

# TASFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

## TASFOODS LIMITED APPENDIX 4D - HALF-YEAR REPORT

### 1. DETAILS OF THE REPORTING PERIOD

Financial Reporting Period Ended	Half-year ended 30 June 2020
Previous Corresponding Reporting Period	Half-year ended 30 June 2019

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2020 \$'000	30 June 2019 \$'000	% Change
Revenue from continuing operations	32,742	21,087	55.3%
Profit / (loss) from ordinary activities after tax attributable to members	(7,212)	(1,846)	(290.7%)
Net profit / (loss) for the period attributable to members	(7,212)	(1,846)	(290.7%)

### 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	7.45 cents per share	11.47 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. The review report is not subject to a modified opinion, emphasis of matter or other matter paragraph. 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 2020

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

Janelle O'Reilly  
Company Secretary

31 August 2020

# **TasFoods Limited**

ACN 084 800 902

## **Financial Report**

**For the Half Year Ended 30 June 2020**

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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 2020.

## 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 (appointed 4 June 2020)
Mr Shane Noble	Executive Chairman (to 4 June 2020), Non-Executive Director (resigned 9 July 2020)
Ms Jane Bennett	Chief Executive Officer and Managing Director
Mr Roger McBain	Non-Executive Director
Mr Alexander Beard	Non-Executive Director
Mr Ben Swain	Non-Executive Director (appointed 4 June 2020)

## Company Secretary

Janelle O'Reilly

## 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 2020 the TasFoods Group reported continued growth in revenue to \$32.742 million, 55% higher than H1 2019. After adjusting H1 2019 for the underlying revenue of Betta Milk, year-on-year organic growth was 11%.

Operating EBITDA reduced to negative \$1.122 million, primarily driven by a reduction in the gross profit margin from the poultry division resulting from COVID-19 influenced impacts on the market.

	H1 2020				H1 2019			
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
Revenue	14,079	18,439	224	32,742	3,620	17,174	294	21,087
EBITDA	(810)	(1,719)	(3,468)	(5,997)	20	1,413	(2,463)	(1,031)
Acquisition Costs	-	-	(15)	(15)	-	-	(329)	(329)
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-
Fair Value Movement	-	(181)	(1,179)	(1,360)	12	64	94	170
<b>Operating EBITDA</b>	<b>690</b>	<b>462</b>	<b>(2,274)</b>	<b>(1,122)</b>	<b>8</b>	<b>1,349</b>	<b>(2,228)</b>	<b>(872)</b>

The dairy division performed strongly with revenue growing to 43% of total revenue, up from 17% in H1 2019. Year-on-year organic growth of the dairy division was 16%, after adjusting for the acquired revenue of the Betta Milk operations for H1 2019. This growth was achieved despite the

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COVID-19-induced closure of the food service market during the quarter, which negatively affected the Pyengana operations.

The strategic acquisition of Betta Milk in July 2019 has provided a strong foundation for the dairy division. Milk sales, which represent 72% of total dairy sales, have remained strong and continued to grow, with year-to-date growth across all milk brands of 19%. The acquisition has allowed the business to strategically relocate operations to focus on centres of excellence, with the Burnie facility now bottling all fresh milk products, an increase in volume of 50% since acquisition.

Poultry revenue for H1 2020 has increased by 7% compared to H1 2019. Unprecedented shifts in the national poultry market from March to June created significant uncertainty as the industry experienced rapid changes to demand mix and volume in response to COVID-19 restrictions. The Company responded quickly to changes in demand by realigning chicken volumes in its agricultural operations. The ten-week lead time for changes to chicken inventory, and excess supply in the national market, significantly reduced gross profit margins as the Company moved to balance production volumes, sales demand, market pricing and cashflow of the business. This contributed to a reduction in gross profit margin of 4% for the poultry division in H1 2020 when compared to H1 2019. Volatility in the chicken market has eased in July, with the Company expecting a return of gross profit margin in the poultry division in H2 2020.

In the half-year ended 30 June 2020, the Company recognised an impairment expense of \$3.5 million associated with the impairment of goodwill of the poultry division (\$2.0 million impairment expense) and the dairy division (\$1.5 million impairment expense). While both the dairy and poultry divisions have continued to report year-on-year revenue growth in excess of market growth rates, economic conditions have placed uncertainty on future market growth rates. Due to this market uncertainty the Company has adopted a conservative approach to the underlying impairment calculations, including discount rate, which support the carrying value of goodwill. This write-down is a statutory accounting adjustment only and does not impact the future trading potential of the Company, nor its cashflow position.

