

TASFOODS LIMITED

APPENDIX 4D - HALF-YEAR REPORT

1. DETAILS OF THE REPORTING PERIOD

Financial Reporting Period Ended	Half-year ended 30 June 2022
Previous Corresponding Reporting Period	Half-year ended 30 June 2021

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2022 \$'000	30 June 2021 \$'000	% Change
Revenue from continuing operations	34,312	34,261	0.1%
Loss from ordinary activities after tax attributable to members	(5,406)	(1,424)	(279.49%)
Loss for the period attributable to members	(5,406)	(1,424)	(279.49%)

3. DIVIDENDS AND DISTRIBUTIONS

	Amount per security	Franked amount per security
Dividends (distributions)		
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividends (if any):

Not Applicable

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to Half Year Financial Report (Attachment 1).

The half-yearly report is to be read in conjunction with the most recent annual financial report.

4. NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	4.7 cents per share	7.2 cents per share

5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

None

6. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

None

7. AUDIT / REVIEW STATUS

The Half-Year Financial Report has been independently reviewed by the Company's auditors. A copy of the review report is included in the Half-Year Financial Report (Attachment 1).

8. ATTACHMENTS FORMING PART OF APPENDIX 4D

Attachment Number	Details
1	Financial Report for the Half Year Ended 30 June 2022

The Appendix 4D has been authorised for release to the ASX by the Company's Board of Directors.

Shona Croucher
Company Secretary

26 August 2022

TasFoods Limited

ACN 084 800 902

Financial Report

For the Half Year Ended 30 June 2022

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The Directors of TasFoods Limited (the Company) present the financial report on the Company and its controlled entities (the Group) for the half-year ended 30 June 2022.

Directors

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

Mr Craig Treasure	Non-Executive Chair (resigned 30 May 2022)
Mr Ben Swain	Non-Executive Director
Mr John Murphy	Chair, Non-Executive Director (previously Acting Chair, appointed Chair 26 August 2022)
Mr John O'Hara	Non-Executive Director

Company Secretary

Shona Croucher

Principal Activities

The principal activities of the Group are the processing, manufacture and sales of premium Tasmanian food products.

Operating and Financial Review

In the half-year ended 30 June 2022 the TasFoods Group reported revenue from continuing operations of \$34.3 million, in line with 1H 2021 and an EBITDA loss of \$4.2m, a decline of \$3.7m on 1H 2021.

The major factors impacting this result were volatility and absenteeism from COVID-19 to our direct labour force of \$0.4m, rising supplier input costs of milk, poultry feed, energy and distribution costs, which delivered a gross profit margin of 22% at Group level, a reduction of 5% on pcp. Further impacting this result were the operational challenges in the Organic chicken business, delivering a \$0.5m operating loss for the half. As mentioned in the Company's full year announcement, investment was necessary in building capability in shared services in key areas of sales, marketing, operations, finance and systems including an external review of the operating businesses which is included in this result.

The Company is continuing to work with our customers to pass on many of the increased input costs experienced in the H1 2022 through increased selling prices. The full impact of the price increases will be realised in the second half. The successful implementation of increased selling prices commencing from 2Q 2022 onwards has resulted in improved key revenue and profitability metrics in early 2H 2022.

As part of our ongoing efficiency program the company has successfully rationalised our SKU count across both our Dairy and Poultry divisions, reduced logistics providers and increased cross-sell initiatives with our distributors and direct sales staff. The company has also started to implement initiatives to reduce per unit conversion costs in our facilities through efficiency and effectiveness

measures (including procurement savings and SKU rationalisation). These measures are expected to improve financial performance in H2 2022 and beyond.

