



Pure Foods Tasmania Ltd
100 -104 Mornington Rd
Mornington TAS 7018
ASX: PFT
+61 3 6231 4233
www.purefoodstas.com

2022 Reports

1. Announcement of full year results

2. Appendix 4E

3. Financial Report for year ending 30 June 2022 incorporating:

- Chairman's Report
- Managing Director's Report
- Directors' Report
- Financial Statements

Pure Foods Tasmania Ltd
(ABN 13 112 682 158)
31 August 2022

For personal use only





Pure Foods Tasmania Ltd
100 -104 Mornington Rd
Mornington TAS 7018
ASX: PFT
+61 3 6231 4233
www.purefoodstas.com

ASX Announcement

Pure Foods Tasmania Limited (ASX: PFT)

31st August 2022

Strong Gross Revenue Growth of 34% for PFT Group in FY 22 v FY 21

FINANCIAL HIGHLIGHTS

- FY22 gross sales revenue of \$10.4 million up +\$2.64 million or 34% vs FY21 (including revenue from acquisitions) with all divisions delivering positive revenue growth
- Daly Potato Co grew sales by 37% in FY22 v FY21
- Woodbridge Smokehouse increased sales by 84% v FY21 to record \$2.96 million in sales
- The Cashew Creamery achieved the largest sales growth of over 1000% on FY21
- Tasmanian Pate being PFT's biggest entity continues to grow with 3% increase in FY22
- Lauds Plant Based foods also enjoyed strong growth of greater than 90% during FY22
- Distribution of Active customers increased by 38% to 2776 in FY22
- Investment of over \$520k in marketing, brand and new product development in FY22
- \$1.68 million invested in Plant & Equipment to support growth
- Group continues to remain well funded with a Net cash position of \$2.4 million as at 30 June 2022 and a further \$1.53 million in undrawn debt facilities. This has also been supported with a recent capital raising of \$2.55 million raised via a placement and a further \$1.83 million through a rights issue. The shortfall of rights issue once completed will potentially raise an additional \$1.57 million (expected to be completed by 9th of September 2022).

OPERATIONAL HIGHLIGHTS

- During FY22 the Company bedded down our two new acquisitions being Lauds Plant Based Foods & The Cashew Creamery along with growing Daly Potato Company, our previous FY21 acquisition
- Secured ranging with Woolworths for Daly Potato Co. potato and gravy product in Tasmania and Queensland with a new 100% recyclable packaging
- FY22 saw successful NPD for The Cashew Creamery achieving ranging into Woolworths metro stores
- New Homestead Chicken & Cheddar launched in 850 Woolworths stores
- 2 x Premium Homestead Pate flavours launched into Coles Tasmanian stores
- Lauds launched a range of premium Plant based cream cheeses



Pure Foods Tasmania Ltd

100 -104 Mornington Rd

Mornington TAS 7018

ASX: PFT

+61 3 6231 4233

www.purefoodstas.com

PFT Managing Director and CEO, Michael Cooper said: "We are exceptionally pleased to have delivered strong growth and executed against our key strategic objectives in our first full year as a listed Company.

Over the past 12 months we have executed on three strategic acquisitions which have fast tracked our scale and growth in the emerging plant-based food market. Lauds, Cashew Creamery and Daly Potato Co have been seamlessly integrated into our business and all provide significant growth opportunities. We will continue to target complimentary and value adding acquisitions to continue to drive our growth and position the Company as a local leader in the rapidly growing plant-based food sector.

We have expanded our distribution pipeline with our products now in over 2776 stockists. New distribution channels launched with Monde Nissin Australia and Tas'Mania Fresh reflect the strong demand for our Woodbridge Smokehouse product and provide a significant avenue of growth for FY22.

The Company remains well positioned to continue to grow the business via product innovation and acquisition and is well positioned to drive another year of growth in FY23.

The audited profit/(loss) after tax of the Group for the financial year attributable to the members of Pure Foods Tasmania Limited was (\$3.3m) (2021: (\$0.7m)).

FY22 has seen a strong revenue growth from operations across PFT's brand with a 35% increase over FY21. Whilst throwing up some significant challenges that impacted our margins, we continued to execute on our strategy with a focus on growth.

We did experience cost complications in the second half of FY22 driven by inflationary pressures and, along with the delay in equipment coming from Europe to support our automation projects, this has had a material impact on labour costs and impacted our margins further. However, I am happy to say both automation projects are now in Australia and being installed in Q1 FY23.

We also worked with our customers, and suppliers to ameliorate the future impacts of cost increases, combined with the integration of the acquired entities. This unfortunately did impact the financial results, especially during the second half of FY22, however we have reacted accordingly with strong support of our customers and off the back of our robust relationships with our suppliers. Our focus has also remained on products and channels that provide the best margins for the business. We are seeing an improvement from these programs in the first 2 months of FY23."

---ends---



Pure Foods Tasmania Ltd

100 -104 Mornington Rd

Mornington TAS 7018

ASX: PFT

+61 3 6231 4233

www.purefoodstas.com

This announcement has been authorised and approved by the Board of PFT.

For further information, please contact:

Corporate

Michael Cooper

Managing Director

mc@purefoodstas.com

+61 419 124433

Investor Relations

Jonathon Feil

jonathon@prezlergroup.com.au

+61 402 824 211

About Pure Foods Tasmania (PFT)

Pure Foods Tasmania Pty Ltd was formed in 2015 with the aim to enhance and promote Tasmania's premium food and beverage businesses. PFT's strategy is to develop new premium products within our existing brands and in the plant-based food market, to acquire complementary brands and businesses and to increase our market penetration and distribution for our suite of brands and products globally. PFT's suite of brands and businesses include Woodbridge Smokehouse, Tasmanian Pate, Daly Potato Co, Pure Tasmanian Seafood, Lauds Plant-Based Foods, The Cashew Creamery and New Pastures.

purefoodstas.com

Appendix 4E

Preliminary Final Report

Name of entity: **Pure Foods Tasmania Limited**

ABN: 13 112 682 158

1. Periods

Reporting Period ("current period"): For the year ended 30th June 2022

Previous Corresponding Period: For the year ended 30th June 2021

2. Results for Announcement to the Market

2.1	\$'s
Revenue from ordinary activities	up 35% to 9,924,813
2.2	
Loss from ordinary activities attributable to PFT Limited	down to 3,338,315
2.3	
Loss for the year attributable to the owners of PFT Limited	down to 3,338,315

2.4

There were no dividends paid, recommended, or declared during the current financial period.

2.5

Not applicable.

2.6

PFT saw strong revenue growth from ordinary activities across its food brands up 35% in FY22 (following 72% in FY21). However, PFT's profitability was impacted by increased investment in product development and marketing in materials and staff costs, significant increase in raw material costs (most specifically Woodbridge Smokehouse), increase in packaging costs and increased labour pressures associated with maintaining minimum labour levels due to Covid-19 and a delay in automation projects.

For personal use only

3. Statement of Comprehensive Income

Refer attached

4. Statement of Financial Position

Refer attached

5. Statement of Cash Flows

Refer attached

6. Statement of Changes in Equity

Refer attached

7. Dividends

There were no dividends paid, recommended, or declared during the current financial period.

8. Dividend Reinvestment Plan

Not applicable

9. Net Tangible Assets

	Reporting period cents per share	Previous Period cents per share
Net Tangible Assets per Ordinary Security	14.13	8.69

Net tangible assets are defined as the net assets of the Group less intangible assets and right-of-use assets.

10. Details of Entities Over Which Control Has Been Gained or Lost

Not applicable

11. Details of Associates and Joint Ventures

Not applicable

For personal use only

12. Any Other Significant Information

The Group announced on 28 July 2022 the launch of a placement to institutional and sophisticated investors to raise approximately \$2.55m ('Placement'), and an offer of 1 fully paid ordinary share in PFT ('New Share') for every 3 fully paid ordinary shares held in PFT ('Entitlement Offer') to potentially raise a further \$3.4m (together the Placement and the Entitlement Offer is referred to as the 'Offer'). The key purpose of the Offer is to fund continued growth in sales, expansion of production capacity, investment in automation to improve operating efficiencies, secure key assets and exploit product expansion opportunities.

The Placement has successfully been completed and was fully subscribed raising \$2.55 million. The first tranche of the Entitlement Offer raised \$1.83 million and the shortfall of the rights issue once completed will potentially raise an additional \$1.57 million.