Operating EBITDA for the Corporate and Other division has remained stable year-on-year with no additional corporate costs incurred following the acquisition of Betta Milk.

During the half-year ended 30 June 2020, the Company also recorded a downward movement in the fair value of the wasabi crop of \$1.18 million. This write-down in fair value was due to the COVID-19 induced closure of the premium restaurants and corporate event catering of the food service market, which directly impacted sales of fresh wasabi products making up 73% of total wasabi sales. The change in market conditions and transition to new markets necessitated a review of the crop valuation focusing on fair value less cost to sell inputs, culminating in the write-down in crop value. The write down does not impact the cash position of the Company, nor does it impact the biomass of the crop available for future sales.

#### **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 6 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.

**TasFoods Limited**  
Directors' Report

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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

A handwritten signature in black ink, appearing to read 'Craig Treasure', written in a cursive style.

Craig Treasure  
Non-Executive Chairman

31 August 2020



## *Auditor's Independence Declaration*

As lead auditor for the review of TasFoods Limited for the half-year ended 30 June 2020, 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 'Alison Tait', with a stylized flourish at the end.

Alison Tait  
Partner  
PricewaterhouseCoopers

Melbourne  
31 August 2020



**TasFoods Limited**Consolidated Statement of Profit and Loss and Other Comprehensive Income  
For the Half Year Ended 30 June 2020

		30 June 2020 \$'000	30 June 2019 \$'000
	Note		
Revenue from operations		32,459	20,831
Other income		283	256
Fair value adjustment of biological assets	4	(1,361)	170
Impairment Expense	6	(3,500)	-
Raw materials used		(20,025)	(11,650)
Employment and contractor expense		(8,347)	(6,665)
Freight		(2,259)	(1,399)
Occupancy costs		(722)	(412)
Depreciation and amortisation		(1,036)	(770)
Finance costs		(180)	(94)
Travel and accommodation		(42)	(70)
Legal and professional fees		(151)	(78)
Marketing and event expenses		(243)	(241)
Repairs and maintenance		(421)	(290)
Research and development		(8)	(9)
Investment expenses		(15)	(329)
Other expenses		(1,644)	(1,096)
<b>Loss before income tax</b>		<b>(7,212)</b>	<b>(1,846)</b>
Income tax expense		-	-
<b>Net Loss after tax for the half year from continuing operations</b>		<b>(7,212)</b>	<b>(1,846)</b>
Net profit after tax for the half year from discontinued operations			
<b>Net Loss after tax for the half year</b>		<b>(7,212)</b>	<b>(1,846)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Other comprehensive loss net of tax		-	-
<b>Total comprehensive loss</b>		<b>(7,212)</b>	<b>(1,846)</b>
Net profit for the period attributable to:			
Owners of TasFoods Limited		(7,212)	(1,846)
		<b>(7,212)</b>	<b>(1,846)</b>
Total comprehensive income for the half year is attributable to:			
Owners of TasFoods Limited		(7,212)	(1,846)
		<b>(7,212)</b>	<b>(1,846)</b>
Basic loss per share (cents per share)		(2.64)	(0.89)
Diluted loss per share (cents per share)		(2.64)	(0.89)
Basic loss per share from continuing operations (cents per share)		(2.64)	(0.89)
Diluted loss per share from continuing operations (cents per share)		(2.64)	(0.89)