	1H 2022					1H 2021				
	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000
Revenue	14,817	19,242	215	38	34,312	14,870	19,142	205	46	34,263
Expenditure	(14,476)	(20,230)	(216)	(3,559)	(38,482)	(13,783)	(18,290)	(240)	(2,249)	(34,562)
EBITDA	341	(988)	(2)	(3,521)	(4,169)	1,088	852	(36)	(2,203)	(299)
Movement in Fair Value	0	(73)	(43)	0	(116)	32	(266)	15	0	(219)
Operating EBITDA	341	(1,061)	(45)	(3,521)	(4,285)	1,120	586	(21)	(2,203)	(518)
GP Margin	32%	15%	49%		22%	35%	20%	35%		27%
NPAT					(5,406)					(1,424)

Sales revenue in the dairy division was \$14.8 million, flat to the pc, despite tough market conditions. The headwind of cost inflationary impacts, and increasing input costs relating to milk and cream in particular contributed to the dairy EBITDA result of \$0.3 million (a reduction of \$0.8 million compared to the pc). Gross profit margins in this division were 32%, a 3% reduction on pc.

The poultry division reported sales revenue of \$19.2 million, flat to the pc. A reduction in EBITDA of \$1.7 million was a result of COVID related labour costs (\$0.3m during 1H22), rising costs of production with delayed ability to pass these costs on to consumers and continuing poor performance of the Organic chicken business. The Organic chicken business contributed to the EBITDA loss by approximately \$0.5m in 1H 2022, with these operations ceasing on 11 July 2022. Gross profit margins in this division were 15%, a 5% reduction on pc.

The horticulture segment reported sales revenue of \$0.2 million, consistent with the pc. Gross profit margin for this division was 49%, a 14% increase on pc.

EBITDA for the Shared Services segment reflects online sales operations, all other shared services costs and increased investment in people and capability, IT platforms to support future growth, share based payments expense and non-recurring costs associated with strategic reviews and recruitment. All key hires to increase capability have been on-boarded in 1H 2022 and are now driving implementation of the renewed strategy.

Events Occurring After Reporting Date

Post half-year end, on 1 July 2022, ANZ agreed to remove all debt covenants in relation to the ANZ finance facilities. In addition, the bank overdraft facility will be reduced from \$2.56m to \$1.5m effective from 31 December 2022.

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 4 and forms part of this Directors' Report.

Rounding of Amounts

The 'rounding off' of amounts in the directors' report has been conducted in accordance with Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts have been rounded off 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

26 August 2022



Auditor's Independence Declaration

As lead auditor for the review of TasFoods Limited for the half-year ended 30 June 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
26 August 2022

TasFoods LimitedConsolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2022

		30 June 2022 \$'000	30 June 2021 \$'000
	Note		
Revenue from operations		34,131	33,934
Other income		181	327
Fair value adjustment of biological assets	3	116	219
Raw materials used		(20,011)	(19,348)
Employment and contractor expense		(11,336)	(9,491)
Freight		(2,696)	(2,359)
Occupancy costs		(757)	(683)
Depreciation and amortisation		(1,038)	(987)
Insurance		(324)	(280)
Finance costs		(199)	(140)
Legal and professional fees		(504)	(173)
Marketing and event expenses		(311)	(341)
Repairs and maintenance		(663)	(468)
Other expenses		(1,995)	(1,635)
Loss before income tax		(5,406)	(1,424)
Income tax expense		-	-
Net Loss after tax for the half year		(5,406)	(1,424)
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 loss		(5,406)	(1,424)
Net loss for the period attributable to:			
Owners of TasFoods Limited		(5,406)	(1,424)
		(5,406)	(1,424)
Total comprehensive loss for the half year is attributable to:			
Owners of TasFoods Limited		(5,406)	(1,424)
		(5,406)	(1,424)
Basic loss per share (cents per share)		(1.24)	(0.40)
Diluted loss per share (cents per share)		(1.24)	(0.40)
Basic loss per share from continuing operations (cents per share)		(1.24)	(0.40)
Diluted loss per share from continuing operations (cents per share)		(1.24)	(0.40)

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

TasFoods LimitedConsolidated Statement of Financial Position
For the Half Year Ended 30 June 2022

