

TASMANIAN PURE FOODS LTD

ABN 37 124 272 108

AND CONTROLLED ENTITIES

Financial Statements for the 9 months ended 31 March 2014

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TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present this report on the company and its controlled entities for the 9 months ended 31 March 2014.

The names of the directors in office at any time during or since the end of the period are:

Robert G. Woolley
Ian A. Urquhart
Robert T. Wilson
Anthony K. Shadforth
Janet H. Cameron

Directors' Meetings

The number of directors meetings (including meetings of committees of directors) and number of meetings

	Directors' Meetings	
	Held (a)	Attended
Mr R Woolley	8	8
Mr I Urquhart	8	8
Mr R Wilson	8	6
Mr A Shadforth	8	8
Ms J Cameron	8	5

(a) Meetings held during the period in which directors were in office.

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Directors fees paid during the 9 months were \$75,000. The company paid fees for management services provided by R.G. Woolley as disclosed in note 17.

The consolidated Profit / (loss) of the consolidated group after providing for income tax amounted to \$1,703,919 (2013: \$1,601,861).

Deferred tax assets amounting to \$117,770 (2013: \$301,347) relating to unused tax losses and timing differences have not been recognised in the accounts or the calculation of the preceding profit/(loss).

A review of the operations of the consolidated group during the financial period and the results of those operations show that sales of \$35,852,845 were achieved for organic baby food products.

No significant changes in the consolidated group's state of affairs occurred during the 9 months other than disclosed in the financial statements.

The principal activities of the consolidated group during the 9 months were the sale and distribution of baby food products.

No significant change in the nature of these activities occurred during the 9 months.

No matters or circumstances have arisen since the end of the 9 months which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future 9 months except as disclosed in note 16 to the accounts.

Likely developments in the operations of the consolidated group and the expected results of those operations in future 9 months have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

DIRECTORS' REPORT CONT'D

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividends have been paid or declared since incorporation, and the directors have not recommended the payment of a dividend at this time.

No other indemnities have been given or insurance premiums paid, during or since the end of the 9 months, for any person who is or has been an officer or auditor of the company.

No person has applied for leave of Court 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 part of those proceedings.

The company was not a party to any such proceedings during the 9 months.

Information On Directors

Robert G. Woolley	Director- Chairman
Qualifications	B.Ec, FCA
Experience	Partner Deloitte (1983 – 2001), Managing Director Websters Ltd (2001-2004), Chairman of Tandou Ltd (current), Chairman Freycinet Coast Financial Services Ltd (current), Chairman of the Tasmanian Forest and Forest Industry Council, (current), Director of CRC Forestry Ltd, (current), Board member Tasmanian Leaders Inc. (current)
Robert T. Wilson	Director
Qualifications	Graduate Hawksbury Agricultural College
Experience	Founding partner Classic Foods Pty Ltd, CEO from 1989-2006, Former board member Tasmanian Development Board, Former board member Cradle Coast Authority, Former member of Premiers Food Advisory Council.
Ian A. Urquhart	Director & Company Secretary
Qualifications	B. Comm. M. Admin. CPA
Experience	CFO (1976-2006), Director (1976-2012) of PGA Group Pty Ltd
Anthony K Shadforth	Director
Qualifications	F.A.I.D. M.S.A.A.
Experience	Stockbroker , Director (1979-2011) Shadforth Financial Group Auth. Representative – Equity Advisers Pty Ltd Life Member of Asthma Foundation Of Tasmania
Janet H. Cameron	Director
Experience	Founder and former principal of Kathmandu

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors.



DIRECTOR

Robert G. Woolley



DIRECTOR

Ian A. Urquhart

Dated at Launceston this 10th day of June 2014.

**TASMANIAN PURE FOODS LTD ABN 37 124 272 108
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the 9 months ended 31 March 2014 there have been:

- i. no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Ruddicks
R J Ruddick
Partner
102 Tamar Street
Launceston TAS 7250

Signed



Dated at Launceston this 16th day of June 2014

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TASMANIAN PURE FOODS LTD Partners to rely on

Report on the 9 month Financial Report to 31 March 2014

I have reviewed the accompanying 9 month financial report, being a special purpose financial report, of Tasmanian Pure Foods Limited which comprises the consolidated statement of financial position as at 31 March 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the 9 months ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and directors' declaration.