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

**TasFoods Limited**Consolidated Statement of Financial Position  
For the Half Year Ended 30 June 2020

	<b>Note</b>	<b>30 June 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	3	1,717	2,209
Trade and other receivables		3,944	4,394
Biological assets	4	2,073	2,729
Inventory		4,183	4,124
Prepayments		230	699
<b>Total Current Assets</b>		<b>12,146</b>	<b>14,155</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5a	25,378	25,048
Right of use assets	5b	1,056	1,081
Intangible assets	6	10,959	14,013
Biological assets	4	209	1,171
<b>Total Non-Current Assets</b>		<b>37,601</b>	<b>41,313</b>
<b>Total Assets</b>		<b>49,747</b>	<b>55,467</b>
<b>Current Liabilities</b>			
Trade and other payables		8,026	8,628
Borrowings	7	2,571	765
Lease liabilities	5b	456	424
Provisions		1,088	976
<b>Total Current Liabilities</b>		<b>12,140</b>	<b>10,793</b>
<b>Non-Current Liabilities</b>			
Borrowings	7	3,333	4,500
Lease liabilities	5b	1,342	1,477
Provisions		244	220
Deferred tax liabilities		1,364	-
<b>Total Non-Current Liabilities</b>		<b>6,282</b>	<b>6,197</b>
<b>Total Liabilities</b>		<b>18,422</b>	<b>16,990</b>
<b>Net Assets</b>		<b>31,325</b>	<b>38,477</b>
<b>Equity</b>			
Contributed Equity	8	53,980	53,983
Reserves		555	493
Accumulated Losses		(23,210)	(15,998)
<b>Total Equity</b>		<b>31,325</b>	<b>38,477</b>

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

**TasFoods Limited**Consolidated Statement of Changes in Equity  
For the Half Year Ended 30 June 2020

	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 January 2019</b>	<b>46,355</b>	<b>390</b>	<b>(12,540)</b>	<b>34,205</b>
Loss for the half year	-	-	(1,846)	(1,846)
Total comprehensive income for the half year	-	-	(1,846)	(1,846)
Issue of shares	-	-	-	-
Share issue costs	(57)	-	-	(57)
Share-based payment expense	-	65	-	65
<b>Balance at 30 June 2019</b>	<b>46,298</b>	<b>455</b>	<b>(14,386)</b>	<b>32,367</b>
<b>Balance at 1 January 2020</b>	<b>53,983</b>	<b>493</b>	<b>(15,998)</b>	<b>38,478</b>
Loss for the half year	-	-	(7,212)	(7,212)
Total comprehensive income for the half year	-	-	(7,212)	(7,212)
Issue of shares	-	-	-	-
Share issue costs	(3)	-	-	(3)
Share-based payment expense	-	62	-	62
<b>Balance at 30 June 2020</b>	<b>53,979</b>	<b>555</b>	<b>(23,210)</b>	<b>31,325</b>

*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 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		33,061	20,687
Payments to suppliers and employees		(33,550)	(20,667)
Interest received		1	56
Interest paid		(186)	(92)
Expenditure incurred in the pursuit of acquisitions and investment opportunities		(15)	(111)
Other		288	47
Net cash (used in)/provided by operating activities		<u>(402)</u>	<u>(81)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		-	20
Payments for property, plant and equipment		<u>(408)</u>	<u>(2,008)</u>
Net cash (used in)/provided by investing activities		<u>(408)</u>	<u>(1,989)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	-
Cost of issuing shares		(2)	(49)
Proceeds from borrowings		1,021	3,588
Repayment of borrowings		<u>(357)</u>	<u>(464)</u>
Net cash provided by/(used in) financing activities		<u>662</u>	<u>3,076</u>
<b>Net (decrease)/increase in cash held</b>		(148)	1,007
Cash and cash equivalents at the beginning of the half year		<u>1,444</u>	<u>5,977</u>
Cash and cash equivalents at the end of the half year	3	<u>1,295</u>	<u>6,983</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 2020 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 2019 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**

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### **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 2019, except as noted in note 4 Biological Assets and note 6 Intangible Assets.

## **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;
  - Goat farming operations (associated with the Robur Farm goat dairy product range) which were acquired in June 2016;

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

- 
- 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 Corporate and Other segment, which comprise:
    - Corporate 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, quality assurance and food safety, and work health and safety; and
    - The net assets and business operations of Shima Wasabi Pty Ltd, which was acquired in June 2016.

Management measures the performance of the segments identified at the Earnings Before Tax Interest Depreciation and Amortisation 'EBITDA' level before fair value movements in biological assets.