13. Audit Qualification or Review

The financial statements have been audited and an unqualified opinion has been issued.

14. Attachments

The Financial Report of Pure Foods Tasmania Limited for the year ended 30 June 2022 is attached.

For personal use only

For personal use only

Pure Foods Tasmania
Limited

Financial Report

For the Year Ended
30 June 2022

Who Is Pure Foods Tasmania Limited?	3
Chairman's Report	4
Managing Director's Report	5
Directors' Report	7
Remuneration Report	12
Auditor's Independence Declaration	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Financial Statements	22
Directors' Declaration	47
Independent Auditor's Report	48
Shareholder Information	52
Company Directory	54

Pure Foods Tasmania Limited

Who Is Pure Foods Tasmania Limited

Pure Foods Tasmania Pty Ltd (PFT) was formed in 2015 with the aim to enhance and promote Tasmania's food and beverage businesses. PFT's strategy is to develop new products within its existing brands and in the plant-based food market, to acquire complementary brands and businesses and to increase its market penetration and distribution for its suite of brands and products globally.

PFT's stable of brands and businesses include Woodbridge Smokehouse, Tasmanian Pate, Daly Potato Co, Pure Tasmanian Seafood, Lauds Plant-Based Foods, The Cashew Creamery and New Pastures.



Strategy

PFT's growth strategy encompasses several key themes:

1. organically grow its existing pate, prepared vegetables and plant-based ice cream and cheese brands;
2. improve margins and capacity via automation of its production as products and brands reach scale;
3. secure key assets; and
4. grow via the acquisition of complementary/scalable products/brands/businesses to exploit product expansion opportunities.

PFT brands are targeted at the "conscious consumer", offering convenience and indulgent home entertaining products with a uniquely Tasmanian focus.

Organic growth will be achieved through increased penetration of existing markets, entry into new markets and new product development.

Significantly, the move to the new purpose-built facilities in Mornington (Hobart) provided a platform for the Company to increase pate production, improve operating efficiencies, develop a range of new products, and pursue and explore opportunities in overseas markets.

I am pleased to present the Pure Foods Tasmania Financial Report for the financial year ended 30 June 2022. This year has been a challenging year with staff impacts from Covid-19 and significant inflationary pressures in the second half FY22. The PFT team has been resilient and responded quickly, focusing its efforts towards margin improvement, whilst still achieving significant organic growth. The Board has continued to make sure Pure Foods Tasmania is well funded and has the flexibility to react to organic growth and acquisition opportunities as they arise.

PFT has experienced significant organic growth over the year with further integration of the acquisitions of Daly Potato Co, Lauds Plant-Based Foods, and The Cashew Creamery, including co-ordinated purchasing with our suppliers, creating operational efficiencies, expanding channels which are all building economies of scale for PFT. In this time, we have significantly enhanced the presence and availability of fresh Tasmanian products to our growing network of stockists.

We have remained committed to our strategy to grow organically and through acquisition. Having successfully completed 3 acquisitions in FY21, we have not undertaken an acquisition in FY22 with a focus on integration, organic growth, automation and capacity expansion. We continue to identify and investigate exciting acquisition opportunities with a focus on our internal financial targets and opportunities that will provide scale, diversification and improve corporate efficiencies.

Further in July 2022, we completed a successful placement to sophisticated investors which raised \$2.55 million, and completed a rights issue to all shareholders of 1 fully paid ordinary share in PFT for every 3 fully paid ordinary shares held in PFT that raised a further \$1.83 million. The completion of the rights issue via the shortfall process will potentially raise up to \$1.57 million. The key purpose of the Offer is to fund continued growth in sales, expansion of production capacity, investment in automation to improve operating efficiencies, secure key assets and exploit product expansion opportunities.

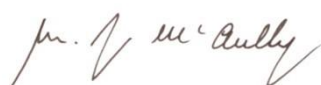
Over the course of this financial year, under the leadership of Michael Cooper and a talented management team, we have expanded our operations and continue to invest in the businesses we acquired, targeting improving automation, margins and capacity.

More importantly, our people have demonstrated a resilience and flexibility to continue operations and maintain consistent delivery of our products and service to our customers. I personally thank the PFT staff for this dedication and belief in the Company.

Your Board is confident that appropriate strategies are in place, supported by a strong Company culture, to drive the right outcomes for customers, the community and continued value creation for our shareholders over the long-term. On behalf of my fellow Directors, I would like to thank our hard-working dedicated team members and our shareholders for their continued support for our Company.

I look forward to seeing as many of you as possible at our Annual General Meeting either in person or digitally in November.

Malcolm McAully



Non-Executive Chairman

FY22 has seen a strong revenue growth from operations across PFT's brand with a 35% increase over FY21. Whilst throwing up some significant challenges that impacted our margins, we continued to execute on our strategy with a focus on growth.

We did experience cost complications in the second half of FY22 driven by inflationary pressures and, along with the delay in equipment coming from Europe to support our automation projects, this has had a material impact on labour costs and impacted our margins further. However, I am happy to say both automation projects are now in Australia and being installed in Q1 FY23.

We also worked with our customers, and suppliers to ameliorate the future impacts of cost increases, combined with the integration of the acquired entities. This unfortunately did impact the financial results, especially during the second half of FY22, however we have reacted accordingly with strong support of our customers and off the back of our robust relationships with our suppliers. Our focus has also remained on products and channels that provide the best margins for the business. We are seeing an improvement from these programs in the first 2 months of FY23.

As a business we continue to execute against the strategic objectives we set on listing. We have been able to organically grow our core business via new product ranges and expanded distribution. Tasmanian Pate continues to deliver strong growth mainly driven by the Homestead Pate brand. Woodbridge Smokehouse sales grew at 84% in FY22 and was driven by increased distribution in both local and export markets. Daly Potato Co also enjoyed strong demand with an increase in revenue of 37% during FY22. Daly Potato Co continued to work hard on bringing our potato and gravy product to market with the new format now being available in Q1 FY23. Our plant-based food businesses really took off with sales from The Cashew Creamery growing at over 1000% and Lauds Plant-Based Foods over 90% v FY21. We have integrated the three recent acquisitions and are now running all entities on single management information systems. This has improved the ability of PFT to negotiate with suppliers and improve supply chain efficiencies.

% Growth FY21 v FY22 - Gross Sales By Brand (\$ million)	FY21	FY22	% Growth
Tasmanian Pate	3.972	4.086	3%
Woodbridge Smokehouse	1.604	2.959	84%
Daly Potato Co	1.859	2.546	37%
Lauds Plant-Based Foods	0.154	0.296	92%
The Cashew Creamery	0.041	0.467	1044%
Holdings	0.110	0.035	-68%
Total Gross Sales	7.741	10.389	34%

Overall, we continued to expand in FY22, and PFT enjoyed strong organic growth across all key sales metrics for the Company. PFT delivered FY22 gross sales revenue from operations of \$10.4 million up 34% versus FY21 (or \$9.9 million in net revenue from operations up 35% versus FY21) with all divisions delivering positive revenue growth. Despite the positive organic growth, PFT profitability was impacted due to a combination of:

- continued operating investment in marketing and research and product development including bringing new products to market, with a cost of \$520,000;
- significant one-off operating investment in product, quality and accreditations to integrate the new business and expand available sales channels at a cost of \$350,000;
- significant increase in raw material costs, particularly in H2 FY22. As a result, PFT has reduced ranging in product variants and channel to focus on margins, most specifically with Woodbridge Smokehouse. This will impact Woodbridge Smokehouse sales in FY23;

- increase in packaging costs, which PFT has passed onto customers but also worked hard with suppliers and systems to mitigate these impacts; and
- increased labour pressures to carry additional staff during Covid-19 outbreaks to maintain minimum labour levels; this had a one-off impact to the value of \$450,000 over FY22.

Continued Investment

Our commitment to investment to create efficiencies and better margins continued through FY22. The extension of our automation and capacity improvement program in FY22 required a capital investment of \$1.68 million for the confirmation and delivery of many continuing projects.

PFT also continued its Research & Development expenditure to grow opportunities within its current brand set with a 35% increase in claimable expenditure for the Research and Development Tax Incentive Claim. This will provide ongoing benefits in FY23 and has resulted in the launch of our potato & gravy product.