Directors' Responsibility for the 9 month Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 9 month financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporation Act 2001 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the 9 month financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express a conclusion on the 9 month financial report based on my review. I conducted my review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the 9 month financial report is not presented fairly, in all material respects, in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporation Act 2001. As the auditor of Tasmanian Pure Foods Limited, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 9 month financial report consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting my review, I have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the 9 month financial report of Tasmanian Pure Foods Limited does not present fairly, in all material respects, the financial position of Tasmanian Pure Foods Limited as at 31 March 2014 and of its financial performance and its cash flows for the 9 months ended on that date, in accordance Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporation Act 2001.

Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

Ruddicks
R J Ruddick
102 Tamar Street
Launceston Tas 7250

Signed:



Dated this 16th day of June 2014



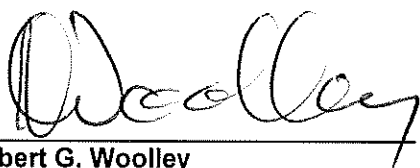
TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors have determined that the company and controlled entities are not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes as set out on pages 8 to 26 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the company's and the consolidated group's financial position as at 31 March 2014 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Robert G. Woolley



Ian A. Urquhart

Dated at Launceston this 10th day of June 2014.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

		Consolidated Group	
	Note	2014	2013
		9 months	12 months
		\$	\$
Revenue	2	35,900,405	29,079,652
Raw materials and consumables used		(22,963,201)	(18,337,581)
Employee benefits expense		(2,043,788)	(2,125,281)
Depreciation & amortisation expenses		(101,539)	(97,077)
Finance costs		(163,843)	(137,802)
Profit (Loss) on disposal property plant & equip		-	(18,574)
Bad & doubtful debts		-	(1,175)
Other expenses		<u>(7,955,939)</u>	<u>(6,997,226)</u>
Profit before income tax		2,672,095	1,364,936
Income tax (expense)/revenue	3	<u>(927,312)</u>	<u>186,362</u>
Profit/(loss) for the 9 months		<u>1,744,783</u>	<u>1,551,298</u>
Other comprehensive income			
Gain or (loss) on revaluation of property plant & equip		(134,223)	-
Gain or (loss) on revaluation of financial assets		134,000	49,000
Gain or (loss) on foreign exchange		<u>(40,641)</u>	<u>1,563</u>
Total other comprehensive income for the period		<u>(40,864)</u>	<u>50,563</u>
Total comprehensive income for the 9 months		<u>1,703,919</u>	<u>1,601,861</u>

The accompanying notes form part of these financial statements.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	Note	Consolidated Group 2014 9 months \$	2013 12 months \$
CURRENT ASSETS			
Cash	4	1,675,915	2,662,618
Receivables	5	5,973,756	5,766,965
Inventories	6	5,395,172	6,486,467
Other	7	<u>1,029,965</u>	<u>163,584</u>
TOTAL CURRENT ASSETS		<u>14,074,808</u>	<u>15,079,634</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	526,061	683,061
Financial assets	9	263,000	129,000
Deferred tax assets	13	<u>92,470</u>	<u>157,630</u>
TOTAL NON-CURRENT ASSETS		<u>881,531</u>	<u>969,691</u>
TOTAL ASSETS		<u>14,956,339</u>	<u>16,049,325</u>
CURRENT LIABILITIES			
Trade and other payables	10	2,827,884	2,601,753
Financial liabilities	11	226,871	3,613,104
Provisions	12	67,526	68,360
Current tax liabilities	13	327,920	4,174
Deferred tax liabilities	13	<u>58,045</u>	<u>910</u>
TOTAL CURRENT LIABILITIES		<u>3,508,246</u>	<u>6,288,301</u>
NON-CURRENT LIABILITIES			
Financial liabilities	11	235,067	261,675
Provisions	12	<u>32,496</u>	<u>22,738</u>
TOTAL NON-CURRENT LIABILITIES		<u>267,563</u>	<u>284,413</u>
TOTAL LIABILITIES		<u>3,775,809</u>	<u>6,572,714</u>
NET ASSETS		<u>11,180,530</u>	<u>9,476,611</u>
EQUITY			
Issued capital	14	10,900,003	10,900,003
Retained profits		<u>280,527</u>	<u>(1,423,392)</u>
TOTAL EQUITY		<u>11,180,530</u>	<u>9,476,611</u>