	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
<b>Half year 30 June 2020</b>				
<b>Revenue</b>				
Total segment sales revenue	14,015	18,291	153	32,459
Other income	64	148	70	283
	14,079	18,439	224	32,742
Operating segment EBITDA (excl fair value movements)	690	462	(2,289)	(1,137)
Depreciation	(464)	(472)	(99)	(1,036)
Interest	(27)	(141)	(12)	(179)
Impairment Expense	(1,500)	(2,000)	-	(3,500)
Fair value movement	-	(181)	(1,179)	(1,360)
Segment profit/(loss)	(1,302)	(2,332)	(3,579)	(7,212)
Loss before income tax expense				(7,212)
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(7,212)</b>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
<b>Revenue</b>				
Total segment sales revenue	3,612	17,043	176	20,831
Other income	8	131	118	256
	3,620	17,174	294	21,087
Operating segment EBITDA (excl fair value movements)	8	1,349	(2,557)	(1,201)
Depreciation	(265)	(399)	(106)	(770)
Interest	(31)	(50)	36	(46)
Fair value movement	12	64	94	170
Segment profit/(loss)	(277)	964	(2,533)	(1,846)
Loss before income tax expense				(1,846)
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(1,846)</b>
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
<b>Total segment assets</b>				
<b>30 June 2020</b>				
Segment assets	23,108	24,203	2,436	49,747
<b>31 December 2019</b>				
Segment assets	24,488	25,622	5,357	55,467
<b>Total segment liabilities</b>				
<b>30 June 2020</b>				
Segment liabilities	5,419	10,676	964	17,059
Net deferred tax liability				1,363
<b>Total liabilities</b>				<b>18,422</b>
<b>31 December 2019</b>				
Segment liabilities	5,370	10,130	1,490	16,990
Net deferred tax liability				-
<b>Total liabilities</b>				<b>16,990</b>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

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**3. CASH AND CASH EQUIVALENTS**

	<b>30 June 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
Cash and cash equivalents	<u>1,717</u>	<u>2,209</u>

**Reconciliation of cash and cash equivalents to the statement of cash flows**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the reporting period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	<b>30 June 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
Cash and cash equivalents	1,717	2,209
Bank overdraft	<u>(422)</u>	<u>(765)</u>
	<u>1,295</u>	<u>1,444</u>



**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**4. BIOLOGICAL ASSETS**

	<b>Poultry</b>	<b>Goats</b>	<b>Wasabi</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Plants</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 January 2019	1,446	284	977	2,708
Increases due to purchases and production	1,723	-	9	1,732
Decreases due to sales/processing/mortality (i)	(1,446)	(68)	(267)	(1,781)
Movement in fair value as a result of physical and/or price changes (ii)	512	37	692	1,241
Balance as at 31 December 2019	2,235	253	1,412	3,900
Current	2,235	-	494	2,729
Non-current	-	253	918	1,171
	2,235	253	1,412	3,900
Balance as at 1 January 2020	2,235	253	1,412	3,900
Increases due to purchases and production	2,075	-	10	2,085
Decreases due to sales/processing/mortality (i)	(2,235)	(45)	(63)	(2,342)
Movement in fair value as a result of physical and/or price changes (ii)	(181)	-	(1,179)	(1,361)
Balance as at 30 June 2020	1,893	209	180	2,282
Current	1,893	-	180	2,073
Non-current	-	209	-	209
	1,893	209	180	2,282

- (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 2020, the Group held 505,411 live poultry (31 December 2019: 531,280), 460 goats (31 December 2019: 585) and 6,323 mature wasabi plants and 3,698 immature wasabi plants (31 December 2019: 6,576 mature wasabi plants and 549 immature wasabi plants).

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**Fair Value Measurement**

	31 December 2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	2,235	-	2,235
- Goats	-	253	-	253
- Wasabi plants	-	-	1,412	1,412
Total biological assets recognised at fair value	-	2,488	1,412	3,900

	30 June 2020			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements				
- Poultry	-	1,893	-	1,893
- Goats	-	209	-	209
- Wasabi plants	-	-	180	180
Total biological assets recognised at fair value	-	2,102	180	2,282

***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: 0.32 kilograms (31 December 2019: 0.46 kilograms)

Relationship of unobservable inputs to fair value

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

AASB 141 Agriculture applies to all biological assets (excluding bearer plants) and agricultural produce at the point of sale and is applied to the valuation of the wasabi crop (the biological asset) as well as harvested material. Changes in market conditions since the start of COVID-19 and the resulting change in product sales mix necessitated a review of the crop valuation focused on the fair value less cost-to-sell inputs.

This has resulted in a movement in fair value of biological assets of \$1.179 million, primarily driven by a reduction in the selling price per kilogram as the Company transitions from high value fresh wasabi sales, which historically made up 73% of total sales revenue, towards industrial and ingredient powder markets. This write-down is non-cash in nature and does not impact the biomass of the wasabi crop available for future sale.