Three major installations are currently being undertaken at our Mornington facility, including the turnkey ice cream line, and automated sealing and new sleeving equipment for Tasmanian Pate. All these projects will improve efficiencies, increase margins, increase capacity and enhance quality.

Our People

I want to recognise the significant contribution of all our employees over the year as we navigated the challenges of Covid-19 in addition to integrating our acquisitions. Without the dedicated efforts of our team, our business would not be in the position it is today, and I would like to thank all our staff, and the Board, for their contributions over the year. I especially want to thank the resilience of our staff with many taking on extra responsibilities, new roles or just filling in where needed.

Importantly we are building a strong culture at the Company. Whilst we have grown rapidly, and via acquisition, all our staff are committed to the Company. Our strong talent and our people's passion for the business will continue to drive product innovation and success in the future.

Well Positioned for Growth in FY23 and Beyond

Our company is well placed to continue to provide consumer focused products into our rapidly expanding distribution network and I am excited about the outlook for our business in FY23 and beyond.

The Company remains well positioned to continue to grow the business via product innovation and acquisition, and to build a strong culture. In FY23 we will have the launch of 3 years of development and persistence with Daly Potato Co's potato and gravy being available in store in a major retailer. We continue to investigate acquisitions that will build on PFT's strategy.

Michael Cooper



Managing Director

Pure Foods Tasmania Limited and its Controlled Entities

Your Directors present their report on the consolidated entity (referred to herein as the Group) consisting of Pure Foods Tasmania Limited and its controlled entities for the financial year ended 30 June 2022. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2022 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were Directors of the Group during or since the end of the financial year up to the date of this report:

Malcolm McAully	Non-executive Chairman
Michael Cooper	Managing Director
Alexander Beard (resigned 1 May 2022)	Non-executive Director
Ken Fleming	Non-executive Director

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Indemnifying Officers or Auditor

During the financial year, the consolidated entity paid a premium in respect of a contract insuring the Directors of the Group, the Group Secretary and all executive officers of the entity and any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group or of any related corporate against a liability incurred as an officer or auditor.

Proceedings on Behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

The following fees were paid or payable to WLF Accounting & Advisory for non-audit services provided during the year ended 30 June 2022:

	\$
Advisory taxation services	63,000
Accounting assistance	13,500
	<u>76,500</u>

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 17 of the financial report.

Options and Convertible Notes

At the date of this report, the unissued ordinary shares of the Group under option are as follows:

Grant date	Date of expiry	Exercise price	Number under option
28 April 2020	30 April 2023	0.40	2,800,000

Option holders do not have any rights to participate in any issues of shares or other interests of the Group or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2022, no ordinary shares of the Group were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

The Group announced on 7 October 2021 that sophisticated and professional investors had agreed to subscribe for \$5.3m (before costs of the offer) via the issue of unsecured convertible notes. The convertible notes have a two-year term (with a Company elective to extend to 3 years), a 7.5% per annum interest rate and a conversions price based on the lower of:

- a) 90% (or 80% if there is an extension of the maturity date) of the 10-day trading VWAP prior to conversion; or
- b) \$0.50 per share.

Information Relating to Directors and Group Secretary

	Details and Experience
Malcolm McAully	<p>Malcolm McAully is an experienced Company Director having held roles over a diverse range of industry backgrounds including financial services, energy generation, waste management, agribusiness, technology manufacturing, human resource management, property development and food manufacturing.</p> <p>Malcolm was the Chairman of ASX Listed Pinnacle VRB (ASX: PCE) from 2004 to 2005 and remained Chairman when the company (following an acquisition) changed its name to Cougar Energy Limited (ASX: CXY) until 2013 when he resigned. Malcolm is also Chairman of Chaucer Energy Limited and several privately owned companies.</p> <p>Malcolm has held various executive management positions including National Manager of MLC Life when owned by the Lend Lease Group. He holds an MBA and qualifications in accounting, business management, mediation, turn around management and GAICD.</p>
Michael Cooper	<p>Michael Cooper is the Managing Director of PFT. Michael has over 29 years' experience in senior executive roles in the food and beverage industry. He was the CEO and later Managing Director of Juicy Isle Pty Ltd (JI) and sold his family interest to Myer Family Investments. JI was the largest supplier of organic juice in Australia to Woolworths, Coles, and Costco. He was also a director (2012 – 2017) of Ausfec Ltd, a \$550m revenue business. Ausfec was the major route to market distribution channel for global brands such as Cadbury, Nestle, Mars, Wrigley, Smith and SBA Snack Foods, Red Bull, and V Energy drinks.</p> <p>Michael is also a Director of Brand Tasmania, a Tasmanian State Authority created under the Brand Tasmania Act 2018. Michael joined the PFT Board in February 2017 and was appointed Managing Director on a part time basis in October 2018 and full time from April 2019.</p>
Alexander Beard (resigned 1 May 2022)	<p>Sandy is the former Chief Executive Officer of CVC Limited (ASX:CVC) (between 1991-2019). He has extensive experience with investee businesses, both in providing advice and in direct management roles, especially bringing management expertise to early-stage businesses.</p> <p>Sandy is currently the Chairman of HGL Limited (ASX:HNG) and FOS Capital Limited (ASX:FOS), and has been a Director of numerous public and private companies encompassing 25 years, including being a Director of the following Companies in last 3 years: CVC Limited, ASX: CVC Eildon Capital Limited (ASX:EDC), US Residential Fund (ASX:USF), Lantern Hotel Group (ASX:LTN), Probiotec Limited (ASX:PBP) and Centrepoint Alliance (ASX:CAF). He is also Chairman of the unlisted public company Shellfish Culture Limited.</p>

For personal use only

	Details and Experience
Ken Fleming	Ken Fleming has extensive experience in capital markets and has held senior roles at Deutsche Bank (including Director; Global Co-ordinator – Telecommunications Technology), James Capel Australia and Tricom (Head of Research). He has also worked in the Australian public service (Canberra) and at KPMG (Melbourne). He is a Director of Castray Capital Pty Ltd and holds an Honours Degree in Economics and post graduate qualifications in economics and finance and is also a Fellow of the Financial Services Institute of Australia (FFIN).
Justin Hill	Justin is a Principal at Page Seager Lawyers – the largest law firm in Tasmania. Justin advises clients in a number of key industry sectors, including agribusiness, financial services, energy, and the not-for-profit sector. He specialises in mergers and acquisitions, governance and corporate structures and restructures. Justin also has significant experience in finance (including derivative transactions) and advising on raising capital for companies by way of equity and debt. He also assists with preparing contracts of employment and provides employment advice on transfer of businesses. Justin has a first-class honours degree in Commerce, a Master's in Law from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment. Before joining Page Seager as a Partner/Principal, Justin worked as in-house counsel for the investment banking division of Deutsche Bank in Sydney. Prior to working with Deutsche Bank, Justin was principal counsel in the institutional markets and investment division of National Australia Bank. Justin also practised for a number of years in the mergers and acquisitions team of Mallesons Stephen Jaques (now King & Wood Mallesons).

Meetings of Directors

During the financial year, 11 meetings of Directors (including committees of Directors) were held. Attendance by each Director during the year was as follows:

	Directors' meetings	
	No. of meetings eligible to attend	Attended
Malcolm McAully	11	11
Michael Cooper	11	11
Alexander Beard (resigned 1 May 2022)	8	8
Ken Fleming	11	11

Remuneration of Directors and Senior Management

Information about the remuneration of Directors and senior management is set out in the Remuneration Report.

Review of Operations and Principal Activities

The Group's principal activities at the commencement of the financial year are outlined in the Chairman's report and listed in the Events Subsequent to Balance Date.

Operating Results

The profit/(loss) after tax of the Group for the financial year attributable to the members of Pure Foods Tasmania Limited was (\$3.3m) (2021: (\$0.7m)).

State of Affairs and Likely Developments

In the opinion of the Directors there were no significant changes in the state of affairs of the Group and its controlled entities that occurred during the financial year under review not otherwise disclosed in this report or the accompanying financial report. Reference should be made to the subsequent events note for changes in the state of affairs after balance date.

Events Subsequent to Balance Date

The Group announced on 28 July 2022 the launch of a placement to institutional and sophisticated investors to raise approximately \$2.55m ('Placement'), and an offer of 1 fully paid ordinary share in PFT ('New Share') for every 3 fully paid ordinary shares held in PFT ('Entitlement Offer') to potentially raise a further \$3.4m (together the Placement and the Entitlement Offer is referred to as the 'Offer'). The key purpose of the Offer is to fund continued growth in sales, expansion of production capacity, investment in automation to improve operating efficiencies, secure key assets and exploit product expansion opportunities.