The accompanying notes form part of these financial statements.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Issued Capital	Retained Profits	Total
	\$	\$	\$
CONSOLIDATED GROUP			
Balance as at 1 July 2012	8,720,000	(3,025,253)	5,694,747
Issue of Share Capital	2,180,003	-	2,180,003
Operating Profit / (loss) after tax for 12 months	<u>-</u>	<u>1,601,861</u>	<u>1,601,861</u>
Balance as at 30 June 2013	10,900,003	(1,423,392)	9,476,611
Operating Profit/(Loss) after tax for 9 months	-	1,703,919	1,703,919
Balance as at 31 March 2014	<u>10,900,003</u>	<u>280,527</u>	<u>11,180,530</u>

The accompanying notes form part of these financial statements.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Note	Consolidated Group 2014 9 months \$	2013 12 months \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		34,153,158	26,641,165
Grants received		83,184	-
Exchange gains/(losses)		(8,182)	-
Interest received		13,443	76,015
Dividends received		4,000	3,500
Payments to suppliers & employees		(32,572,418)	(30,124,063)
Interest paid		(179,627)	(122,226)
Income taxes paid		<u>(432,432)</u>	<u>-</u>
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	20	1,061,126	(3,525,609)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds share issue		-	2,180,003
Payment loan to subsidiary		-	(48,839)
Repayment of borrowings		(2,086,080)	(132,751)
Proceeds from borrowings		<u>186,540</u>	<u>2,431,118</u>
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(1,899,540)	4,429,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds sale property plant & equipment		3,689	21,944
Purchases of property, plant & equipment		(83,792)	(413,136)
Purchases of security deposits		<u>(68,186)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		(148,289)	(391,192)
NET INCREASE/(DECREASE) IN CASH		<u>(986,703)</u>	<u>512,730</u>
CASH AT BEGINNING OF REPORTING PERIOD		2,662,618	2,149,888
CASH AT END OF REPORTING PERIOD	20	<u>1,675,915</u>	<u>2,662,618</u>

The accompanying notes form part of these financial statements.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

1. NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Tasmanian Pure Foods Limited and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Tasmanian Pure Foods Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements for the 9 months ended 31 March 2014 were authorised for issue on 2 June 2014 by the directors of the company.

Basis of Preparation

The directors have prepared the financial statement on the basis that the company is a non-reporting entity because there is no users dependant on general purpose financial statement. The financial statements are therefore special purpose financial statements that have been prepared in order to meets the requirements of the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Tasmanian Pure Foods Limited at the end of the reporting period. A controlled entity is any entity over which Tasmanian Pure Foods Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the 9 months, the financial performance of those entities is included only for the period of the 9 months that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Income Tax

The income tax expense (revenue) for the 9 months comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the 9 months as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) Income Tax (cont)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that the net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis. Agricultural produce is carried at fair value less estimated point of sale costs calculated at the point of harvest.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation or amortisation.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by independent valuers, less subsequent depreciation for buildings.

Plant and equipment

Plant and equipment are measured on a cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment factors are present.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(d) **Property, Plant and Equipment (cont)**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) **Impairment of assets**

At the end of each reporting period, the group assesses whether there is objective evidence that an asset may be impaired. In the case of available-for-sale assets, a prolonged decline in the value of the asset is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit and loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(f) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

(g) **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) **Intangibles**

Product Development, Trade Marks & Website

Costs incurred are expensed as incurred due to the inherent uncertainty surrounding resultant future economic benefits and the ongoing nature of the costs.

