ASSETS, CONT.

Recognition and measurement

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

Indefinite life assets

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

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

Goodwill

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

Recoverable amount of goodwill and indefinite life intangibles

In accordance with the Company's accounting policy, impairment testing has been undertaken at 31 December 2022 in accordance with AASB 136 *Impairment of Assets* for all groups of cash generating units (CCUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

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

Dairy CCU

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

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

13. INTANGIBLE ASSETS, CONT.

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

Dairy	31 December 2022	31 December 2021
Sales Growth Rate (5 year avg)	6.2%	4.3%
Production Costs (5 year avg)	67.8%	65.3%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.5%
Pre-tax Discount Rate	16.1%	15.4%

Based on the above assumptions the recoverable amount of the CGU at 31 December 2022 is estimated to be \$9.8 million, which is a deficit of \$3.8 million when compared to the CGU's carrying amount of \$13.7 million.

Poultry CGU

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

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

Poultry	31 December 2022	31 December 2021
Sales Growth Rate (5 year avg)	6.9%	6.7%
Production Costs (5 year avg)	79.5%	76.1%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.5%
Pre-tax Discount Rate	16.1%	15.4%

Based on the above assumptions the recoverable amount of the CGU at 31 December 2022 is estimated to be \$14.7 million, which is a deficit of \$2.8 million when compared to the CGU's carrying amount of \$17.5 million.

Changes to Key Inputs

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

- *Sales Growth Rate* – Sales growth rates were reduced at 31 December 2022 to reflect both market growth rates and historical CGU growth rates achieved.
- *Production Costs* – Production costs as a percentage of revenue are forecast to decrease over the forecast period which is reflective of gross margin improvement through a focus on value chain profitability, customer profitability and management of input costs inline with
- *Managements revised strategy.*
- *Long-term Growth Rate* – Was maintained at 2.5% which is in line with the Reserve Bank of Australia's economic outlook.
- *Pre-tax Discount Rate* – The discount rate represents the current market assessment of the risks relating to the relevant CGU. In performing the value in use calculations for the CGU, the group has applied a pre-tax discount rate of 16.1% (11.3% post tax). The discount rate includes a risk premium to allow for overall uncertainty in the wider economy, together with company specific risks related to operations in the agricultural industry.

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

13. INTANGIBLE ASSETS, CONT.

Review outcome

Based on the above an impairment charge is being recognised to reduce the value of brands and trademarks of both the Dairy and Poultry CCU to nil. This conclusion is based on a current assessment of industry growth rates, market inflationary pressures and volatility in commodity pricing which form the basis of key inputs into the modelling.

LIABILITIES

14. TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
Trade and other payables	11,645	9,605
	11,645	9,605

Recognition and measurement

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

Fair value of trade and other payables

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

15. BORROWINGS

	2022 \$'000	2021 \$'000
<i>Current</i>		
Bank Overdraft	-	-
Bank Loans	473	592
Other	549	455
	1,022	1,047
<i>Non-Current</i>		
Bank Loans	4,739	6,422
	4,739	6,422
Total borrowings	5,761	7,469

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

15. BORROWINGS, CONT.

Financing arrangements

Commitments in relation to financing arrangements are payable as follows:

	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contracted cash flows \$'000	Carrying Amount \$'000
At 31 December 2022					
<i>Non-derivatives</i>					
Trade payables	11,645	-	-	11,645	11,645
Bank Overdraft	-	-	-	-	-
Bank Loans	473	4,739	-	5,212	5,212
Other	549	-	-	549	549
Finance lease liabilities (refer to note 12b)	-	-	-	-	-
	12,667	4,739	-	17,407	17,407

At 31 December 2021

<i>Non-derivatives</i>					
Trade payables	9,605	-	-	9,605	9,605
Bank Overdraft	-	-	-	-	-
Bank Loans	592	6,422	-	7,014	7,014
Other	455	-	-	455	455
	10,652	6,422	-	17,074	17,074

Available facilities:

	2022 \$'000		2021 \$'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Equipment Finance Liabilities (refer to note 12b)	1,183	-	-	-
Bank Bill Facility	3,500	-	3,000	-
Bank Loan Facilities	1,712	-	4,014	-
Bank Overdraft	3,260	3,260	2,500	2,500
	9,655	3,260	9,514	2,500

The bank overdraft facility with ANZ was increased to \$3.26 million in November 2022. The facility will reduce to \$2.56m from July 2023. As part of the sale and leaseback arrangements regarding non-core property assets, a reduction in ANZ term debt facilities of \$1.0 million was made during December 2022. The largest bank loan, \$3.5m, is due for repayment on 29 June 2026.