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**5. 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 2019						
Cost	13,334	14,751	221	787	78	29,170
Accumulated depreciation	(747)	(3,039)	(153)	(183)	-	(4,122)
Net carrying amount	12,587	11,712	68	604	78	25,048
Net carrying amount at the beginning of the half-year	12,587	11,712	68	604	78	25,048
Additions	12	212	-	23	109	356
Additions as a part of a business combination	913	-	-	-	-	913
Disposals and write-offs	-	-	-	-	-	-
Capitalisation to asset categories	-	-	-	-	-	-
Depreciation expense	(168)	(706)	(12)	(50)	-	(936)
Net carrying amount at the end of the half year	13,343	11,216	58	573	187	25,378
At 30 June 2020						
Cost	14,259	14,963	221	810	187	30,440
Accumulated depreciation	(916)	(3,748)	(162)	(237)	-	(5,063)
Net carrying amount	13,343	11,215	58	573	187	25,378

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

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

	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
Net carrying amount at 31 December 2019	1,075	5	1,080
Additions	68	-	68
Depreciation expense	(87)	(4)	(91)
Net carrying amount at the end of the half year	1,056	1	1,056

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**Lease Liabilities**

	30 June 2020 \$'000	31 December 2019 \$'000
Current	456	423
Non-Current	1,342	1,477
	<u>1,798</u>	<u>1,901</u>

**6. INTANGIBLE ASSETS**

	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000
At 31 December 2019				
Cost	9,674	6,835	222	16,731
Accumulated impairment	(2,717)	-	-	(2,717)
Net carrying amount	<u>6,957</u>	<u>6,835</u>	<u>222</u>	<u>14,014</u>
Net carrying amount at the beginning of the period	6,957	6,835	222	14,014
- Additions	-	-	-	-
- Transfers (to)/from other asset classes as a result of finalisation of accounting for business combination	451	-	-	451
- Impairment during the period	(3,500)	-	-	(3,500)
- Amortisation during the period	-	-	(6)	(6)
Net carrying amount at the end of the half	<u>3,908</u>	<u>6,835</u>	<u>216</u>	<u>10,959</u>
At 30 June 2020				
Cost	10,125	6,835	222	17,182
Accumulated impairment	(6,217)	-	-	(6,217)
Accumulated Amortisation	-	-	(6)	(6)
Net carrying amount at the end of the	<u>3,908</u>	<u>6,835</u>	<u>216</u>	<u>10,959</u>

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

	30 June 2020				31 December 2019			
	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000	Goodwill \$'000	Brands and trademarks \$'000	Other \$'000	Total \$'000
Dairy	2,771	3,925	14	6,710	3,820	3,925	20	7,765
Poultry	1,137	2,910	194	4,241	3,137	2,910	194	6,241
Corporate and Other	-	-	8	8	-	-	8	8
Total	<u>3,908</u>	<u>6,835</u>	<u>216</u>	<u>10,959</u>	<u>6,957</u>	<u>6,835</u>	<u>222</u>	<u>14,014</u>

Goodwill is carried at cost less accumulated impairment losses.

**TasFoods Limited**Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

The Group has two cash generating units (CGUs) for which impairment testing is completed in accordance with AASB 136 Impairment of Assets. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The impact of COVID-19 on both the Company and Australian economy 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 2020.

The impairment testing process identified impairment charges totalling \$3.5 million, \$1.5 million for the Dairy CGU and \$2.0 million for the Poultry CGU.

Key assumptions used in the value-in-use calculations for the dairy CGU are as follows:

	Dairy		Poultry	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Sales Growth Rate (5 year avg)	5.2%	9.2%	6.6%	9.2%
Production Costs (5 year avg)	69.0%	72.0%	79.0%	77.0%
Indirect Cost Growth Rate per annum	5.0%	5.0%	5.0%	5.0%
Long-term Growth Rate	2.0%	2.5%	2.0%	2.5%
Pre-tax Discount Rate	15.4%	13.5%	15.4%	13.5%

While both the poultry and dairy CGUs have continued to report year-on-year growth higher than market growth rates, future market growth rates are not certain given current and forecast conditions impacting the Australian economy as a result of COVID-19. As such sales growth rates have been reduced in line with market growth rates rather than historical CGU growth rates achieved.

Production costs as a percentage of sales revenue have been updated to reflect changes in forecast conditions, including a reduction in commodity pricing for key dairy inputs. Poultry production costs as a percentage of sales revenue have increased as a result of margin contraction associated with changes in demand mix and volumes experienced in the half-year reporting period.