(i) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) **Revenue and Other Income**

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Grant income received during the accounting period has been recognised as income in the period. The expenditure in respect of the grant was a mixture of both operational and capital expenditure.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) **Goods and Services Tax (GST)**

Revenues, expense and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of an expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) **Adoption of New and Revised Accounting Standards**

The AASB has issued the following Accounting Standard which is mandatorily applicable for future reporting periods and is relevant to the company. The company has decided not to early adopt this Accounting Standard. The company's assessment of this Accounting Standard is set out below:

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interest in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting period commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Consolidated Group	
	2014	2013
	9 Months	12 Months
	\$	\$
2. OPERATING PROFIT		
Operating profit from operations includes the following items of income and expense from both continuing and discontinuing operations:		
(a) Revenues		
Revenue from sales	35,852,845	28,842,200
Interest revenues	13,236	35,339
Dividends received	4,000	3,500
Grant income	-	64,434
Other income	<u>30,324</u>	<u>134,179</u>
Total revenue from ordinary activities	<u>35,900,405</u>	<u>29,079,652</u>
(b) Expenses		
Employee benefits expense	2,043,788	2,125,281
Depreciation of non-current assets	101,539	97,077
Finance costs	163,843	137,802
Raw materials & consumables used	22,963,201	18,337,581
Loss disposal property plant & equip.	-	18,574
Bad & doubtful debts	-	1,175
Other expenses from operating activities	<u>7,955,939</u>	<u>6,997,226</u>
Total expenses from ordinary activities	<u>33,228,310</u>	<u>27,714,716</u>
3. INCOME TAX EXPENSE		
The major components of income tax expense are:		
Current tax expense/(benefit)	805,017	4,174
Deferred tax expense/(revenue)	122,295	(141,697)
Under/over provision	<u>-</u>	<u>(48,839)</u>
	<u>927,312</u>	<u>(186,362)</u>
Reconciliation of income tax expense to prima facie tax payable:		
Accounting profit/(loss) before income tax	2,631,231	1,364,936
Prima facie tax at statutory income		
Tax rate of 30%	789,369	409,481
Non-deductible expenditure	20,173	16,985
Under/over provision	-	(48,839)
Non-tax-effected operating losses	117,770	-
Recognition of losses previously derecognised	-	(577,656)
Derecognition of deferred tax	<u>-</u>	<u>13,667</u>
Income tax expense / (revenue)	<u>927,312</u>	<u>(186,362)</u>

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
4.CASH		
Cash on hand	153	212
Cash at bank	<u>1,675,762</u>	<u>2,662,406</u>
	<u>1,675,915</u>	<u>2,662,618</u>
5.RECEIVABLES		
Current		
Trade debtors	5,820,718	5,504,086
Other debtors	<u>153,038</u>	<u>262,879</u>
	<u>5,973,756</u>	<u>5,766,965</u>
6.INVENTORIES		
Current		
Raw materials & stores at cost	731,451	503,380
Finished goods at cost	<u>4,663,721</u>	<u>5,983,087</u>
	<u>5,395,172</u>	<u>6,486,467</u>
7.OTHER ASSETS		
Current		
Prepayments	<u>1,029,965</u>	<u>163,584</u>
8.PROPERTY, PLANT AND EQUIPMENT		
Plant & Equipment	801,068	917,647
Less accumulated depreciation	<u>(275,007)</u>	<u>(234,586)</u>
	<u>526,061</u>	<u>683,061</u>
Total property, plant and equipment	<u>526,061</u>	<u>683,061</u>

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
9. FINANCIAL ASSETS		
Shares in listed company at fair value	<u>263,000</u>	<u>129,000</u>
Shares are held for trading, changes in fair value are included in the statement of comprehensive income		
10. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	2,361,112	1,993,223
Sundry creditors and accruals	<u>466,772</u>	<u>608,530</u>
	<u>2,827,884</u>	<u>2,601,753</u>
11. FINANCIAL LIABILITIES		
Current		
Asset purchase liabilities	96,826	79,768
Insurance funding loan	130,045	-
Debtors finance facility	-	1,510,705
Bank Trade Finance Facility	<u>-</u>	<u>2,022,631</u>
	<u>226,871</u>	<u>3,613,104</u>
Non-current		
Asset purchase liabilities	<u>235,067</u>	<u>261,675</u>
12. PROVISIONS		
Current		
Employee Entitlements	<u>67,526</u>	<u>68,360</u>
Non current		
Employee Entitlements	<u>32,496</u>	<u>22,738</u>
13. TAX		
(a) Liabilities		
Current		
Income tax payable/(refundable)	<u>327,920</u>	<u>4,174</u>
Non-current		
Deferred tax liability comprises:		
Temporary differences relating to income	9,144	910
Investments	<u>48,900</u>	<u>-</u>
	58,045	910
(a) Assets		
Deferred tax assets comprise:		
Temporary differences relating to expenses	10,575	(10,239)
Provisions	30,006	18,629
Trademarks	32,441	21,933
Foreign exchange losses	6,764	-
Plant & equipment	12,684	-
Inventories	<u>-</u>	<u>127,307</u>
	<u>92,470</u>	<u>157,630</u>