Recognition and measurement

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

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

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

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

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

15. BORROWINGS, CONT.

Secured liabilities and assets pledged as security

The Group has a number of finance facilities with ANZ which were renewed during the reporting period. Available facilities include overdrafts, a bank bill and bank loan facilities which are secured by mortgage over the property and water rights owned by Nichols Poultry Pty Ltd and property owned by Van Diemen's Land Dairy Pty Ltd. The facilities are also secured by a general security agreement over the property of Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd not otherwise secured.

Financial covenants

At the start of the financial year the Company was required to comply with an interest cover ratio financial covenant, which had an assessment date of 31 December 2022. In July 2022, ANZ agreed to remove all debt covenants in relation to the ANZ facility.

16. PROVISIONS

	2022 \$'000	2021 \$'000
<i>Current</i>		
Employee benefits	1,362	1,365
Other provisions	-	-
	1,362	1,365
<i>Non-current</i>		
Employee benefits	219	169
	219	169

Recognition and measurement

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

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

Employee benefits

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

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

16. PROVISIONS, CONT.

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

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

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

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

EQUITY

17. CONTRIBUTED EQUITY

	Number of Shares		Share Capital	
	2022	2021	2022 \$'000	2021 \$'000
Ordinary shares - fully paid (no par value)	437,095,516	351,902,660	66,834	61,053
Total share capital			66,834	61,053

Movements in ordinary share capital:

Date	Details	Ordinary Shares	\$'000
1/1/22	Balance at beginning of period	351,902,660	61,053
	Share Issue	85,192,856	5,702
	Deferred tax arising from share issue costs	-	79
		437,095,516	66,834

Terms and Conditions of Issued Capital

Ordinary Shares

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

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

17. CONTRIBUTED EQUITY, CONT.

Share Options and Performance Rights

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

There were 5,000,000 share options on issue, 42,039,627 performance rights and 6,318,183 share appreciation rights granted as at 31 December 2022 (2021: 5,000,000 share options and 1,653,571 performance rights).

Recognition and measurement

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

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

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

18. RESERVES

	2022	2021
	\$'000	\$'000
Employee share option reserve	1,121	691
	1,121	691

Nature and Purpose of Reserves

Employee share option reserve

The reserve is used to record the value of equity instruments issued to employees and directors as part of their remuneration, and other parties as part of compensation for their services. Details of the employee share option payments are contained in note 30.

	2022	2021
	\$'000	\$'000
Balance at start of year	691	594
Net Movement during the year	430	97
Balance at end of year	1,121	691

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

OTHER NOTES

19. ADDITIONAL CASH FLOW INFORMATION

	2022 \$'000	2021 \$'000
Cash and cash equivalents	351	1,450

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:

	2022 \$'000	2021 \$'000
Cash and cash equivalents	351	1,450
Bank overdraft	-	-
	351	1,450

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

19. ADDITIONAL CASH FLOW INFORMATION, CONT.

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

	2022 \$'000	2021 \$'000
Net loss after income tax	(16,478)	(10,741)
Depreciation and amortisation	2,099	2,037
Impairment	6,835	3,907
Movement in fair value of biological assets	(375)	76
Share based payments	430	97
Interest on leased assets	95	47
Other	(647)	173
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	239	(480)
(Increase)/decrease in inventories	74	(143)
(Increase)/decrease in prepayments	(169)	(70)
(Increase)/decrease in deferred taxes	-	-
(Decrease)/Increase in trade and other payables	2,040	430
Increase/(decrease) in provisions	47	210
Net cash (outflow)/inflow from operating activities	(5,810)	(4,457)

(c) Non-cash activities

There were no non-cash financing activities.

20. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

20. FINANCIAL RISK MANAGEMENT, CONT.

Recognition and measurement

Classification

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

Loans and Receivables

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

Financial Liabilities

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

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

Risk Exposures and Responses

Interest Rate Risk

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

	2022 \$'000	2021 \$'000
Financial Assets		
Cash and cash equivalents	351	1,450
Net exposure	351	1,450

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 2022, 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:

	2022 \$'000	2021 \$'000
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	20	26
- 0.5% (50 basis points)	(20)	(26)

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

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

20. FINANCIAL RISK MANAGEMENT, CONT.

Liquidity Risk

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

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

The Group has Total Liabilities of \$20.854 million (2021: \$20.140 million) of which \$14.402 million (2021: \$12.211 million) is recorded as current liabilities, and Total Current Assets of \$13.361 million (2021: \$14.191 million) of which \$0.351 million (2021: \$1.450 million) consists of cash or cash equivalents, providing the Board with comfort that the Group is solvent and can meet its payment obligations in full as they fall due. Refer to Note 1 for information in relation to initiatives that will allow management to achieve their EBITDA forecasts, cash flow forecasts and net working capital requirements.

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

Credit Risk

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

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

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

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

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

Fair Value

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

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

21. CAPITAL MANAGEMENT

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

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

	2022 \$'000	2021 \$'000
Borrowings	5,761	7,469
Trade and other payables	11,645	9,605
Total debt	17,407	17,074
Less cash and cash equivalents	(351)	(1,450)
Net (cash)/debt	17,055	15,624
Total equity	25,165	28,598
Total capital	66,834	61,053
Gearing ratio (total debt / total equity)	69.2%	59.7%

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

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

GROUP MANAGEMENT

22. PARENT ENTITY SUPPLEMENTARY INFORMATION

Information relating to TasFoods Limited:

	2022 \$'000	2021 \$'000
Financial position		
Current assets	28,849	28,316
Non-current assets	4,431	3,572
Total assets	33,280	31,888
Current liabilities	3,297	2,862
Non-current liabilities	467	264
Total liabilities	3,764	3,126
Net assets	29,516	28,762
Contributed equity	66,834	61,053
Reserves	1,121	691
Accumulated losses	(38,439)	(32,982)
Total equity	29,516	28,762
Financial performance		
Total revenue	4,942	5,185
Loss for the period	(9,506)	(8,078)
Comprehensive loss for the period	(9,506)	(8,078)

Deed of Cross Guarantee

The wholly owned subsidiaries disclosed in Note 23 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from any requirement to prepare a financial report and directors' report that might otherwise apply under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The closed group financial information for 2022 is identical to the financial information included in the consolidated financial statements. The wholly owned subsidiaries became a party to the deed of cross guarantee dated 23 October 2017.

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

Capital Commitments

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

Contingent Liabilities

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

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

23. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding	
			2022 %	2021 %
Van Diemen's Land Dairy Pty Ltd	Australia	Dairy	100%	100%
Nichols Poultry Pty Ltd	Australia	Poultry	100%	100%
Shima Wasabi Pty Ltd	Australia	Wasabi	100%	100%
Tasmanian Food Co Dairy Pty Ltd	Australia	Dairy	100%	100%

UNRECOGNISED ITEMS

24. 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.

25. COMMITMENTS FOR EXPENDITURE

Capital Commitments – Capital Expenditure Projects

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

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2022 \$'000	2021 \$'000
Payable:		
- Not longer than one year	-	-
- Longer than one year and not longer than five years	-	-
- Longer than five years	-	-
	-	-

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

26. EVENTS OCCURRING AFTER REPORTING DATE

During January 2023, a sale and lease-back arrangement occurred in relation to the Hobart based non-core distribution property owned by Van Diemen's Land Dairy Pty Ltd. From the proceeds received, \$1.2 million was used to repay term debt facilities with ANZ in January 2023. To the extent further asset sales occur, some of the net proceeds generated by the sale will be used to further repay debt.

