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## **ASX Announcement: 2 December 2021**

### **Revised Business Activity Report accompanying Appendix 4C Quarterly Cash Flow for the Quarter Ending 30 September 2021**

TasFoods Limited (ASX: TFL) ('TasFoods' or 'the Company') refers to the Business Activity Report and Appendix 4C Quarterly Cash Flow for the Quarter Ending 30 September 2021 lodged with the ASX on 27 October 2021. The Company now provides a revised Business Activity Report.

Quarter 3 2021 and YTD 2021 reported EBITDA has been updated to reflect additional expenditure of \$0.60m due to additional accrued costs and stock valuation adjustments as at 30 September 2021. As a result of this, total EBITDA loss for Q3 increases to \$0.97m and YTD EBITDA loss increases to \$1.27m.

This correction impacts financial numbers provided and general commentary made throughout the Business Activity Report and TasFoods has consequently significantly rewritten it as at 2 December 2021.

There is no change to the accompanying Appendix 4C however it is attached again for completeness.

In order to improve business processes and data accuracy the Company is in the process of implementing an ERP across the group which is expected to be completed in late H1 2022.

Authorised for ASX release by the Board of Directors of TasFoods Ltd.

#### **TasFoods contact**

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2 December 2021

## Business Activity Report and Appendix 4C Quarterly Cash Flow

TasFoods Limited (ASX: TFL) (**'TasFoods'** or **'the Company'**) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 September 2021 (Q3 2021).

### Highlights:

- As previously announced TFL recently appointed a new Chief Executive Officer, Scott Hadley, and Chief Financial Officer, Shona Croucher, to lead the business through its next phase of growth.
- The immediate priority of the newly appointed management team has been to stabilise the foundations of the TFL business and to then leverage this foundation to accelerate a refreshed growth strategy.
- Sales momentum has continued into Q3 2021, with year-to-date sales up 4% against PCP, driven by moderate sales growth across both the Poultry and Dairy divisions, despite the adverse trading conditions brought on by COVID-19.
- Strong initial demand for newly launched organic chicken range *Isle & Sky*, with range now being stocked in Coles supermarkets across the Eastern States of Australia, in conjunction with premium butchers in both Victoria and Tasmania.
- Additional Persian Fetta and Chocolate Cream products launched in the quarter, under the premium Meander Valley Dairy brand, which have exhibited strong sales momentum, anticipated to continue into the Christmas trading period.
- Mixed divisional performance for the quarter with the Dairy business unit delivering EBITDA profitability being partially offset by an EBITDA loss in the Poultry business unit on a standalone basis.

## Financial update - Income Statement

	Q3 2021				Q3 2020				Change \$'000	Change %
	Dairy \$'000	Poultrv \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultrv \$'000	Corporate and Other \$'000	Total \$'000		
Revenue	7,517	10,085	100	17,702	7,565	9,289	137	16,992	710	4%
COGS	(5,038)	(8,261)	(49)	(13,348)	(4,739)	(7,162)	(52)	(11,953)	(1,395)	-12%
<b>Gross Profit</b>	<b>2,479</b>	<b>1,824</b>	<b>51</b>	<b>4,354</b>	<b>2,826</b>	<b>2,128</b>	<b>85</b>	<b>5,039</b>	<b>(685)</b>	<b>-14%</b>
GP Margin	33%	18%	51%	25%	37%	23%	62%	30%		-5%
Expenditure	(1,788)	(2,134)	(1,404)	(5,326)	(1,852)	(1,843)	(1,108)	(4,803)	(523)	-11%
<b>EBITDA</b>	<b>691</b>	<b>(310)</b>	<b>(1,353)</b>	<b>(972)</b>	<b>974</b>	<b>285</b>	<b>(1,023)</b>	<b>236</b>	<b>(1,208)</b>	<b>-512%</b>