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
(b) Reconciliations		
Gross movements		

The overall movement in the deferred tax account is:

Opening balance	(156,720)	(15,023)
Charged/(credited) to the income statement	<u>122,295</u>	<u>(141,697)</u>
Closing balance	<u>(34,425)</u>	<u>(156,720)</u>

Deferred Tax Liability

The movement in the deferred tax liability for each temporary difference during the 9 months is as follows:

	Opening Balance	Charged to Income Statement	Closing Balance
Consolidated Group			
Income	910	8,235	9,145
Investments	<u>-</u>	<u>48,900</u>	<u>48,900</u>
	910	57,135	58,045

Deferred Tax Assets

The movement in the deferred tax assets for each temporary difference during the 9 months is as follows:

	Opening Balance	Charged to Income Statement	Closing Balance
Consolidated Group			
Expenses	(10,239)	20,814	10,575
Provisions	18,629	11,377	30,006
Foreign exchange losses	-	6,764	6,764
Plant & equipment	-	12,684	12,684
Trademarks	21,933	10,508	32,441
Inventories	<u>127,307</u>	<u>(127,307)</u>	<u>-</u>
	<u>157,630</u>	<u>(65,160)</u>	<u>92,470</u>

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(b) occur:

Tax losses: Capital	<u>201,338</u>	<u>201,338</u>
Tax losses: Revenue	<u>117,770</u>	<u>-</u>
Timing Differences	<u>-</u>	<u>100,009</u>

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
14.SHARE CAPITAL		
Issued Capital		
Fully paid ordinary shares	<u>10,900,003</u>	<u>10,900,003</u>

The company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. At balance date there were no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Due to the developmental nature of the business, management has believed it prudent to maintain a very low gearing level to date.

The gearing ratio's for the period ended 31 March 2014 and prior 9 months are as follows:

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
Total borrowings	461,938	3,874,779
Trade and other payables	2,827,885	2,601,753
Less cash and cash equivalents	<u>(1,675,916)</u>	<u>(2,662,618)</u>
Net debt	1,613,907	3,813,914
Total equity	<u>11,957,335</u>	<u>9,476,611</u>
Total capital	<u>13,571,242</u>	<u>13,290,525</u>
Gearing ratio	12%	29%

15. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations. The group does not have any derivative instruments at 31 March 2014.

Financial Risk Exposures

The main risks the group is exposed to through its financial instruments at balance date are liquidity risk and credit risk.

Liquidity risk is managed by monitoring forecast cash flows ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk arises from exposure to customers and deposits with financial institutions. Management monitors credit risk by actively assessing and rating quality and liquidity of counter parties.

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

Financial Instrument Composition and Maturity Analysis

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed Interest Rate Mature Within 1 Year	Fixed Interest Rate Greater than 1 Year	Non Interest Bearing	Total March 2014
Consolidated Group – 31 March 2014						
Financial assets						
Cash and cash equivalents	2.3%	406,365			1,269,550	1,675,915
Receivables		-	-	-	5,973,756	5,973,756
		406,365	-	-	7,243,306	7,649,671

Financial liabilities

Insurance finance facility	11.96%		130,045			130,045
Asset purchase	6.41%	-	96,826	235,067	-	331,893
		-	226,871	235,067	-	461,938

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed Interest Rate Mature Within 1 Year	Fixed Interest Rate Greater than 1 Year	Non Interest Bearing	Total 2013
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Consolidated Group – 30 June 2013