Other than the above, the Board is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

OTHER INFORMATION

27. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

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

	2022 \$	2021 \$
Short term benefits	900,310	828,640
Post-employment benefits	62,193	81,797
Share based payments	384,312	54,971
Termination payments	-	132,000
	1,346,815	1,097,408

28. AUDITOR'S REMUNERATION

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

	2022 \$	2021 \$
Auditors of the parent entity:		
Auditing the financial report	278,500	172,250
Other assurance services	-	-
	278,500	172,250

29. SHARE BASED PAYMENTS

Performance Rights

(a) Share based payment arrangements

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

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

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

29. SHARE BASED PAYMENTS, CONT.

Under the LTIP, performance rights were issued to the Chief Executive Officer and managers of senior management as the LTI component of their remuneration. Performance rights granted under the LTIP have vesting conditions as follows:

- 50% of the grant is based on Total Shareholder Return (TSR) growth and
- 50% of the grant is based on EBITDA growth.

Vesting percentages for the TSR hurdle (threshold/stretch/maximum level of LTI) are to be determined by the following scale:

Performance Level	Absolute TSR (CACR)	Indicative TFL Share price	% of Maximum vesting
Stretch	25%	\$0.14	100%
Between Target and Stretch	>19%, <25%	>\$0.12 and <\$0.14	Pro-Rata
Target	19%	\$0.12	50%
Between Threshold and Target	>14%, <19%	>\$0.10 and <\$0.12	Pro-Rata
Threshold	14%	\$0.10	25%
Below Threshold	<14%	<\$0.10	0%

The targets for share price growth are based on a starting share price of \$0.07 (being the average share price of the capital raisings undertaken by the Company in 1H 2022) which is a Compound Annual Growth Rate (CACR) from June 2022 of 19.6% to achieve 'target' share price and a CACR of 26.0% to achieve 'stretch' share price.

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

EBITDA Growth

Vesting percentages for the EBITDA hurdle (threshold/stretch/maximum level of LTI) are to be determined by the following scale:

Performance Level	Absolute EBITDA growth	% of Maximum vesting
Stretch	36.0%	100%
Between Target and Stretch	>23%, >36%	Pro-Rata
Target	23%	50%
Between Threshold and Target	>8%, <23%	Pro-Rata
Threshold	8%	25%

The targets for EBITDA growth are based on the Company's budget for the 2022 year.

The Company's compound annual growth in EBITDA, and achievement against the EBITDA Hurdle, will be determined by the Board in its absolute discretion, having regard to matters it considers relevant. It is intended that EBITDA for each relevant financial year will be calculated as EBITDA for that financial year, adjusted to exclude the costs of servicing equity (other than dividends), adjusted for any bonus elements. For relevant financial years, the calculation may be adjusted to take into account one-off items associated with equity raising, if considered appropriate by the Board. The Board also reserves the right to make any other adjustments it thinks fit to the calculation of EBITDA having regard to the impact of any other exceptional items.

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

29. SHARE BASED PAYMENTS, CONT.

Grant to Non-Executive Directors

Following shareholder approval in May 2021, the Directors sacrificed cash fees in return for a grant of Performance Share Appreciation Rights (PSARs). The SARs are fully vested at Grant, but are subject to Specified Disposal Restrictions that facilitate long term holding of equity interests.

b. Performance rights granted

Below is a summary of Share Appreciation Rights and Performance Rights granted under the LTIP.

2022

Grant Date	Equity Instrument	Performance Period		Balance at start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	Fair Value per Share
		From	To						
7/6/22	Performance Share Appreciation Rights	1/1/22	31/12/25	-	20,093,960	-	-	20,093,960	\$0.032
7/6/22	Performance Share Appreciation Rights	1/1/22	31/12/25	-	20,093,960	-	-	20,093,960	\$0.016
30/5/22	Share Appreciation Rights	1/1/22	31/12/22	-	6,318,183	-	-	6,318,183	\$0.038
6/9/21	Performance Rights	1/1/21	31/12/23	1,851,707	-	-	-	1,851,707	\$0.037
24/10/19	Performance Rights	1/1/19	31/12/21	1,653,571	-	(1,653,571)	-	-	\$0.042

2021

Grant Date	Equity Instrument	Performance Period		Balance at start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	Fair Value per Share
		From	To						
6/9/21	Performance Rights	1/1/21	31/12/23	-	1,851,707	-	-	1,851,707	\$0.037
24/10/19	Performance Rights	1/1/19	31/12/21	1,653,571	-	-	-	1,653,571	\$0.042

The Share Appreciation Rights and Performance Rights hold no voting or dividend rights and are not transferable.

