
TasFOODS LTD

54 Tamar St, Launceston.
(03) 6331 6983
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ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 27 July 2017

TasFoods Limited

Business Update and Appendix 4C for the quarter ended 30 June 2017

TasFoods Limited (TasFoods) is pleased to provide the following business update and Appendix 4C for the quarter ended 30 June 2017 (Q2 2017).

Business Update

During Q2 2017 TasFoods continued the implementation of its strategic plan of producing premium Tasmanian food that appeals to consumer preferences and reflects the environment in which it was created.

The key achievements of Q2 2017 have contributed to building a strong foundation for future revenue growth and include:

- Revised sizing and packaging to improve consumer experience. In May 2017, the revised branding for the Meander Valley Dairy range was released under the TasFoods endorser brand 'The Tasmanian Food Co.'. To coincide with this release, and in response to consumer feedback, Meander Valley Dairy released a consumer preferred sizing of its flagship Double Cream and Crème Fraiche products in a 200ml size. This newly branded range was released into Woolworths nationally in early June;
- Recognition of premium quality. We are proud to announce that Meander Valley Dairy received recognition at the Royal Agricultural Society of Victoria (RACV) Australian Food Awards, receiving a gold medal for its Double Cream;
- Premium chicken category sales. At the end of Q1 a new premium standard of free range chicken was launched under the Nichols Ethical Free-Range chicken brand. The premium pricing of this product is underpinned by a defensible free range standard that includes 24-hour access to range, small flocks of less than 800 birds per shed to ensure all birds are likely to range, mobile sheds that provide fresh range for each batch of chickens and a stocking density of no more than 4,500 birds per hectare;



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- Distribution expansion. During Q2 2017 Nichols Ethical Free-Range chicken expanded distribution into over 50 retail stores across Tasmania, with distribution into Victoria and New South Wales planned for Q3 2017.

Robur Farm Dairy goat product distribution has also expanded from independent retail and Woolworths distribution only in Tasmania, to stocking in a growing number of premium retail outlets across Victoria, New South Wales and Queensland;

- New product development. A range of wasabi products have been successfully trialled in Q2 2017 for release in Q3 2017. One of these products is fresh wasabi stems designed for home use convenience, which will be available to retailers around Australia and online for home delivery;
- Capital investments. The structure of the new greenhouse at Shima Wasabi was completed on time and on budget in June 2017, with planting to be complete in early-August 2017. This investment has resulted in the doubling of production capacity, with first harvest from the new crop scheduled for Q4 2018; and
- Contract Grower network expansion. The production capacity of the Nichols Poultry contract grower network is being expanded through the approval of 4 new barn raised chicken sheds increasing capacity by approximately 600,000 birds per annum. It is anticipated that these sheds will be available in Q1 2018.

Quarterly Cash Flow

Key points from the Q2 2017 quarterly cash flow, include:

- Cash receipts from customers for the quarter were \$7.178 million, 4% greater than Q2 2016, however 5% lower than Q1 2017 (increased Q1 2017 cash receipts can be attributed to the seasonal increase associated with the December trading period);
- Sales revenue (unaudited) for Q2 2017 was consistent with Q1 2017 and 2% higher than Q2 2016;
- Whilst production and staffing expenditure increased as a percentage of cash receipts during Q2 2017, and remained consistent as a percentage of sales during the quarter, cash outflows included an increase in stock on hand of approximately \$400,000. This increase in stock on hand is



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associated with bulk purchases of local wheat direct from farmers for use in feed manufacture at Nichols Poultry and increased finished goods of long shelf life goat cheese that requires maturation time prior to sale;

- Cash outflows of \$0.68 million associated with expenditure on investment activities such as the greenhouse at Shima Wasabi and equipment within both the Nichols and Meander Valley Dairy processing facilities to increase efficiencies through automation; and
- Cash inflows from financing activities of \$1.791 million is attributable to asset finance arrangements associated with the acquisition of equipment to automate the Nichols Poultry and Meander Valley Dairy processing operations, in addition to the financing of the Meander Valley Dairy factory upgrade which was completed in Q4 2016.

Outlook

During the final six months of 2017, TasFoods will focus on delivering strategic outcomes to continue to grow revenue and create operational efficiencies whilst maintaining product quality at a standard expected of the Tasmanian Food Co. brand and premium Tasmanian products.

Specific areas of focus for Q3 and Q4 2017 will be:

- Growing revenue through the expansion of the distribution channels and market presence of Nichols Ethical Free Range chicken, Robur Farm Dairy and Shima Wasabi products;
- Growing revenue through expanding the product range offering for existing brands to existing and new customers;
- Further investment in mechanisation of our food processing facilities to deliver production efficiencies;
- Finalising an export licence for the TasFoods dairy processing facility; and
- Securing finance for the Shima Wasabi greenhouse development. The capital expenditure on this project is presently being funded from cash reserves.



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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.

TasFoods Contacts

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Company Secretary
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		7,178	14,724
1.2 Payments for			
(a) research and development		(67)	(148)
(b) product manufacturing and operating costs		(5,080)	(10,043)
(c) advertising and marketing		(211)	(433)
(d) leased assets		(40)	(57)
(e) staff costs		(2,411)	(4,782)
(f) administration and corporate costs		(246)	(609)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		5	16
1.5 Interest and other costs of finance paid		(17)	(31)
1.6 Income taxes paid		-	(13)
1.7 Government grants and tax incentives		-	-
1.8 Other:			
Miscellaneous		51	100
1.9 Net cash from / (used in) operating activities		(838)	(1,276)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(619)	(1,399)
(b) businesses (see item 10)		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(619)	(1,399)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	1,877	2,093
3.6	Repayment of borrowings	(86)	(145)
3.7	Transaction costs related to loans and borrowings	-	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,791	1,947

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	10,287	11,349
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(838)	(1,276)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(619)	(1,399)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,791	1,947
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	10,621	10,621

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,765	10,400
5.2	Call deposits	6,980	202
5.3	Bank overdrafts	(124)	(315)
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,621	10,287

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	130
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Not applicable		

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

Not applicable

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	2,450	2,450
8.2	Credit standby arrangements	2,000	-
8.3	Other (please specify)	-	-

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

During the quarter ended 30 June 2017, Nichols Poultry Pty Ltd and Meander Valley Dairy entered into asset finance arrangements associated with the acquisition of equipment to automate processes within the Nichols Poultry and Meander Valley Dairy processing operations (financed via ANZ Banking Group Ltd), in addition to the financing of the Meander Valley Dairy factory upgrade (financed with Alleasing Pty Limited) which was completed in Q4 2016.

The total asset purchase liabilities at 30 June 2017 amounted to \$2.45 million, which are secured over the assets financed. Interest rates on these asset purchase liabilities range between 3.94% and 13.04%, with the average interest rate being 6.09%.

Nichols Poultry Pty Ltd also has access to a \$2.0 million facility with the ANZ which remained undrawn at 30 June 2017. This facility is secured.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(5,421)
9.3	Advertising and marketing	(117)
9.4	Leased assets	(51)
9.5	Staff costs	(2,976)
9.6	Administration and corporate costs	(306)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(8,871)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Nil during quarter	Nil during quarter
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

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



Sign here:

Date: 27 July 2017

Managing Director and CEO

Print name: Jane Bennett

Notes

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