The Placement has successfully been completed and was fully subscribed raising \$2.55 million. The first tranche of the Entitlement Offer raised \$1.83 million and the shortfall of the rights issue once completed will potentially raise an additional \$1.57 million.

Further, PFT has agreed ranging with Woolworths for Daly Potato Co. potato and gravy product in Queensland and Tasmania. This will be in-store from mid-September and will be available in 100% recyclable packaging in 250 gram and 450 gram sizes.

Other than those stated above, there were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2022.

On behalf of the Directors



Michael Cooper

Director

Date: 31 August 2022

Remuneration Policy

The remuneration policy of the Group has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The Board of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Consolidated Group, as well as create goal congruence between Directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is based on the following:

- The remuneration policy is to be developed by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options, and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the Directors and Group with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the Consolidated Group's performance, executive performance, and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the Consolidated Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 10.5% of the individual's average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the Group and expensed.

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios and continued employment with the Group.

Employment Details of Members of Key Management Personnel

The term Key Management Personnel refers to those persons having the authority and responsibility for planning, directing, and controlling activities of the Group, directly or indirectly, and includes any Director of the Group (whether executive or otherwise).

The KMP of the Group for the year ended 30 June 2022 were:

	Role	Appointment Date
Malcolm McAully	Non-Executive Chairman	1 September 2017
Michael Cooper	Managing Director	1 February 2017
Alexander Beard (resigned 1 May 2022)	Non-Executive Director	1 May 2020
Ken Fleming	Non-Executive Director	29 July 2015
Charles Hughes	Chief Financial Officer	14 April 2022

Pure Foods Tasmania Limited
Remuneration Report

Remuneration Expense Details for the Year Ended 30 June 2022

		Short-term benefits			Post-employment benefits		Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	Total
		Salary, fees, and leave	Profit share and bonuses	Non-monetary	Pension and superannuation	Other	Incentive plans	LSL	Shares/units	Options/rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive													
Michael Cooper	2022	262,609	30,000	-	26,183	-	-	-	-	-	-	-	318,792
	2021	253,615	-	-	23,995	-	-	-	-	-	-	-	277,610
Charles Hughes (from 14 April 2022)	2022	38,974	-	-	3,897	-	-	-	-	-	-	-	42,871
Malcolm McAully	2022	50,000	-	-	5,000	-	-	-	-	-	-	-	55,000
	2021	50,000	-	-	4,750	-	-	-	-	-	-	-	54,750
Alexander Beard	2022	30,000	-	-	3,000	-	-	-	-	-	-	-	33,000
	2021	36,000	-	-	3,420	-	-	-	-	-	-	-	39,420
Ken Fleming	2022	36,000	-	-	3,600	-	-	-	-	-	-	-	39,600
	2021	36,000	-	-	3,420	-	-	-	-	-	-	-	39,420
Total KMP	2022	417,583	30,000	-	41,680	-	-	-	-	-	-	-	489,263
	2021	375,615	-	-	35,585	-	-	-	-	-	-	-	411,200

Pure Foods Tasmania Limited
Remuneration Report

Securities Received that are not Performance-Related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to KMP are as follows:

	Grant date	Number granted	Percentage vested/paid during the year	Percentage forfeited during the year	Percentage remaining as unvested	Expiry date for vesting or payment
Michael Cooper	28/04/2020	1,300,000	-	-	100%	30/04/2023
Malcolm McAully	28/04/2020	500,000	-	-	100%	30/04/2023
Alexander Beard	28/04/2020	500,000	-	-	100%	30/04/2023
Ken Fleming	28/04/2020	500,000	-	-	100%	30/04/2023
Charles Hughes	-	-	-	-	-	-
Total		2,800,000				

KMP Shareholdings

The number of ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Malcolm McAully*	1,521,238	-	388,401	40,000	1,949,639
Michael Cooper*	2,678,420	-	371,307	44,166	3,093,893
Alexander Beard*	1,000,000	-	-	-	1,000,000
Ken Fleming*	1,595,789	-	407,436	-	2,003,225
Charles Hughes*	-	-	-	12,000	12,000

* Includes indirect shareholdings.

Other Equity-Related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights, and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation, and loans, that were conducted other than in accordance with normal employee, customer, or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This Directors' report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors:



Michael Cooper

Director

Date: 31st August 2022

Auditor's Independence Declaration



In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Pure Foods Tasmania Limited. As the lead audit partner for the audit of the financial report of Pure Foods Tasmania Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pure Foods Tasmania Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Nick Carter', written over a light blue horizontal line.

Nick Carter

Partner

Wise Lord & Ferguson

Date: 31 August 2022

Pure Foods Tasmania Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue			
Revenue from operations		9,924,813	7,341,482
Other income		245,772	487,922
Total Revenue	5	10,170,585	7,829,404
Expenses			
Cost of goods sold	6	9,121,549	5,627,393
Employment expenses		2,172,214	1,072,568
Occupancy, electricity, and telephone costs		185,869	128,786
Bad debts		1,132	-
Depreciation and amortisation		588,531	405,744
ASX listing fees and expenses		51,407	64,374
Finance costs		348,117	85,662
Insurance		211,834	157,508
Legal and professional fees		347,445	313,642
Marketing expenses		334,170	407,137
Motor vehicle expenses		55,861	45,159
Repairs and maintenance		241,016	108,044
Research, development and quality		191,774	169,694
Other expenses		575,010	186,311
Total Expenses		14,425,929	8,772,022
Net Profit/(Loss) Before Income Tax		(4,255,344)	(942,618)
Income Tax Benefit/(Expense)	7	917,029	226,309
Net Profit/(Loss) After Tax for the Year		(3,338,315)	(716,309)
Other Comprehensive Income			
Other comprehensive loss net of tax		-	-
Total Comprehensive Income		(3,338,315)	(716,309)
Net profit for the period attributable to:			
Non-controlling interest		-	-
Owners of Pure Foods Tasmania Limited		(3,338,315)	(716,309)
		(3,338,315)	(716,309)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of Pure Foods Tasmania Limited		(3,338,315)	(716,309)
		(3,338,315)	(716,309)
Basic loss per share (cents per share)	3	(0.054)	(0.013)
Diluted loss per share (cents per share)	3	(0.054)	(0.013)

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

For personal use only

Pure Foods Tasmania Limited
Consolidated Statement of Financial Position
For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	17	2,486,256	1,624,116
Trade and other receivables	8	1,263,014	1,098,324
Inventory	9	1,325,307	1,001,235
Other assets		227,579	339,833
Total Current Assets		5,302,156	4,063,508
Non-Current Assets			
Property, plant and equipment	10	5,826,296	4,530,534
Right of use assets	11	474,476	696,951
Intangible assets	12	2,544,178	2,447,102
Deferred tax assets	7	2,536,151	1,239,971
Total Non-Current Assets		11,381,101	8,914,558
Total Assets		16,683,257	12,978,066
Current Liabilities			
Trade and other payables	13	1,737,570	1,769,479
Lease liabilities	11	165,604	196,139
Provisions	14	232,833	159,692
Borrowings	15	270,184	724,920
Total Current Liabilities		2,406,191	2,850,230
Non-Current Liabilities			
Lease liabilities	11	337,755	529,716
Provisions	14	17,992	29,192
Borrowings	15	975,948	872,303
Deferred tax liabilities	7	1,189,203	842,412
Total Non-Current Liabilities		2,520,898	2,273,623
Total Liabilities		4,927,089	5,123,853
Net Assets		11,756,168	7,854,213
Equity			
Contributed equity	16	16,643,159	9,402,889
Accumulated profits/(losses)		(4,886,991)	(1,548,676)
Total Equity		11,756,168	7,854,213

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

Pure Foods Tasmania Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2022

	Note	Contributed Equity	Accumulated Profits/(Losses)	Total
		\$	\$	\$
At 1 July 2020		6,872,110	(832,367)	6,039,743
Loss for the year		-	(716,309)	(716,309)
Other comprehensive income		-	-	-
Total comprehensive income for the year		6,872,110	(1,548,676)	5,323,434
Issue of shares		2,530,779	-	2,530,779
As at 30 June 2021		9,402,889	(1,548,676)	7,854,213
At 1 July 2021		9,402,889	(1,548,676)	7,854,213
Loss for the year		-	(3,338,315)	(3,338,315)
Other comprehensive income		-	-	-
Total comprehensive income for the year		9,402,889	4,886,991	4,515,898
Issue of shares	16	7,240,270	-	7,240,270
As at 30 June 2022		16,643,159	(4,886,991)	11,756,168