	YTD Q3 2021				YTD Q3 2020				Change \$'000	Change %
	Dairy \$'000	Poultrv \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultrv \$'000	Corporate and Other \$'000	Total \$'000		
Revenue	22,329	28,992	318	51,638	21,698	27,728	360	49,786	1,852	4%
COGS	(14,908)	(22,979)	(139)	(38,026)	(14,559)	(21,954)	(362)	(36,875)	(1,151)	-3%
<b>Gross Profit</b>	<b>7,421</b>	<b>6,013</b>	<b>179</b>	<b>13,613</b>	<b>7,140</b>	<b>5,774</b>	<b>(2)</b>	<b>12,911</b>	<b>701</b>	<b>5%</b>
GP Margin	33%	21%	56%	26%	33%	21%	-1%	26%		0%
Expenditure	(5,642)	(5,471)	(3,771)	(14,884)	(6,977)	(7,209)	(4,488)	(18,674)	3,790	20%
<b>EBITDA</b>	<b>1,779</b>	<b>542</b>	<b>(3,592)</b>	<b>(1,271)</b>	<b>162</b>	<b>(1,435)</b>	<b>(4,490)</b>	<b>(5,762)</b>	<b>4,491</b>	<b>78%</b>
Impairment Expense and Biological Asset Write Down 2020					1,500	2,000	1,179	4,679		
<b>Comparative EBITDA</b>	<b>1,779</b>	<b>542</b>	<b>(3,592)</b>	<b>(1,271)</b>	<b>1,662</b>	<b>565</b>	<b>(3,311)</b>	<b>(1,083)</b>	<b>(188)</b>	<b>-17%</b>

## Dairy Division

TasFoods Dairy Division remains the largest contributor to TasFoods profitability and has delivered a strong comparative year-to-date growth across all key financial metrics:

- Revenue - \$22.3m (up 2.9% on PCP)
- Gross Profit - \$7.4m (up 3.9% on PCP)
- EBITDA - \$1.8m (up 7.0% on PCP)<sup>1</sup>

GP Margin pressure was driven by higher farm gate milk prices and increased competition during the quarter. This saw a 4.0% reduction in Gross Margins generated for the quarter against Q3 2020, resulting in GP Margins for the division tracking in-line with 2020 on year-to-date basis, at 33%. This is expected to be offset in the medium term through increased sales volumes of higher margin, premium dairy products.

Management continues to progress its strategy of a deliberate shift towards focusing product development, sales and marketing of higher margin, premium dairy products.

In-line with this strategy, under the Meander Valley Dairy brand TFL launched two premium dairy products: including a Persian Fetta and Chocolate Cream range. Both products are establishing sales momentum which is expected to continue into the Christmas trading period, as brand and product awareness continues to improve across key retailers.

<sup>1</sup> After adjusting for Impairment Expense and Biological Asset Write Down in 2020

Pleasingly, at the recent Australian Dairy Awards, Pyengana Traditional Cloth Matured Cheddar cheese won the award for the highest scoring cheddar cheese in Australia and Pyengana Real Milk received a Gold award in the modified milk class.

The Dairy Division continues to deliver strong growth, with both the Pyengana and Meander Valley Dairy brands continuing to see sales volume growth and an expansion of higher value, higher margin products set to bolster Gross Profit and EBITDA margins over the medium term.

### Poultry Division

TasFoods poultry division reported moderate sales and Gross Profit growth on a year-to-date basis, the benefits of which have been largely offset by increased input costs incurred throughout Q2 and Q3. On a year-to-date comparative basis, the Poultry Division delivered:

- Revenue - \$29.0m (up 4.6% on PCP)
- Gross Profit - \$6.0m (up 4.1% on PCP)
- EBITDA - \$0.5m (down 4.1% on PCP)<sup>1</sup>

The increase in input cost pressures highlights the importance of pursuing a premium, value-add strategy in poultry, capable of absorbing seasonal margin pressure into the future.

As an initial step towards delivering on this strategy within the Poultry Division, TasFoods launched its new organic chicken range *Isle & Sky*. The range is now being stocked in premium Coles stores across Eastern Australian States.

In addition, Isle & Sky products are being ranged through premium butchers and retail stores throughout Victoria, New South Wales, Queensland, and South Australia, with customers being serviced by a newly implemented direct to door refrigerated delivery service.

### New Product Releases



**ISLE & SKY**  
TASMANIAN  
ORGANIC PRODUCE



Initial demand for this newly launched product range has been strong, providing management with confidence that an increased focus on this value-add strategy represents a significant opportunity for improving revenue and margin growth within the Poultry division and a discernible competitive advantage in the broader Australian poultry market.

This is a pleasing result due to the negative impact of COVID-19 on our sales into food service and restaurants due to the continued lockdown in NSW and Victoria during Q3 2021 along with the impact to the Tasmanian economy due to lower inbound domestic and international tourism.

### Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 30 September 2021 (Q3 2021) has been lodged with the ASX today.

Key points include:

- The quarter ended with a closing cash on hand balance of \$2.06m and unused finance facilities of \$1.11m.
- Cash receipts from customers increased by \$0.37m against PCP.
- Net operating cash outflows increased to negative \$1.24m, reflecting the quarterly trading performance, a net reduction in trade creditors balances from Q2 2021 of \$0.5m and a net increase in trade debtors balance from Q2 2021 of \$0.5m.
- Investment in property plant and equipment of \$0.78m primarily comprising plant and equipment related to the development of new growing facilities for organic chicken.

### Foundations for growth

There has been a significant amount of change to the TasFoods business during the quarter. Two new Directors were appointed in June 2021, initiating their tenure in Q3 2021. Additional leadership changes in the CEO and CFO positions have established the quarter as a period of significant change for the TFL business. Against that backdrop, the incoming leadership team is working to expedite a strategic review quickly and develop a renewed set of strategic priorities to best set up TasFoods to build earnings momentum into FY22. The Company's balance sheet remains in a healthy position and debt levels are low. A review of gearing will occur to ensure TFL have the financial foundations for growth established.

We are now embarking on a program to embed new ways of working, through the implementation of a new Enterprise Resource Planning ('ERP') system and operational excellence measures to capitalise on these strengths, improve profitability and ensure positive cash flow.

Whilst the strategic review is continuing the newly appointed management team expects to focus on growing our range of premium, value-add branded food & beverage opportunities which will deliver sustainable revenue growth and margin over time. The business holds a portfolio of strong brands and the existing operational infrastructure of the business offers the opportunity to leverage its existing strengths in poultry and dairy whilst ensuring it is remaining close to new opportunities in the food and beverage sector.

With a focus on stabilising the business in the immediate term, maximising value of the two complementary business divisions each generating strong revenue and positive EBITDA, TasFoods will be positioned to capitalise on the strategic and financial opportunity of taking premium, value-add, Tasmanian produce to domestic and international consumers in the future.

New management will be setting out its revised strategy to market over the coming months and will ensure strong engagement with consumers, producers, suppliers, and investors as we aim to fast-track the growth of Tasmania's leading premium produce group.

Authorised for ASX release by the Board of Directors of TasFoods Ltd.

**TasFoods contact**

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**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

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

TasFoods Limited

**ABN**

53 084 800 902

**Quarter ended ("current quarter")**

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	17,015	51,065
1.2 Payments for		
(a) research and development	(116)	(138)
(b) product manufacturing and operating costs	(12,661)	(37,151)
(c) advertising and marketing	(219)	(431)
(d) leased assets	(64)	(230)
(e) staff costs	(4,901)	(14,451)
(f) administration and corporate costs	(338)	(1,099)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(84)	(224)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	13	28
1.8 Other (provide details if material)	114	333
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,241)</b>	<b>(2,297)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(739)	(2,300)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(40)	(112)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(779)</b>	<b>(2,412)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(14)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(165)	(464)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(165)</b>	<b>(479)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,241	7,244
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,241)	(2,297)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(779)	(2,412)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(165)	(479)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,056</b>	<b>2,056</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,468	4,294
5.2	Call deposits	-	-
5.3	Bank overdrafts	(393)	(32)
5.4	Other	(19)	(21)
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,056</b>	<b>4,241</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities (includes lease liabilities under AASB 16)	7,243	7,243
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	1,500	393
<b>7.4 Total financing facilities</b>	<b>8,743</b>	<b>7,636</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>1,107</b>
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Item 7.1 – TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 30 September 2021 amounted to \$7.243 million. Borrowings are secured over assets financed and by mortgage over property and water rights owned by Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd. Interest rates on these liabilities range between 0% and 6.78%, with the average interest rate being 3.84%.</p> <p>Item 7.3 and 7.5 – Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have bank overdraft facilities with the Australia and New Zealand Banking Group Ltd for a combined amount of \$1.5 million operating under a variable interest rate. As at 30 September 2021 a balance of \$1.107 million remained undrawn.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,243)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,056
8.3 Unused finance facilities available at quarter end (item 7.5)	1,107
8.4 Total available funding (item 8.2 + item 8.3)	3,163
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.5</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: Not applicable</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:  
Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:  
Not applicable

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.

Date: 27 October 2021

Authorised by: TasFoods Limited Board

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.