Financial assets

Cash and cash equivalents	1.8%	2,617,601			45,017	2,662,618
Receivables		-	-	-	5,766,965	5,766,965
		2,617,601	-	-	5,811,982	8,429,583

Financial liabilities

Debtor finance facility	7.4%	1,510,705	-	-	-	1,510,705
Bank trade finance facility	7.0%	-	2,022,631	-	-	2,022,631
Asset purchase	6.4%	-	79,768	261,675	-	341,443
		1,510,705	2,102,399	261,675	-	3,874,779

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014**

16. EVENTS AFTER THE BALANCE SHEET DATE

No other significant events have occurred since the end of the 9 months to the date of this report.

17. RELATED PARTY DISCLOSURES

	Consolidated Group	
	2014	2013
	9 months	12 months
Transactions between related parties are on normal Terms and conditions no more favourable than those available to other parties unless otherwise stated.		
(a) Other Transactions with Related Parties		
V.E.F. Pty Ltd, a company controlled by Robert G Woolley, provided services.	56,250	75,000

18. DIRECTOR RELATED DISCLOSURES

Directors Holding Office

Directors holding office during the period were:

Robert G. Woolley
Ian A. Urquhart
Robert T. Wilson
Anthony K. Shadforth
Janet H. Cameron

Directors' Remuneration

Number of directors whose income from the company was within the following bands:

	No.
\$10,000 - \$19,999	4
\$70,000 - \$79,999	1

Directors' Superannuation Plan

There were no contributions in respect of directors and spouses of directors to a superannuation plan by the company for the period ended 31 March 2014.

19. CONTROLLED ENTITIES

	Country of Incorporation	Interest Held	Cost	Carrying Amount of Investment
Bellamy's Organic Pty Ltd	Australia	100%	\$1,000	-
TPF Properties Pty Ltd	Australia	100%	\$1,000	-
Bellamy's Kitchen Pty Ltd	Australia	100%	\$2	-
Yum Mum Pty Ltd	Australia	100%	\$2	-
Bellamy's Organic (Hong Kong) Company Ltd	Hong Kong	100%	\$1,398	-
Bellamy's Organic (South East Asia) Pte Ltd	Singapore	100%	\$86	-
Bellamy's Organic Food Trading (Shanghai) Co Ltd	China	100%	\$733,337	-

TASMANIAN PURE FOODS LTD ABN 37 124 272 108 AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2014

20. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose of this statement of cash flows, cash includes:

- (i). cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii). investments in money market instruments maturing within less than two months.

Cash at the end of the 9 months is shown in the statement of financial position as:

	Consolidated Group	
	2014	2013
	9 months	12 months
	\$	\$
Cash on hand	153	212
Cash at bank	<u>1,675,762</u>	<u>2,662,406</u>
	<u>1,675,915</u>	<u>2,662,618</u>

	Consolidated Group	
	2014	2013
	9 months	12 months
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT AFTER INCOME TAX		
	\$	\$
Operating profit after income tax	1,703,919	1,601,861
Non-cash flows in operating profit		
Depreciation	101,539	97,077
Loss/(Profit) on sale of property, plant and equipment	(351)	18,574
Loss revaluation land & plant	134,574	-
Doubtful debts expense	-	1,175
Provision for increment/diminution investments	(134,000)	(49,000)
Changes in assets and liabilities:		
(Increase)/decrease in trade and sundry debtors	(139,858)	(3,994,103)
(Increase)/decrease in inventories and stores	1,072,851	(3,287,523)
(Increase)/decrease in prepayments	(866,381)	(98,409)
Increase/(decrease) in trade creditors	(1,116,526)	1,883,985
(Increase)/decrease in deferred tax balances	122,295	(141,697)
Increase/(decrease) in provisions	332,670	53,498
Increase/(decrease) in accruals	<u>(149,606)</u>	<u>388,953</u>
CASH FLOWS FROM OPERATIONS	<u>1,061,126</u>	<u>(3,525,609)</u>

21. ADDITIONAL COMPANY INFORMATION

Tasmanian Pure Foods Ltd is a public company incorporated and operating in Tasmania.

Registered office & principal place of business
54 Tamar Street, Launceston Tasmania 7250.