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

For personal use only

Pure Foods Tasmania Limited
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		9,981,182	6,981,995
Payments to suppliers and employees		(14,024,889)	(7,582,765)
Interest received		24,429	29,142
Finance costs		-	(75,698)
Net cash used in operating activities	17	(4,019,278)	(647,326)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,682,443)	(3,520,128)
Payments for business acquisitions and intangibles		(97,076)	(1,708,265)
Net cash used in investing activities		(1,779,519)	(5,228,393)
Cash flows from financing activities			
Proceeds from issue of shares		7,213,615	2,544,670
Proceeds/(payments) of borrowings		(349,974)	1,003,931
Principle elements for lease payments		(202,918)	(183,633)
Net cash provided by financing activities		6,660,937	3,364,968
Net (decrease)/increase in cash held		862,140	(2,510,751)
Cash and cash equivalents at the beginning of the year		1,624,116	4,134,867
Cash and cash equivalents at the end of the year	17	2,486,256	1,624,116

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

For personal use only

1. General Information

The consolidated financial statements and notes represent those of Pure Foods Tasmania Limited and its Controlled Entities. Pure Foods Tasmania is a company incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange (ASX).

Going Concern

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

For the year ended 30 June 2022 the Group incurred losses of \$3.3m after tax (2021: (\$0.7m)) and incurred net cash outflows from operations of \$4.0m (2021: \$0.6m). As at 30 June 2022 the Group had \$2.5m (2021: \$1.6m) in cash and cash equivalents and had external borrowings of \$1.2m (2021: \$1.6m). The Group received cash from the issue of convertible notes during the financial year of \$5.3m, and the exercise of options of \$2.3m.

During the 2022 financial year there have been a number of strategic initiatives that have been implemented. The following is a summary of the activities that have been delivered during 2022 financial year:

- Capital raising via the issue of convertible notes of \$5.3m in October and December 2021;
- Capital raising via the exercise of options of \$2.3m in the first half of FY22;
- Continued growth in revenue base of 35% in FY22;
- Consolidation of trading entities under one management system with consolidated supplier invoices in FY22.

Further, PFT, after the end of the financial year, completed and has in progress:

- Capital raising (post the end of the financial year) announced on Thursday, 28th July 2022 to institutional and sophisticated investors that raised \$2.55m ('Placement') being fully subscribed;
- An offer of 1 fully paid ordinary share in PFT ('New Share') for every 3 fully paid ordinary shares held in PFT ('Entitlement Offer') via a rights issue that raised a further \$1.83m; and
- Completion of the rights issue via a shortfall placement to eligible shareholders that will potentially raise a further \$1.57 million during September 2022.

The Directors have also approved a budget for FY23 that includes:

- Reduced capital expenditure from \$1.68m in FY22 to \$0.90m in FY23;
- Increasing gross margins through negotiated sales increases (implemented in FY22 and July 2022 to August 2022) and execution of identified cost savings mainly reducing COVID related staffing levels and automation; and
- Successful launch of potato and gravy in September 2022 that will support continued growth of the revenue of PFT.

Considering the recent capital raise, ongoing investor support, current business momentum mainly through improved margins and overhead reduction along with new product initiatives, the Directors are of the opinion the Group has the ability to make significant progress in achieving profitable growth and sufficient funding of its operations. Accordingly, the consolidated annual report is prepared on a going concern basis.

2. Segment Information

The operating segments are based upon the units identified in the operating reports reviewed by the Board and executive management, and are used to make strategic decisions, in conjunction with the quantitative thresholds established by *AASB 8 Operating Segments*. During the financial year the Board and executive management restructured the reporting framework of the Group.

This resulted in the core reporting nature being from a consolidated group viewpoint, as opposed to an individual brand/company perspective. The key driver behind this has been the recent expansion of the number of brands within the PFT Group. As such, there are two identifiable and reportable segments:

- Pure Foods Tasmania Products – which incorporates all brands of the Group; and
- Corporate - which comprises corporate costs that are not directly attributable to the operational business units.

Management measures the performance of the segments identified at the 'net profit before tax' level.

	Food \$	Corporate and other \$	Total \$
Consolidated 2022			
Revenue			
Total segment sales	9,924,813	-	9,924,813
Other income	8,496	237,276	245,772
Segment profit/(loss)	(3,505,381)	(749,963)	(4,255,344)
Profit/(loss) before income tax			(4,255,344)
Income tax (expense)/benefit			917,029
Profit/(loss) after income tax			(3,338,315)
Assets			
Segment assets	5,025,586	11,657,671	16,683,257
Total Assets	5,025,586	11,657,671	16,683,257
Liabilities			
Segment liabilities	3,401,667	1,525,412	4,927,089
Total liabilities	3,401,667	1,525,412	4,927,089
Consolidated 2021			
Revenue			
Total segment sales	7,341,482	-	7,341,482
Other income	196,409	291,513	487,922
Segment profit/(loss)	491,275	(1,433,893)	(942,618)
Profit/(loss) before income tax			(942,618)
Income tax (expense)/benefit			226,309
Profit/(loss) after income tax			(716,309)
Assets			
Segment assets	8,061,728	4,916,338	12,978,066
Total Assets	8,061,728	4,916,338	12,978,066
Liabilities			
Segment liabilities	3,177,918	1,945,935	5,123,853
Total liabilities	3,177,918	1,945,935	5,123,853

3. Earnings Per Share

	2022	2021
	\$	\$
Basic earnings per share	(0.054)	(0.013)
Diluted earnings per share	(0.054)	(0.013)
Basic		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	61,816,470	54,217,347
Diluted		
Weighted average number of ordinary shares and convertible redeemable preference shares outstanding and performance rights during the period used in the calculation of basic earnings per share	61,816,470	54,217,347

4. Dividends to Shareholders

No dividends have been paid or declared during the year ended 30 June 2022 (30 June 2021: nil).

5. Revenue

	2022	2021
	\$	\$
<i>Revenue from continuing operations:</i>		
Sales	9,924,813	7,341,482
<i>Other Income:</i>		
Interest received	24,429	29,142
Sundry income	217,371	215,089
Subsidies and grants	3,972	243,691
Total revenue	10,170,585	7,829,404

Recognition and Measurement

The sale of goods is measured at the fair value of the consideration received net of any trade discounts and volume rebates allowed. The sale of goods represents a single performance obligation and accordingly, revenue is recognised in respect of these sales of goods at the point in time when control over the corresponding goods is transferred to the customer (i.e., at a point in time for sale of goods when the goods are delivered to the customer or transferred to the freight forwarder).

Delivery occurs when the products have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products, the acceptance provisions have lapsed, or the Group has objective evidence that all the criteria for acceptance have been satisfied. All revenue is stated net of the amount of goods and services tax (GST) where applicable.

Interest Revenue

Interest revenue is recognised on a proportional basis using the effective interest rate method.