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

29. SHARE BASED PAYMENTS, CONT.

c. Fair value of performance rights granted

For the performance rights granted during the 2022 financial year, the fair value was measured at the grant date of 30 May 2022 for the Non-Executive Directors and 7 June 2022 for those rights issued to the Chief Executive Officer and senior management.

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

The expense recognised in relation to the performance rights applicable to the Non-Executive Directors, Chief Executive Officer and senior management for the year ended 31 December 2022 is \$320,625 (31 December 2021: \$11,419).

Share Options

a. Share options granted

Share options outstanding at 31 December 2022 are as follows:

Options - 2022

Grant Date	Expiry Date	Exercise Price	Balance at start of Year	Granted	Exercised	Expired/ forfeited/ other	Balance at End of Year
27/08/2021	1/10/2024	\$0.10	2,500,000				2,500,000
27/08/2021	1/10/2024	\$0.10	2,500,000				2,500,000
			5,000,000				5,000,000
Weighted average exercise price							\$ 0.10

b. Fair value of share options granted

For share options granted during the 2021 financial year, the fair value was measured at the grant date of 27 August 2021.

The fair value of the options granted under the LTIP was calculated by an independent expert using the Binomial method.

The expense recognised in relation to share options for the year ended 31 December 2022 is \$110,700 (31 December 2021: \$74,349).

c. Share Options at 31 December 2022

There are 5,000,000 share options held by KMP as at 31 December 2022.

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

29. SHARE BASED PAYMENTS, CONT.

Recognition and Measurement

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

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

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

30. 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 2022. The Company is a company limited by shares, incorporated and domiciled in Australia.

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

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

(b) Compliance with IFRS

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

(c) Historical Cost Convention

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

(d) Principles of Consolidation

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

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

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

Details of the controlled entities are contained in note 23.

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

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

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

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

30. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(e) Critical Accounting Estimates, Judgements and Errors

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

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

The areas involving significant estimates or judgements are:

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

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

(f) Comparatives

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

(g) New Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not yet been adopted by the Group. There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(h) Rounding Amounts

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

DIRECTORS' DECLARATION

1. In the opinion of the Directors of TasFoods Limited (the "Company"):
 - a. The financial report and the Remuneration Report included in the Directors' Report, designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and
 - ii. Complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as described in the notes to the financial statements; and
3. This declaration has been made after receiving the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 31 December 2022.

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.



John Murphy
Non-Executive Chair

27 February 2023



Independent auditor's report

To the members of TasFoods Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$16.48 million and a net cash outflow from operations of \$5.81 million during the year ended 31 December 2022 and as of that date had net current liabilities of \$1.04 million. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$700,000, which represents approximately 1% of the Group's total revenue. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue as, in our view, it is the benchmark against which the performance of the Group is most commonly measured given the Group remains in a growth phase.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.



Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We performed an audit of the most significant operating business units of the Group, being Poultry and Dairy. We performed specific risk focused audit procedures over Horticulture and shared services business units.

Key audit matters

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

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

Key audit matter

How our audit addressed the key audit matter

Valuation of indefinite lived intangible assets (Refer to note 13)

During the period, the Group held indefinite lived intangible assets comprised of brands and trademarks (\$6.8 million) across its Dairy and Poultry Cash Generating Units (CGUs). Under Australian Accounting Standards, the Group is required to assess indefinite life intangible assets for impairment at least annually.

At 31 December 2022 the Group assessed the carrying value of the assets based on the value-in-use methodology using forecast future cash flows, discounted to present value. The impairment assessment resulted in impairment losses of \$2.9 million for the Poultry CGU and \$3.9 million for the Dairy CGU, as disclosed in note 13, reducing the brand value, patents and trademarks balance to nil for these CGUs.

The impairment assessment involved significant judgements, including sales growth rate, production costs, indirect cost growth rate per annum, long-term growth rate and pre-tax discount rate.

