
TasFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 31 January 2018

TasFoods Limited

Business Update and Appendix 4C for the quarter ended 31 December 2017

TasFoods Limited (TasFoods), producer of premium Tasmanian food products, is pleased to release its Business Update and Appendix 4C Cash Flow Statement for the quarter ended 31 December 2017 (Q4 2017).

Business Update

During Q4 2017 TasFoods continued the implementation of its strategic plan to develop a high value sustainable business leveraging the premium food businesses held within its portfolio.

Key outcomes achieved in Q4 2017 included:

- Expansion of business through strategic acquisition of Pyengana Dairy.

In October 2017, TasFoods Limited acquired the assets of Pyengana Dairy. Pyengana Dairy is a leading Australian producer of traditional cloth-matured cow cheddar cheese. It also produces fresh bottled milk under the Real Milk brand, which is supplied to major retail chains, independent retail outlets and cafes across Tasmania.

Since acquisition TasFoods has successfully integrated the business into its dairy operations, with emphasis being placed on increasing production of Pyengana Dairy's premium cloth matured cheddar. In addition, Pyengana Dairy has commenced production of a cloth matured goats cheddar in response to customer demand. Due to the twelve-month maturation period for these premium cheeses an investment in stock levels has commenced and will continue throughout Q1-Q3 2018.

- Appointment of new Director

In November 2017, TasFoods announced the appointment of Mr Shane Noble to the board as director. Shane brings to TasFoods a wealth of experience in the consumer foods and agribusiness sectors and will play an integral part in the identification of acquisition opportunities for TasFoods.



- Share placement to institutional and sophisticated investors and announcement of Share Purchase Plan (SPP) for retail investors.

In December 2017, TasFoods announced a placement of ordinary shares to institutional and sophisticated investors at \$0.18 per share. The first tranche of the share placement was successfully completed in Q4 2017, with 16,616,076 shares being issued raising \$2.99 million (before costs).

The second tranche of the placement and SPP is anticipated to be completed in Q1 2018, raising a further estimated \$4 million.

Funds received under the placement and SPP are intended to be used to expand production capacity and for general working capital purposes.

Quarterly Cash Flow

At the conclusion of Q4 2017 TasFoods held a strong cash position of \$9.2 million, leaving the company well poised to consider opportunities that will further advance its strategic direction and priorities in 2018.

Key results from the Q4 2017 quarterly cash flow include:

- Consistent growth of sales revenue with an unaudited outcome for the quarter 22% higher than Q3 2017 and 28% higher than the prior year comparative period of Q4 2016;
- Cash receipts from customers for the quarter were \$8.5 million, 18% greater than Q3 2017 and 20% higher than Q4 2016;
- Production and manufacturing and staffing costs rose in Q4 2017 in accordance with expectations as reported in the estimated cash outflows provided in the Appendix 4C for Q3 2017;
- Cash outflows of \$0.72 million associated with expenditure on infrastructure and equipment related to upgrades to improve efficiency and increase productivity. These included the installation and commission of an automated cut-up line and deboning machine within the Nichols processing factory and an upgraded goat milking parlour; and
- Investment in growth of the company through the acquisition of Pyengana Dairy for \$1.513 million;
- Receipt of cash from financing activities totalling \$3.501 million (before costs), from the issue of ordinary shares to incoming director and Chair, Shane Noble, and the first tranche of the placement to institutional and sophisticated investors.

Outlook

During 2018 TasFoods' focus will continue to be on the generation of revenue growth. The business will also focus on delivering greater operational efficiencies within its processing environments resulting from the investment in mechanisation made in Q3 and Q4 2017. This will be undertaken while ensuring product quality and customer standards are maintained at the highest levels.

Specific areas of focus for 2018 will be:

- Continuing integration of Pyengana Dairy into TasFoods dairy operations and delivery of synergies identified during the acquisition process, while ensuring product quality is maintained and customer orders are fulfilled;
- Continuing growth of revenue through the expansion of the distribution channels and market presence of Nichols Ethical Free-Range chicken, Robur Farm Dairy and Shima Wasabi products in markets outside Tasmania;
- Growing revenue by expanding the product range offered under existing brands and increasing sales to both existing and new customers; and
- Harnessing cost savings and efficiencies from investment made in mechanisation of food processing facilities.

Forward-looking Statements

The Appendix 4C contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TasFoods. These factors may cause actual results to differ materially from those expressed in the Appendix 4C contained in this announcement.

TasFoods Contacts

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,486	30,418
1.2 Payments for		
(a) research and development	-	(168)
(b) product manufacturing and operating costs	(6,196)	(21,327)
(c) advertising and marketing	(85)	(601)
(d) leased assets	(128)	(242)
(e) staff costs	(2,901)	(9,959)
(f) administration and corporate costs	(204)	(1,519)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	83
1.5 Interest and other costs of finance paid	(26)	(107)
1.6 Income taxes paid	218	205
1.7 Government grants and tax incentives	-	-
1.8 Other:		
Miscellaneous	3	135
1.9 Net cash from / (used in) operating activities	(813)	(3,082)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(716)	(2,812)
(b) businesses (see item 10)	(1,513)	(1,553)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	-	(33)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(2,229)	(4,398)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,501	3,501
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(105)	(105)
3.5	Proceeds from borrowings	260	2,843
3.6	Repayment of borrowings	(393)	(879)
3.7	Transaction costs related to loans and borrowings	(2)	(3)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,261	5,357

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	9,007	11,349
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(813)	(3,082)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,229)	(4,398)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,261	5,357
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	9,226	9,226

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,835	4,161
5.2	Call deposits	825	5,325
5.3	Bank overdrafts	(436)	(481)
5.4	Other	2	2
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,226	9,007

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	102
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Not applicable		

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable

8. Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,472	2,747
8.2 Credit standby arrangements	2,000	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

During the quarter ended 31 December 2017, TasFoods Limited increased its insurance premium funding with Macquarie Pacific Funding.

TasFoods total of loan facilities at 31 December 2017 amounted to \$2.472 million, which are secured over the assets financed and funded insurance policies. Interest rates on these liabilities range between 2.38% and 6.61%, with the average interest rate being 5.26%.

Nichols Poultry Pty Ltd also has access to a \$2.0 million facility with the ANZ which remained undrawn at 31 December 2017. This facility is secured.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(6,620)
9.3 Advertising and marketing	(215)
9.4 Leased assets	(72)
9.5 Staff costs	(3,349)
9.6 Administration and corporate costs	(306)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(10,562)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Pyengana Dairy	Nil during quarter
10.2	Place of incorporation or registration	Not applicable – asset acquisition only	
10.3	Consideration for acquisition or disposal	\$1.513 million	
10.4	Total net assets	\$1.513 million	
10.5	Nature of business	Dairy Processing and Café/Chop Operations	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 31 January 2018

Managing Director and CEO

Print name: Jane Bennett

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.