For personal use only

6. Expenses

	2022	2021
	\$	\$
Profit before income tax expense includes the following expenses:		
Cost of goods sold	9,121,549	5,627,393
Salaries and wages	1,648,908	733,343
Share based payments	-	6,985
Total expenses	10,770,457	6,367,721

7. Income Tax Expense

	2022	2021
	\$	\$
Income tax recognised in profit or loss:		
Tax expense/(benefit) comprises:		
Current tax (benefit)/expense	5,705	-
Deferred tax movements	(922,734)	(226,309)
	(917,029)	(226,309)

Deferred income tax (benefit)/expenses included in income tax expense comprises:

(Increase)/decrease in deferred tax assets	(1,269,525)	(845,779)
Increase/(decrease) in deferred tax liabilities	346,791	619,470
	(922,734)	(226,309)

Reconciliation of income tax expenses to prima facie tax on accounting profit:

Profit/(loss) before income tax expense	(4,255,344)	(942,618)
Tax at 25.0% tax rate (2021: 26.0%)	(1,063,836)	(245,081)
Tax effect of amounts which are not deductible	49,567	(16,434)
Under/overs in respect of prior year	85,071	42,947
Listing costs recognised in equity	-	5,288
Reset cost bases due to consolidation	(49)	(20,997)
Change in tax rate impact to deferred taxes	12,218	7,968
	(917,029)	226,309

	Opening balance	Charged to income	Charged to equity	Closing balance
	\$	\$	\$	\$
Deferred tax				
Gross deferred tax assets:				
Provisions	49,111	13,596	-	62,707
Trade and other payables	21,682	68,645	-	90,327
Right of use leases	7,515	(294)	-	7,221
Share issue expenses	1,828	20,071	-	21,899
Tax losses	1,159,835	1,167,507	26,655	2,353,997
	1,239,971	1,269,525	26,655	2,536,151

7. Income Tax Expense (continued)

	Opening balance \$	Charged to income \$	Charged to equity \$	Closing balance \$
Deferred tax				
Gross deferred tax liabilities				
Prepayments	24,597	(4,127)	-	20,470
Fixed assets	699,407	330,892	-	1,030,299
Trading stock	14,055	18,821	-	32,876
Goodwill & trademarks	90,307	(3,473)	-	86,834
Business acquisition costs	14,046	4,599	-	18,645
Product development costs	-	79	-	79
Net deferred tax asset/(liability)	842,412	346,791	-	1,189,203

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

7. Income Tax Expense (continued)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, unless the deferred tax asset relating to temporary differences arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled, and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists, and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

The Company and its wholly owned Australian resident entities have formed a tax-consolidated Group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is PFT Limited. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the “separate taxpayer within group” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated Group in accordance with the arrangement.

8. Trade and Other Receivables

	2022	2021
	\$	\$
Trade receivables	932,504	807,529
Less loss allowance	-	-
Other receivables	330,510	290,795
Total trade and other receivables	1,263,014	1,098,324

Loss allowance

Movements in loss allowance are as follows:

Carrying value at beginning of the year	-	-
Increase/(decrease) in loss allowance	1,132	-
Receivables written off as uncollectable	(1,132)	-
Unused amount reversed	-	-
Total loss allowance	-	-

Trade receivables past due but not impaired

Under one month	700,992	632,880
One to three months	177,945	130,874
Over three months	53,567	43,775
Total trade receivables past due but not impaired	932,504	807,529

Recognition and Measurement

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The "amounts written off" are all due to customers declaring bankruptcy, or term receivables that have now become unrecoverable.

30 June 2022	Current	30 days	60 days	90+ days	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Trade receivables Gross carrying amount	700,992	177,264	681	53,567	932,504
Loss allowance	-	-	-	-	-

30 June 2021	Current	30 days	60 days	90+ days	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Trade receivables Gross carrying amount	632,880	125,879	4,995	43,775	807,529
Loss allowance	-	-	-	-	-

8. Trade and Other Receivables (continued)

Fair Value of Trade and Other Receivables

Due to the short-term nature of the current receivables, their carrying amount is approximate to fair value.

Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within the loss allowance. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group. On a geographical basis, the Group has significant credit risk exposures in Australia.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

9. Inventory

	2022	2021
	\$	\$
Stock on hand	1,325,307	1,001,235
Total inventory	1,325,307	1,001,235

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour, and an appropriate proportion of variable and fixed overheads.

10. Property, Plant and Equipment

	2022	2021
	\$	\$
Buildings at cost	1,809,448	1,728,817
Less accumulated depreciation	(115,190)	(70,679)
	<u>1,694,258</u>	<u>1,658,138</u>
Plant and equipment at cost	5,209,803	3,609,038
Less accumulated depreciation	(1,077,765)	(736,642)
	<u>4,132,038</u>	<u>2,872,396</u>
Total property, plant and equipment	<u>5,826,296</u>	<u>4,530,534</u>

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the financial year set out below:

Carrying value	Buildings at cost	Plant & equipment at cost	Total
	\$	\$	\$
As at 1 July 2020	839,649	471,337	1,310,986
Additions	852,023	2,668,105	3,520,128
Disposals	-	-	-
Depreciation expense	(33,534)	(267,046)	(300,580)
Balance as at 30 June 2021	<u>1,658,138</u>	<u>2,872,396</u>	<u>4,530,534</u>

Carrying value	Buildings at cost	Plant and equipment at cost	Total
	\$	\$	\$
As at 1 July 2021	1,658,138	2,872,396	4,530,534
Additions	80,631	1,601,812	1,682,443
Disposals	-	(1,047)	(1,047)
Depreciation expense	(44,511)	(341,123)	(385,634)
Balance as at 30 June 2022	<u>1,694,258</u>	<u>4,132,038</u>	<u>5,826,296</u>

Recognition and Measurement

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

10. Property, Plant and Equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.0%
Plant and equipment	5.0 – 33.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. Gains shall not be classified as revenue. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

11. Right of Use Assets and Lease Liabilities

	2022 \$	2021 \$
Right of use assets		
Buildings	912,941	932,519
Less accumulated amortisation	(438,465)	(235,568)
Total right of use assets	474,476	696,951

Set out below are the carrying amounts of the Group's right of use assets and the movements during the period:

Carrying value	Buildings \$	Total \$
As at 1 July 2021	696,951	696,951
Additions	-	-
Lease modifications	(19,578)	(19,578)
Depreciation expense	(202,897)	(202,897)
Balance as at 30 June 2022	474,476	474,476

11. Right of Use Assets and Lease Liabilities (continued)

	2022 \$	2021 \$
Lease liabilities		
Current	165,604	196,139
Non-current	337,755	529,716
Total lease liabilities	<u>503,359</u>	<u>725,855</u>

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee.

However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

12. Intangible Assets

	2022	2021
	\$	\$
Intangibles	2,544,178	2,447,102
Total intangible assets	2,544,178	2,447,102

Carrying value	Intangibles	Total
	\$	\$
As at 1 July 2021	2,447,102	2,447,102
Additions	97,076	97,076
Disposals	-	-
Balance as at 30 June 2022	2,544,178	2,544,178

Goodwill relates to the acquisition of Tasmanian Pate, Daly Potato Co, The Cashew Creamery and Lauds Plant-Based Foods.

Recognition and Measurement

Goodwill

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. Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred at fair value;
- any non-controlling interest (determined under either the fair value or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

12. Intangible Assets (continued)

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units (CGU) or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses for goodwill are not subsequently reversed.

During the financial year, the Board and management reviewed the internal reporting and the CGU's of the Group. Given the expansion in brands and products, the management of CGU's by individual brand was not aligned with the reporting of the Group. As such, a single CGU has created title 'Pure Foods Tasmania Products' which encompasses all brands of the business as they are intrinsically linked under the PFT brand. This aligns with the reporting to the Board at Group level.

Recoverable Amount of Goodwill

Impairment testing has been undertaken at 30 June 2022 for the CGU for goodwill or where there is an indication of impairment. The Group has 1 CGU for which impairment testing has been completed for goodwill – Pure Foods Tasmania Products.

The recoverable amount for the CGU has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and forecasts approved by management. Key assumptions used in the value-is-use calculations for the CGU is:

	Sales growth rate (CAGR 6 years)	Production costs growth rate (CAGR 6 years)	Indirect costs growth rate (CAGR 6 years)	Long-term growth rate	Pre-tax discount rate
Pure Foods Tasmania Products	17.1%	10.9%	1.5%	3.0%	11.2%

Management has based the value-in-use calculations on budgets. These budgets use historical weighted average growth rates to project revenue. Costs are calculated considering historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the CGU operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Changes to key inputs within the value in use calculations:

Sales growth rate – Sales growth rates were increased as at 30 June 2022 to reflect market growth rates, the strategic initiatives adopted by the Board and product price increases.

12. Intangible Assets (continued)

Production costs – Production costs as a percentage of revenue are forecast to increase over the forecast period which is reflective gross margin improvement through a focus on value chain profitability and management of input costs.

Long-term growth rate – Increased to 3.0% which is in line with Reserve Bank of Australia's economic outlook.

Pre-tax discount rate – The discount rate represents the current market assessment of the risks relating to the relevant CGU. In performing the value in use calculations for the CGU, the Group has applied a pre-tax discount rate of 11.2% (11.1% post tax).

Review Outcome

In completing the impairment review based on the aforementioned, the value in use of the Pure Foods Tasmania Products business exceeded its carrying value.