	Note	30 June 2022 \$'000	31 December 2021 \$'000
Current Assets			
Cash and cash equivalents		3,122	1,450
Trade and other receivables		4,732	4,973
Biological assets	3	2,333	2,145
Inventory		4,987	4,647
Prepayments		385	976
Total Current Assets		15,560	14,191
Non-Current Assets			
Property, plant and equipment	4a	25,308	25,904
Right of use assets	4b	1,420	1,418
Intangible assets	5	7,248	7,195
Biological assets	3	28	30
Total Non-Current Assets		34,005	34,547
Total Assets		49,565	48,738
Current Liabilities			
Trade and other payables		10,643	9,605
Borrowings	6	586	1,047
Lease liabilities	4b	213	193
Provisions		1,389	1,365
Total Current Liabilities		12,830	12,210
Non-Current Liabilities			
Borrowings	6	6,053	6,422
Lease liabilities	4b	1,326	1,339
Provisions		221	169
Deferred tax liabilities		-	-
Total Non-Current Liabilities		7,600	7,930
Total Liabilities		20,430	20,140
Net Assets		29,134	28,598
Equity			
Contributed Equity	7	66,756	61,053
Reserves		931	691
Accumulated Losses		(38,553)	(33,146)
Total Equity		29,134	28,598

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

TasFoods LimitedConsolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2022

	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 January 2021	61,054	594	(22,406)	39,241
Loss for the half year	-	-	(1,424)	(1,424)
Total comprehensive loss for the half year	-	-	(1,424)	(1,424)
Issue of shares	-	-	-	-
Share issue costs	(14)	-	-	(14)
Share-based payment expense	-	46	-	46
Balance at 30 June 2021	61,038	640	(23,830)	37,848
Balance at 1 January 2022	61,054	691	(33,147)	28,598
Loss for the half year	-	-	(5,406)	(5,406)
Total comprehensive loss for the half year	-	-	(5,406)	(5,406)
Issue of shares	5,964	-	-	5,964
Share issue costs	(260)	-	-	(260)
Share-based payment expense	-	240	-	240
Balance at 30 June 2022	66,756	931	(38,553)	29,134

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

TasFoods Limited

Consolidated Statement of Cash Flows

For the Half Year Ended 30 June 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities			
Receipts from customers		34,963	34,050
Payments to suppliers and employees		(37,447)	(35,201)
Interest received		-	1
Interest paid		(170)	(140)
Income taxes paid		-	-
Other		(91)	234
Net cash (used in)/provided by operating activities		<u>(2,745)</u>	<u>(1,056)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		8	-
Payments for property, plant and equipment		(320)	(1,561)
Payments for other non-current assets		(60)	(72)
Net cash (used in)/provided by investing activities		<u>(373)</u>	<u>(1,633)</u>
Cash flows from financing activities			
Proceeds from issue of shares		5,964	-
Cost of issuing shares		(231)	(14)
Proceeds from borrowings		41	-
Principle element of borrowing payments		(770)	(204)
Principal element of lease payments		(215)	(96)
Net cash provided by/(used in) financing activities		<u>4,789</u>	<u>(314)</u>
Net (decrease)/increase in cash held		1,672	(3,003)
Cash and cash equivalents at the beginning of the half year		<u>1,451</u>	<u>7,244</u>
Cash and cash equivalents at the end of the half year		<u>3,122</u>	<u>4,241</u>

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

This consolidated interim financial report and notes represent those of TasFoods Limited and controlled entities (the Group). TasFoods Limited is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

1. BASIS OF PREPARATION

This consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

a) New and amended standards adopted by the Group

There have been no new accounting standards adopted by the Group in the half year ended 30 June 2022.

b) Critical accounting estimates, judgements and errors

The preparation of the interim financial statements of the Group requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Groups accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

c) Going Concern, Debt Funding and Working Capital

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

For the half-year ended 30 June 2022 the consolidated entity incurred losses before tax of \$5.4 million (1H 2021: \$1.4 million) and incurred net cash outflows from operations of \$2.7 million (1H 2021: \$1.0 million). At 30 June 2022, the Group had cash and cash equivalents of \$3.1m (2021: \$1.5m) having raised cash from the issuance of shares during the half (net of costs) of \$5.7m. The Group is in a net current asset position of \$2.7m (2021: \$2.0m) with total external borrowings of \$6.7m (\$0.6m current and \$6.1m non-current) and unused facilities of \$2.5m.