This was a key audit matter due to the financial significance of the indefinite lived intangibles and the

We performed the following procedures, amongst others, in respect of the Dairy and Poultry CGUs:

- Assessed whether the Group's determination of CGUs was consistent with our understanding of the nature of the Group's operations and internal Group reporting.
- Assessed whether each CGU appropriately included all directly attributable assets and liabilities.
- Assessed whether the valuation methodology, which utilised discounted cash flow models to estimate the recoverable amount of each CGU, was consistent with Australian Accounting Standards.
- Tested the mathematical accuracy of key data in the models and compared key data to the latest budget, third party information or historical actual costs.
- With the assistance of PwC valuation experts, assessed whether the discount rates used in the models were appropriate by comparing them to market data, comparable companies and industry research.
- Evaluated the reasonableness of the disclosures made in note 13 considering the requirements of Australian Accounting Standards.



Key audit matter

How our audit addressed the key audit matter

significant judgements and assumptions applied in estimating future cash flows,

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 33 to 50 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of TasFoods Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
27 February 2023

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 February 2023.

A. DISTRIBUTION OF EQUITY SECURITIES

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

HOLDING DISTRIBUTION

As at 13 February 2023

Range	Securities	%	No of Holders	%
100,001 and over	413,954,840	94.71	248	15.61
10,001 to 100,000	20,278,983	4.64	534	33.61
5,001 to 10,000	1,648,460	0.38	208	13.09
1,001 to 5,000	1,139,696	0.26	362	22.78
1 to 1,000	73,537	0.02	237	14.92
Total	437,095,516	100.00	1,589	100.00
Unmarketable Parcels	3,777,448	0.86	883	55.57

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders.

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

Rank	Name	Units	Percentage %
1	MUTUAL TRUST Includes entities associated with JANET CAMERON	97,295,851	22.26
2	NATIONAL NOMINEES LIMITED Includes TASPLAN SUPERANNUATION FUND	81,517,736	18.65
3	CVC LIMITED	63,269,514	14.47
4	MELBOURNE SECURITIES CORPORATION <AGFOOD OPPORTUNITY FUND>	47,908,375	10.96
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,612,126	2.43
6	HELBERN INVESTMENTS PTY LTD	10,400,000	2.38
7	MR JIMMY THOMAS AND MS IVY RUTH PONNIAH	8,382,684	1.92
8	NICHOLS INVESTMENTS PTY LTD	5,117,496	1.17
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,158,630	0.72
10	SHANE ALEXANDER NOBLE	2,968,055	0.68

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SHAREHOLDER INFORMATION

B. EQUITY SECURITY HOLDERS, CONT.

Rank	Name	Units	Percentage %
11	BARANA PTY LTD	2,891,718	0.66
12	DARIUS ISAAC	2,810,316	0.64
13	QUALITY LIFE PTY LTD	2,541,070	0.58
14	ELPHINSTONE HOLDINGS PTY LTD	2,000,000	0.46
15	BOB WILSON	1,600,000	0.37
16	BENJAMIN SCOTT SWAIN & ANN YEO RUM SWAIN	1,578,571	0.36
17	A.C.N. 136 965 538 PTY LTD	1,575,776	0.36
18	CHARDON LODGE PTY LTD Entity associated with Jane Frances Bennett	1,351,086	0.31
19	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C> (various private holders)	1,306,001	0.30
20	ALISON SHIRLEY WHITELEY	1,250,000	0.29
Totals: Top 20 holders of TFL ORDINARY FULLY PAID		349,535,005	
Total Remaining Holders Balance		87,560,511	
Total Holders Balance		437,095,516	

As at 13 FEBRUARY 2023, the 20 largest shareholders held ordinary shares representing 79.97% of the issued share capital.

SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

Name	Number Of Shares Held	%
Janet H Cameron	97,295,851	22.26
CVC Limited	63,269,514	14.48
Tasplan Superannuation Fund	55,493,605	13.90
Melbourne Securities Corporation <Agfood Opportunity Fund>	47,908,375	10.79

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.

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40° ——— S

TASFOODS

50° ——— S

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