Other Intangible Assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of comprehensive income. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and Development Costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on the analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

13. Trade and Other Payables

	2022	2021
	\$	\$
Trade and other payables	1,737,570	1,769,479
Total trade and other payables	1,737,570	1,769,479

Recognition and Measurement

Trade and other payables represent liabilities for goods and services received by the Group which remain unpaid at the end of the reporting period. The balance is recognised as a current liability with amounts paid in accordance with supplier trading terms. Due to the short-term nature of trade and other payables, the carrying value is reflective of fair value.

14. Provisions

	2022	2021
	\$	\$
Current		
Employee benefits	232,833	159,692
	<u>232,833</u>	<u>159,692</u>
Non-current		
Employee benefits	17,992	29,192
	<u>17,992</u>	<u>29,192</u>
Total provisions	250,825	188,884

Recognition and Measurement

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries, and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

For personal use only

15. Borrowings

	2022 \$	2021 \$
Current Borrowings	270,184	724,920
	<u>270,184</u>	<u>724,920</u>
Non-current Borrowings	975,948	872,303
	<u>975,948</u>	<u>872,303</u>
Total borrowings	<u>1,246,132</u>	<u>1,597,223</u>

16. Issued Capital

	2022		2021	
	Number of shares	\$	Number of shares	\$
Fully paid ordinary shares (post-consolidation)	<u>61,816,470</u>	16,643,159	<u>54,217,374</u>	9,402,889

Movements in Ordinary Share Capital

Date	Details	Ordinary shares	\$
1 July 2021	Balance at beginning of period	54,217,374	9,402,889
	Shares issued and options exercised	7,599,096	7,597,399
	Issue costs	-	(357,129)
30 June 2022	Balance at end of period	<u>61,816,470</u>	<u>16,643,159</u>

Terms and Conditions of Issued Capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held.

Share Options and Performance Rights

Share options and performance rights do not entitle the holder to participate in dividends and the proceeds on winding up the Group. The holder is not entitled to vote at General Meetings.

There were 2,800,000 share options issued as at 30 June 2022.

	Number of Options	
	2022	2021
Movement in options:		
Balance at beginning of year	7,674,096	12,800,000
Options granted to raise capital	-	-
Options redeemed/lapsed	(4,874,096)	(5,125,904)
Balance at end of year	<u>2,800,000</u>	<u>7,674,096</u>

Recognition and Measurement

Ordinary shares are classified as equity, with ordinary share capital being recognised at fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

For personal use only

16. Issued Capital (continued)

The Group announced on 7 October 2021 that sophisticated and professional investors had agreed to subscribe for \$5.3m (before costs of the offer) via the issue of unsecured convertible notes.

The convertible notes have a two-year term (with a Group elective to extend to 3 years), a 7.5% per annum interest rate and a conversions price based on the lower of:

- a) 90.0% (or 80.0% if there is an extension of the maturity date) of the VWAP prior to conversion; or
- b) \$0.5 per share.

17. Cash Flow Reconciliation

	2022	2021
	\$	\$
Cash and cash equivalents	2,486,256	1,624,116
Total cash and cash equivalents	2,486,256	1,624,116

Recognition and Measurement

Cash and cash equivalents include cash on hand and at banks and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(a) 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 financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2022	2021
	\$	\$
Profit/(loss) after tax	(3,338,315)	(716,309)
Adjustments for non-cash items		
Depreciation	588,531	455,124
Share based payment	-	6,985
Interest on leased assets	-	29,089
Bad debts	1,132	-
(Gain)/loss on modification of leases	(214)	-
(Gain)/loss on disposal of assets	(70)	-
Changes in assets/liabilities		
(Increase)/Decrease in trade & other receivables	(52,436)	(804,376)
(Increase)/Decrease in inventories	(325,204)	(688,270)
(Increase)/Decrease in deferred taxes	(922,734)	(240,200)
Increase/(Decrease) in trade payables & other liabilities	(31,909)	1,228,228
Increase/(Decrease) in employee provisions	61,941	82,403
Net Cash provided by (used in) Operating Activities	(4,019,278)	(647,326)

18. Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, cash, and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised in the following. Primary responsibility for identification and control of financial risks rests with the Managing Director under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including, interest rate risk, credit allowances, and future cash flow forecast projections.

The carrying amounts of the Group's financial assets and liabilities at balance date were equal to their fair value.

Recognition and Measurement

Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- An entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit and loss.
- Doing so results in more relevant information, because either:
 - (i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.
 - (ii) A group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

18. Financial Risk Management (continued)

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

Present investment strategy is to keep assets in a highly liquid state and almost all of the investment assets are held in cash.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-listed investments, for which fair value cannot be reliably measured, are carried at cost, and tested for impairment.

Loans and Receivables

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables, other creditors, and loans from third parties including inter-company balances and loans from / or other amounts due to Director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to market interest rates is related primarily to the Group's cash deposits. At balance sheet date, the Group had the following mix of financial assets exposed to Australian and variable interest rate risks that are not designated as cash flow hedges:

	2022	2021
	\$	\$
Financial assets	1,263,014	1,098,324
Cash and cash equivalents	2,486,256	1,624,116
Net exposure	3,749,270	2,722,440

The Group regularly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangements for its deposits.

The following sensitivity analysis is based on the interest rate opportunity/risk relating to cash deposits at balance date.

At 30 June 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

	2022	2021
	\$	\$
Judgements of reasonably possible movements		
+ 0.5% (50 basis points)	16,692	3,582
- 0.5% (50 basis points)	(16,692)	(3,582)

18. Financial Risk Management (continued)

Liquidity Risk

Liquidity Risk is the risk that the Group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All current liabilities fall due within normal trade terms, which are generally 30 days.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The risks are regularly monitored.

The Group applies the AASB 9 simplified approach to measuring expected credit losses as disclosed in Note 8.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Fair Value

The method for estimating fair value is outlined in the relevant notes to the financial statements. All financial assets held at fair value are valued based on the principles outlined in AASB 7 in relation to Level 1 of the hierarchy of fair values, being quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

19. Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

20. Parent Entity Information

	2022 \$	2021 \$
Financial position		
Current assets	180,633	357,692
Non-current assets	15,312,438	5,446,637
Total assets	15,493,071	5,804,329
Current liabilities	69,610	38,323
Non-current liabilities	1,189,203	-
Total liabilities	1,258,813	38,323
Net assets	14,234,258	5,766,006
Contributed equity	14,234,258	5,766,006
Financial performance		
Total revenue	182,529	199,880
Profit/(loss) for the period	821,440	57,384

21. Subsidiaries

Entity	Country of incorporation	Equity holding	
		2022	2021
PFT Holdings Pty Ltd	Australia	100%	100%
PFT No 1 Pty Ltd	Australia	100%	100%
PFT No 2 Pty Ltd	Australia	100%	100%
PFT No 3 Pty Ltd	Australia	100%	100%
The Cashew Creamery Pty Ltd	Australia	100%	100%
Lauds Plant-Based Foods Pty Ltd	Australia	100%	100%

22. Contingent Liabilities and Assets

There are no matters which the Group consider would result in a contingent liability or asset as at the date of this report.

23. Commitments for Expenditure

Capital Commitments – Capital Expenditure Projects

	2022 \$	2021 \$
Payable		
- Not longer than one year	517,073	-
- longer than one year but no longer than five years	-	-
- Longer than five years	-	-
Total payable	517,073	-

23. Commitments for Expenditure (continued)

Other Commitments – Operating Expenditure

Operating expenditure contracted but not included in the financial statements:

	2022	2021
	\$	\$
Payable		
- Not longer than one year	-	-
- longer than one year but no longer than five years	-	-
- Longer than five years	-	-
Total payable	-	-

24. Events Occurring After Balance Date

The Group announced on 28 July 2022 the launch of a placement to institutional and sophisticated investors to raise approximately \$2.55m ('Placement'), and a rights offer of 1 fully paid ordinary share in PFT ('New Share') for every 3 fully paid ordinary shares held in PFT ('Entitlement Offer') that raised a further \$1.83m. The shortfall of the rights issue, once completed, will potentially raise an additional \$1.57 million. The key purpose of the Offer is to fund continued growth in sales, expansion of production capacity, investment in automation to improve operating efficiencies, secure key assets and exploit product expansion opportunities.

Other than those detailed above, the Board is not aware of any matter or circumstance not otherwise dealt within 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.