The ability of the Company to continue as a going concern is dependent on the successful implementation of its revised strategy of a disciplined approach to managing input cost increases

and other profitability enhancement initiatives and/or obtaining funding from alternative sources should it be required to ensure the Group can continue to meet its working capital requirements. The strategic objectives include:

- Implementation of the Company's first integrated ERP system which will facilitate the integration of the businesses and cost saving opportunities and allow the business to operate as one food and beverage group.
- 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.
- Focussed marketing on a simplified brand pyramid to build brand awareness of key brands.
- Implementation of a new capital management framework and a disciplined approach to assessing all opportunities to ensure strategic alignment, financial return, risk management and capability to execute.

Implementation of a number of the above key initiatives commenced during 1H22, the benefits of some will be reflected in the 2H 2022 results. Initiatives include SKU rationalisation of low volume/loss making products, successful implementation of price rises in March, May, June and July 2022, implementation of minimum order quantities as well as implementation of a number of distribution network profit improvement strategies in July 2022. The directors are of the opinion the Group will be successful in the above listed strategic objectives, noting that significant progress has been made during 1H 2022 and into early 2H 2022.

The Group'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.

The Group'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 (eg. organic chicken) and, SKU rationalisation.

Given the risk associated with the timing and quantum of profitability improvement initiatives, 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 Group is well positioned to achieve its EBITDA forecast, cash flow forecasts, and working capital requirements. As a result, the Directors have prepared the accounts on a going concern basis and are confident the Group will meet its working capital requirements over the forecast period.

2. 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 decision, in conjunction with the quantitative thresholds established by *AASB 8 Operating Segments*. As such, there are three identifiable and reportable segments each of which are outlined below:

- The Dairy segment incorporates:
 - Meander Valley Dairy business operations, the assets of which were acquired in September 2015;
 - Pyengana Dairy business operations, the assets of which were acquired in October 2017; and
 - Betta Milk business operations, the assets of which were acquired in July 2019.
- The Poultry segment incorporates the net assets and business operations of Nichols Poultry Pty Ltd, which was acquired in June 2016.
- The Horticulture segment comprises the net assets and business operations of Shima Wasabi Pty Ltd, which was acquired in June 2016.
- The Shared Services segment comprises:
 - The Online Sales function and Shared Services costs that are not directly attributable to operational business units, including the 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, supply chain/logistics and procurement, quality assurance and food safety, and work health and safety.

Management measures the performance of the segments identified at the Earnings Before Tax Interest Depreciation and Amortisation 'EBITDA' level.

TasFoods Limited
**Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022**

	Dairy \$'000	Poultry \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000
Half year 30 June 2022					
Revenue					
Total segment sales revenue	14,789	19,106	198	38	34,131
Other income	28	136	17	-	181
	14,817	19,242	215	38	34,312
Segment EBITDA	341	(1,061)	(45)	(3,521)	(4,285)
Depreciation	(416)	(512)	(44)	(66)	(1,038)
Interest	(31)	(151)	(1)	(16)	(199)
Fair value movement in biological assets	-	73	43	-	116
Segment profit/(loss)	(106)	(1,651)	(46)	(3,603)	(5,406)
Loss before income tax expense					(5,406)
Income tax expense					-
Loss after income tax expense					(5,406)
Total segment assets					
30 June 2022					
Segment assets	20,691	25,116	1,907	1,850	49,565
Total segment liabilities					
30 June 2022					
Segment liabilities	5,992	12,865	159	1,414	20,430
Half year 30 June 2021					
Revenue					
Total segment sales revenue	14,812	18,906	196	22	33,936
Other income	58	235	8	25	326
	14,870	19,142	205	46	34,263
Segment EBITDA	1,120	586	(21)	(2,203)	(518)
Depreciation	(441)	(456)	(44)	(46)	(987)
Interest	(23)	(104)	0	(11)	(139)
Fair value movement in biological assets	(32)	266	(15)	-	219
Segment profit/(loss)	624	291	(79)	(2,260)	(1,424)
Loss before income tax expense					(1,424)
Income tax expense					-
Loss after income tax expense					(1,424)
Total segment assets					
31 December 2021					
Segment assets	20,208	25,727	1,801	1,004	48,740
Total segment liabilities					
31 December 2021					
Segment liabilities	5,580	12,544	55	1,961	20,140