Long -term growth rates have reduced to 2% which is in line with the Reserve Bank of Australia's economic outlook.

The pre-tax discount rate has increased from 13.5% to 15.4%, as a result of the inclusion of a risk premium due to the heightened risk associated with current economic conditions resulting from COVID-19 and its impact on the Australian economy.

The recoverable amount is sensitive to changes in the key assumptions. The impact of these changes in key assumptions is shown in the table below and has been calculated in isolation from other changes.

Key Assumption	Sensitivity	Impact of Sensitivity Dairy	Impact of Sensitivity Poultry
Revenue Growth Rate (FY21 to FY24 Avg)	-1%	\$2.358 million further impairment	\$2.150 million further impairment
Production Costs (FY21 to FY24 Avg)	+1%	\$2.338 million further impairment	\$3.234 million further impairment
Pre-tax Discount Rate	+1%	\$1.275 million further impairment	\$1.568 million further impairment

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**7. BORROWINGS**

	30 June 2020 \$'000	31 December 2019 \$'000
<i>Current</i>		
Bank overdraft	422	765
Bank loan facilities	148	-
Bank bill facility	2,000	-
	<u>2,571</u>	<u>765</u>
<i>Non-Current</i>		
Bank bill facility	-	2,000
Bank loan facilities	3,333	2,500
	<u>3,333</u>	<u>4,500</u>
Total borrowings	<u>5,904</u>	<u>5,265</u>

In March 2020 the Company renewed its finance facilities across the Group with Australia and New Zealand Banking Group Limited (ANZ) to include the Company and all subsidiaries. This renewal included restructuring the Nichols Poultry overdraft facility and entering into a \$1.0 million variable rate business loan.

In June 2020, the Group renegotiated its overdraft facility limit to an aggregate of \$2.750 million to assist with working capital requirements.

***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
<b>At 30 June 2020</b>					
<i>Non-derivatives</i>					
Trade payables	8,026	-	-	8,026	8,026
Bank overdraft	422	-	-	422	422
Bank bill facility	2,000	-	-	2,000	2,000
Bank loan facilities	148	3,333	-	3,482	3,482
	<u>10,596</u>	<u>3,333</u>	<u>-</u>	<u>13,929</u>	<u>13,929</u>
<b>At 31 December 2019</b>					
<i>Non-derivatives</i>					
Trade payables	8,628	-	-	8,628	8,628
Bank overdraft	765	-	-	765	765
Bank bill facility	-	2,000	-	2,000	2,000
Bank loan facilities	-	2,500	-	2,500	2,500
	<u>9,393</u>	<u>4,500</u>	<u>-</u>	<u>13,893</u>	<u>13,893</u>

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**Financing Arrangements**

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	Limit	Undrawn Balance	Limit	Undrawn Balance
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	2,750	2,328	2,000	1,235
Bank bill facility	2,000	-	2,000	-
Bank loan facilities	3,482	-	2,500	-
	<u>8,232</u>	<u>2,328</u>	<u>6,500</u>	<u>1,235</u>

**Secured liabilities and assets pledged as security**

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

**Financial covenants**

The renewed financing arrangements with ANZ resulted in a change to the financial covenants applicable to the Company. Under the terms of the renewed financing arrangements the Group is required to comply with an interest cover ratio financial covenant.

The first assessment date for the covenants is 30 June 2021. The Company forecasts it will comply with the covenant requirement for the half-year ending 30 June 2021.

**Debt Funding and Working Capital**

At 30 June 2020, the Group has current borrowing of \$2.571 million (including bank overdraft) and non-current borrowing of \$3.333 million.

The Company has assessed cash flow requirements and the ability to repay current borrowings and meet its working capital requirements for a 12-month period from the date of signing the interim financial statements.

The Group's ability to repay current borrowing 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. Based on the forecast the Directors believe the Group will meet its EBITDA and cash flow forecasts.

The Company considers it is highly likely that the current bank bill facility of \$2 million, due in June 2021 will be extended and there will be additional funds available for repayment of debt and working capital from the equity raise (refer subsequent events note).

The Directors have prepared the accounts on a going concern basis and are confident the Group will meet its requirements to meet its obligation under its borrowing facilities and meet the working capital requirements over the forecast period.