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

3. BIOLOGICAL ASSETS

	Poultry	Goats	Wasabi	Total
	\$'000	\$'000	Plants	\$'000
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2021	2,037	167	172	2,376
Increases due to purchases and production	2,029	-	21	2,050
Decreases due to sales/processing/mortality (i)	(2,037)	(134)	(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	-	260	2,176
Current	1,916	-	229	2,145
Non-current	-	-	30	30
	1,916	-	260	2,176
Balance as at 1 January 2022	1,916	-	260	2,176
Increases due to purchases and production	1,980	-	12	1,992
Decreases due to sales/processing/mortality (i)	(1,916)	-	(5)	(1,921)
Movement in fair value as a result of physical and/or price changes (ii)	72	-	43	116
Balance as at 30 June 2022	2,052	-	310	2,363
Current	2,052	-	281	2,333
Non-current	-	-	28	28
	2,052	-	310	2,362

- (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.

As at 30 June 2022, the Group held 518,608 live poultry (31 December 2021: 517,693), 6,964 mature wasabi plants and 3,280 immature wasabi plants (31 December 2021: 6,650 mature wasabi plants and 2,543 immature wasabi plants).

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

Fair Value Measurement

	31 December 2021			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	1,916	-	1,916
- Goats	-	-	-	-
- Wasabi plants	-	-	260	260
Total biological assets recognised at fair value	-	1,916	260	2,176

	30 June 2022			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	2,052	-	2,052
- Goats	-	-	-	-
- Wasabi plants	-	-	310	310
Total biological assets recognised at fair value	-	2,052	310	2,363

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: 0.30 kilograms (31 December 2021: 0.31 kilograms)

Relationship of unobservable inputs to fair value

An increase/decrease in yield would result in a direct increase/decrease in the fair value

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

4. PROPERTY, PLANT AND EQUIPMENT**a-) Property, Plant and Equipment**

	Land and buildings \$'000	Plant and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Capital work in progress \$'000	Total \$'000
At 31 December 2021						
Cost	16,021	16,311	256	914	273	33,775
Accumulated depreciation	(1,435)	(5,871)	(194)	(370)	-	(7,871)
Net carrying amount	14,586	10,440	62	544	273	25,904
Net carrying amount at the beginning of the half-year	14,586	10,440	62	544	273	25,904
Additions	66	183	26	9	18	303
Disposals and write-offs	-	-	-	(3)	-	(3)
Depreciation expense	(190)	(649)	(12)	(45)	-	(896)
Net carrying amount at the end of the half year	14,462	9,974	76	505	291	25,308
At 30 June 2022						
Cost	16,087	16,495	282	921	291	34,076
Accumulated depreciation	(1,625)	(6,521)	(206)	(416)	-	(8,768)
Net carrying amount	14,462	9,974	76	505	291	25,308

b-) Right of Use Assets and Lease Liabilities**Right of Use Assets**

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

	30 June 2022	
	Land and buildings \$'000	Total \$'000
Net carrying amount at 31 December 2021	1,418	1,418
Additions	102	102
Depreciation expense	(100)	(100)
Net carrying amount at the end of the half year	1,420	1,420

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

Lease Liabilities

	31 30 June 2022 \$'000	31 December 2021 \$'000
Current	213	193
Non-Current	1,326	1,339
	<u>1,538</u>	<u>1,532</u>

5. INTANGIBLE ASSETS

	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000
At 31 December 2021				
Cost	9,674	6,835	363	16,872
Accumulated impairment and amortisation	(9,674)	-	(3)	(9,677)
Net carrying amount	-	6,835	360	7,195
Net carrying amount at the beginning of the period	-	6,835	360	7,195
- Additions	-	-	61	61
- Amortisation during the period	-	-	(8)	(8)
Net carrying amount at the end of the half year	-	6,835	413	7,248
At 30 June 2022				
Cost	9,674	6,835	426	16,935
Accumulated impairment and amortisation	(9,674)	-	(13)	(9,687)
Net carrying amount at the end of the period	-	6,835	413	7,248

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

	30 June 2022				31 December 2021			
	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000
Dairy	-	3,925	-	3,925	0	3,925	1	3,926
Poultry	-	2,910	195	3,105	0	2,910	194	3,104
Corporate and Other	-	-	218	218	-	-	166	166
Total	-	6,835	413	7,248	0	6,835	361	7,195

Goodwill is carried at cost less accumulated impairment losses.

In accordance with the Company's accounting policy, impairment testing has been undertaken at 30 June 2022 in accordance with AASB 136 *Impairment* for all groups of cash generating units (CGUs) for goodwill and indefinite life intangibles or where there is an indication of impairment.

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

As at 30 June 2022, the inflationary impacts of labour and input costs which created costs pressures on both the Company and Australian economy, the impacts of COVID-19 on the business during the half and the market capitalisation deficiency of the Company were considered by the Company as indicators of impairment, resulting in the completion of impairment testing as at 30 June 2022.

The company has recently implemented a number of strategies across the business units to improve revenue metrics and customer profitability. These include price rises, minimum order quantity requirements, freight charges and SKU rationalisation to improve operational efficiencies. The benefits of such strategies are included in the forecasts and are reflected in sales growth assumptions.

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

Dairy CGU

The recoverable amount of the Dairy 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 dairy CGU include:

	30 June 2022	31 December 2021
Dairy		
Sales Growth Rate (5 year avg)	6.0%	4.3%
Production Costs (5 year avg)	67.1%	65.3%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.5%
Pre-tax Discount Rate	15.4%	15.4%

Based on the above assumptions the recoverable amount of the Dairy CGU at 30 June 2022 is estimated to be \$17.5 million, which is a surplus of \$2.7 million when compared to the CGU's carrying amount of \$14.7 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:

	30 June 2022	31 December 2021
Poultry		
Sales Growth Rate (5 year avg)	8.0%	6.7%
Production Costs (5 year avg)	76.8%	76.1%
Indirect Cost Growth Rate per annum	5.0%	5.0%
Long-term Growth Rate	2.5%	2.5%
Pre-tax Discount Rate	15.4%	15.4%

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

Based on the above assumptions the recoverable amount of the Poultry CGU at 30 June 2022 is estimated to be \$19.2 million, which is a surplus of \$0.4 million when compared to the CGU's carrying amount of \$18.8 million.

Changes to Key Inputs

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

- *Sales Growth Rate* – Whilst the Poultry and Dairy CGUs continue to report year on year growth higher than market growth rates, future market growth rates have a higher degree of volatility. Sales growth rates were reviewed at 30 June 2022 to reflect company specific price increases, market growth rates and historical CGU growth rates achieved.
- *Production Costs* – Production costs as a percentage of revenue are forecast to increase over the forecast period which is reflective of input cost inflation, offset by gross margin improvement through a focus on value chain and customer profitability.

In considering the outlook for the Dairy and Poultry CGU's management considered a multiple scenario approach, and have taken the outcomes of each into account when considering the value in use of each CGU.

Four additional scenarios have been considered as follows:

Dairy CGU

- 1% point increase/decrease in gross profit margin results in additional headroom of \$3.1 million/a deficit of \$0.2 million
- 0.5% point increase/decrease in terminal growth rate results in additional headroom of \$0.7 million/reduced headroom of \$0.6 million
- 0.5% point increase/decrease in the post- tax discount rate results in reduced headroom of \$0.9 million/additional headroom of \$1.0 million
- 0.5% point increase/decrease in average annual revenue growth rate (for years 2 to 5 in the model) results in additional headroom of \$0.4 million/reduced headroom of \$0.4 million

Poultry CGU

- 1% point increase/decrease in gross profit margin results in additional headroom of \$4.2 million/a deficit of \$3.8 million
- 0.5% point increase/decrease in terminal growth rate results in additional headroom of \$0.8 million/a deficit of \$0.3 million
- 0.5% point increase/decrease in the post- tax discount rate year results in a deficit of \$0.7 million/additional headroom of \$1.3 million
- 0.5% point increase/decrease in average annual revenue growth rate (for years 2 to 5 in the model) results in additional headroom of \$1.5 million/a deficit of \$1.1 million

Review outcome

Based on the above the intangible asset value relating to brand value, patents and trademarks is not impaired as these assets are considered to have an indefinite life. Impairment testing will continue to be performed annually in respect to the intangible assets.