**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

**8. CONTRIBUTED EQUITY**

	Number of Shares		Share Capital	
	30 June 2020	31 December 2019	30 June 2020 \$'000	31 December 2019 \$'000
Ordinary shares - fully paid (no par value)	273,265,740	273,265,740	53,980	53,983
Total share capital			53,980	53,983

TasFoods Limited has issued share capital amounting to 273,265,740 ordinary shares of no par value.

Date	Details	Ordinary Shares	Price	\$'000
1/01/2020	Balance at beginning of period	273,265,740		53,983
	Issue costs - net of tax			(3)
		273,265,740		53,980

Transaction costs arising on the issue of ordinary shares are recognised directly in equity at the time the expense is incurred.

**9. DIVIDENDS**

	Half-year	
	2020 \$'000	2019 \$'000
<b>Fully paid ordinary shares</b>		
Dividends paid or provided for during the half-year	-	-

**10. SUBSIDIARIES**

	Country of Incorporation	Principal Activity	Equity Holding	
			30 June 2020 %	31 December 2019 %
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%

**11. BUSINESS COMBINATIONS*****Finalisation of Prior Year Acquisition***

On 31 July 2019 the Company acquired via its subsidiary Van Diemen's Land Dairy Pty Ltd, the milk processing assets, distribution assets and brands of the Betta Milk Co-operative Society Ltd business based in Tasmania. The acquisition was completed for cash consideration of \$11.423 million.



**TasFoods Limited**

Notes to and Forming Part of the Financial Statements  
For the Half Year Ended 30 June 2020

In the financial statements for the year ended 31 December 2019, the net asset valuation and allocation of the purchase price to acquired assets and fair values assigned to intangible assets were preliminary. In accordance with the Company's accounting policy, the accounting for the acquisition of the Betta Milk processing and distribution assets and brands was finalised during the current period and the preliminary balances updated accordingly.

The final fair value of the assets arising from the acquisition is as follows:

	<b>Preliminary Fair Value presented as at 31 December 2019 \$'000</b>	<b>Final Fair Value \$'000</b>
Land and buildings	2,762	3,675
Plant and equipment	2,920	2,920
Motor vehicles	214	214
Brand name	3,890	3,890
Inventory on hand	498	498
Deferred tax asset/(liability)	97	(1,267)
Provisions	(380)	(380)
Net identifiable assets acquired	10,001	9,550
Add: Goodwill	1,422	1,873
Consideration paid	11,423	11,423

**12. EVENTS OCCURRING AFTER REPORTING DATE***Rights issue and placement*

On 25 August 2020, the Company announced a 3 for 20 accelerated non-renounceable rights issue of new ordinary shares in TasFoods Ltd at an issue price of \$0.085 per new share, raising up to \$3.45 million before costs. The rights issue will be partially underwritten by an existing substantial shareholder, Jan Cameron (via the Elsie Cameron Foundation Pty Ltd as trustee for the Elsie Cameron Foundation), to a potential value of \$680,000.

In addition to the accelerated non-renounceable rights issue noted above the Company also announced the intention to raise \$650,000 by way of a placement to existing shareholder, CVC Limited, also at \$0.085 per share.

Other than the matters noted above, 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 6 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 2020 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.



**Craig Treasure**  
Non-Executive Chair

31 August 2020  
Launceston



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

### ***Report on the half-year financial report***

We have reviewed the accompanying 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 2020, 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, selected other explanatory notes and the directors' declaration.

### ***Directors' responsibility 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 responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian 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, 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 2020 and 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*. As the auditor of TasFoods Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### ***Conclusion***

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

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1. giving a true and fair view of the Group's financial position as at 30 June 2020 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*.

PricewaterhouseCoopers

A handwritten signature in black ink, reading 'Alison Tait'.

Alison Tait  
Partner

Melbourne  
31 August 2020

**Board of Directors**

Craig Treasure	Non-Executive Chair
Jane Bennett	Managing Director and CEO
Roger McBain	Non-Executive Director
Alexander Beard	Non-Executive Director
Ben Swain	Non-Executive Director

**Company Secretary**

Janelle O'Reilly

**Registered Office**

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**Auditor**

PricewaterhouseCoopers  
2 Riverside Quay, Southbank Boulevard  
Southbank Victoria 3006 AUSTRALIA

**Solicitors**

K&L Gates  
Level 31, 1 O'Connell Street  
Sydney NSW 2000, Australia

HWL Ebsworth Lawyers  
Level 26, 530 Collins Street  
Melbourne VIC 3000, 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