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

6. BORROWINGS

	30 June 2022 \$'000	31 December 2021 \$'000
<i>Current</i>		
Bank overdraft	-	-
Bank loan facilities	504	592
Other	82	455
	<u>586</u>	<u>1,047</u>
<i>Non-Current</i>		
Bank bill facility	-	-
Bank loan facilities	6,053	6,422
	<u>6,053</u>	<u>6,422</u>
Total borrowings	<u>6,639</u>	<u>7,469</u>

Contracted Financial Maturities of Financial Liabilities

	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contracted cash flows \$'000	Carrying Amount \$'000
At 30 June 2022					
<i>Non-derivatives</i>					
Trade payables	10,643	-	-	10,643	10,643
Bank overdraft	-	-	-	-	-
Other	82	-	-	82	82
Bank loan facilities	504	6,053	-	6,557	6,557
	<u>11,229</u>	<u>6,053</u>	<u>-</u>	<u>17,282</u>	<u>17,282</u>
At 31 December 2021					
<i>Non-derivatives</i>					
Trade payables	9,605	-	-	9,605	9,605
Bank overdraft	-	-	-	-	-
Other	455	-	-	455	455
Bank loan facilities	592	6,422	-	7,014	7,014
	<u>10,653</u>	<u>6,422</u>	<u>-</u>	<u>17,075</u>	<u>17,075</u>

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

Financing Arrangements

	30 June 2022		31 December 2021	
	Limit	Undrawn Balance	Limit	Undrawn Balance
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	2,560	2,560	2,500	2,500
Bank bill facility	3,500	-	3,000	-
Bank loan facilities	3,057	-	4,014	-
	<u>9,117</u>	<u>2,560</u>	<u>9,514</u>	<u>2,500</u>

Secured liabilities and assets pledged as security

The Group has a number of finance facilities with ANZ. 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. Post half-year end, on 1 July 2022, ANZ agreed to remove all debt covenants in relation to the ANZ finance facilities. In addition, the bank overdraft facility will be reduced from \$2.56m to \$1.5m effective from 31 December 2022.

7. CONTRIBUTED EQUITY

	Number of Shares		Share Capital	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
			\$'000	\$'000
Ordinary shares - fully paid (no par value)	437,095,516	351,902,660	66,756	61,053
Total share capital			<u>66,756</u>	<u>61,053</u>

TasFoods Limited has issued share capital amounting to 437,095,516 ordinary shares of no par value.

Date	Details	Ordinary Shares	\$'000
1/01/2022	Balance at beginning of period	351,902,660	61,053
	Share Issue	85,192,856	5,703
		<u>437,095,516</u>	<u>66,756</u>

During the half, the Company completed a capital raise and received \$5.7 million in net equity funding. Transaction costs arising on the issue of ordinary shares are recognised directly in equity at the time the expense is incurred.

TasFoods Limited

Notes to and Forming Part of the Financial Statements
For the Half Year Ended 30 June 2022

8. SUBSIDIARIES

	Country of Incorporation	Principal Activity	Equity Holding	
			30 June	31 December
			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%

9. EVENTS OCCURRING AFTER REPORTING DATE

Refer to Note 6 for commentary regarding changes to finance facilities post half-year end.

The Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

In the Directors' opinion:

- a) The financial statements and notes set out on pages 5 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other professional mandatory reporting requirements; and
 - ii. Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half year ended on that date; and
- b) There are reasonable grounds to believe that TasFoods Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



John Murphy
Non-Executive Chair

26 August 2022
Launceston



Independent auditor's review report to the members of TasFoods Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of TasFoods Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of TasFoods Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of \$5.4m and a net cash outflow from operations of \$2.7m during the half-year ended 30 June 2022. 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 conclusion is not modified in respect of this matter.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
26 August 2022

Board of Directors

John Murphy	Non-Executive Chair
Ben Swain	Non-Executive Director
John O'Hara	Non-Executive Director

Company Secretary

Marta Button

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Solicitors

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Melbourne VIC 3000, Australia

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

Bankers

Australia and New Zealand Banking Group
Bendigo and Adelaide Bank

Stock Exchange Listing

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