25. Related Party Transactions

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the entity is set out below:

	2022	2021
	\$	\$
Short term benefits	301,583	253,615
Post-employment benefits	30,080	23,995
Share based payment	-	-
Total key management personnel compensation	331,663	277,610

Transactions with Related Parties

The Group acquired the following goods and services as follows:

	2022	2021
	\$	\$
Ken Fleming for consultancy services	25,369	25,000
Total transactions with related parties	25,369	25,000

26. Auditor's Remuneration

	2022 \$	2021 \$
Auditors of the parent entity	42,000	42,000
Other assurance services	-	-
Total auditor's remuneration	42,000	42,000

27. Employee Securities Incentive Plan

During the year the employee securities incentive plan that was in place was ceased. There presently isn't an employee securities incentive plan in place. The following table details the share options in place at 30 June 2022.

Share Options Granted

Share options outstanding at 30 June 2022 are as follows:

Grant date	Expiry date	Exercise price \$	Balance at start of year	Granted	Exercised	Expired	Balance at end of year
28/04/2020	30/04/2023	0.40	-	-	-	-	2,800,000
							<u>2,800,000</u>

The options hold no voting or dividend rights and are not transferable.

28. Summary of Significant Accounting Policies

(a) Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Corporations Act 2001*, as appropriate for-profit oriented entities.

The financial statements cover the Group and its controlled entities as a group for the financial year ended 30 June 2022. The Company is a company limited by shares, incorporated, and domiciled in Australia.

Separate financial statements for the Company as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*, however limited financial information for the Company as an individual entity is included in Note 20.

The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the financial statements not elsewhere disclosed. The accounting policies have been consistently applied, unless otherwise stated.

(b) Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) Historical Cost Convention

The financial statements have been prepared under the historical cost convention. All amounts are presented in Australian dollars unless otherwise noted.

28. Summary of Significant Accounting Policies (continued)

(d) Principles of Consolidation

The consolidated financial statements are those of the Group, comprising the parent entity and its controlled entities as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. Control is achieved when the Group:

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Details of the controlled entities are contained in Note 21.

Financial statements for controlled entities are prepared for the same reporting period as the parent entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Non-controlling interests in the equity and results of the entities that are controlled are shown separately in the consolidated financial statements.

The preparation of the financial statements of the Group requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Areas within the financial report which contain a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements are included in the notes to the financial statements together with the basis of calculation.

The area involving significant estimates or judgements is the estimated value in use calculations for the assessment of the recoverable amount of goodwill.

Estimates and judgements are continually evaluated. They are based on historical experience, information, and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(f) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(g) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not yet been adopted by the Group. There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Pure Foods Tasmania Limited
Directors' Declaration
For the Year Ended 30 June 2022

In accordance with a resolution of the Directors of Pure Foods Tasmania Limited, the Directors of the Group declare that:

1. The financial statements and notes, as set out on pages 18 to 45, are in accordance with the *Corporations Act 2001* and:
 - a. Comply with Australian Accounting Standards applicable to the Consolidated Group, which, as stated in the accounting policies to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. Give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Consolidated Group;
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*. This declaration is made in accordance with a resolution of the Directors.



Michael Cooper
Director

Dated: 31st August 2022

Independent Auditor's Report to the Members of Pure Foods Tasmania Limited

Opinion

We have audited the financial report of Pure Foods Tasmania Limited (the Company and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year then ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern Assumption

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$3,338,315 and a net cash outflow from operations of \$4.0m during the year ended 30 June 2022. These conditions, along with other matters set forth in Note 1, provide the reasoning for the assessment of the financial statements being prepared as a going concern. Our opinion is not modified in respect of this matter.

For personal use only

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial report for the year ended 30 June 2022. These matters were addressed in the context of our audit of the financial report as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of goodwill – refer Note 12 in the Financial Report</p> <p>The Group holds intangible assets totalling \$2.5m as at 30 June 2022, of which \$1.9m relates to goodwill. Under Australian Accounting Standards, the Group is required to assess goodwill for impairment at least annually.</p> <p>The Group performed an impairment assessment for the Pure Foods Tasmania Products cash generating unit (CGU), calculating the value in use of the net assets in the CGU.</p> <p>The valuation model used by the Group to perform the impairment assessment is based on budget forecasts.</p> <p>The Group did not identify any impairment for the CGU.</p>	<p>We assessed whether the Group's determination of CGU was consistent with our understanding of the nature of the Group's operations and internal Group reporting. We assessed management's conclusions around allocating Pure Foods Tasmania Products as a CGU.</p> <p>We tested the mathematical accuracy and integrity of the calculation in the model.</p> <p>To evaluate the model, we performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Compared model inputs to the FY22 budget; • Assessed historical performance of the CGU; and • Assessed forecast growth assumptions. <p>We assessed the discount rate used in the impairment assessment by comparing to comparable companies.</p> <p>We performed sensitivity analysis which highlighted that the CGU's are sensitivity to changes in key assumptions. We recalculated the change in growth rates and discount rates which would result in an impairment and also evaluated the adequacy of the disclosures in Note 12 in light of the requirements of Australian Accounting Standards.</p>

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

For personal use only

Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

For personal use only

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Pure Foods Tasmania Limited for the year ended 30 June 2022 complies with s 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Wise Lord & Ferguson

Wise Lord & Ferguson



NICK CARTER
Partner

Date: 31 August 2022

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Holding Range	Holders	Total Units	% Issued Share Capital
Above 0 up to and including 1,000	578	288,473	0.4
Above 1,000 up to and including 5,000	767	2,035,889	3.3
Above 5,000 up to and including 10,000	304	2,442,227	4.0
Above 10,000 up to and including 100,000	414	12,657,397	20.5
Above 100,000	85	44,392,484	71.8
Totals	2,148	61,816,470	100.0

B. Equity Security Holders

Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are listed below (some are grouped where the holdings are deemed to be controlled by the same entity):

Position	Holder Name	Holding	% Issued Share Capital
1	Willar Pty Ltd	3,093,893	5.0
2	Ilwella Pty Ltd	2,553,849	4.1
3	BNP Paribus Nominees Pty Ltd	2,517,418	4.1
4	Quality Life Pty Ltd	2,362,246	3.8
5	Mr Timothy Tulloch, Brock Lewis & Mrs Catherine Anne Lewis	2,311,985	3.7
6	Daly Potato Company Pty Ltd	2,279,608	3.7
7	JAF Capital Pty Ltd	2,126,974	3.4
8	Rottcodd Pty Ltd	2,003,225	3.2
9	BFADM Pty Ltd	1,949,639	3.2
10	Twomaccas Pty Ltd	1,757,500	2.8
11	Bensam Investments Pty Ltd	1,527,341	2.5
12	Clement Holding Pty Ltd	1,256,513	2.0
13	Radiata Investments Pty Ltd	1,180,107	1.9
14	Mr Craig McCourtie	1,000,952	1.6

Pure Foods Tasmania Limited
 Shareholder Information
 For the Year Ended 30 June 2022

Position	Holder Name	Holding	% Issued Share Capital
15	Mr Alexander David Beard & Mrs Marie Pascale Beard	1,000,000	1.6
16	Fairisle Holdings Pty Ltd	948,586	1.5
17	Suetone Pty Ltd	899,579	1.5
18	Boman Asset Pty Ltd	824,179	1.3
19	HSBC Custody Nominees (Australia) Limited	742,997	1.2
20	Krisami Investments Pty Ltd	730,202	1.2
	Totals	33,066,793	53.3
	Total Issued Capital	61,816,470	100.0

C. Voting Rights

The voting rights attached to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

D. Use of Cash

Cash and assets readily convertible to cash held by the Group for the reporting period were used in a way consistent with its business strategy and objectives.

For personal use only

Board of Directors

Malcolm McAully	Non-Executive Chairman
Michael Cooper	Managing Director and CEO
Alexander Beard (resigned 1 May 2022)	Non-Executive Director
Ken Fleming	Non-Executive Director

Company Secretary

Justin Hill

Registered Office

2/179 Murray Street
Hobart Tasmania 7000 Australia

Postal Address

100-104 Mornington Road
Mornington, Tasmania 7018 Australia

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth Western Australia 6000 Australia

Auditor

Wise Lord & Ferguson
160 Collins Street
Hobart Tasmania 7000 Australia

Solicitors

Page Seager

2/179 Murray Street

Hobart Tasmania 7000 Australia

Bankers

National Australia Bank

Commonwealth Bank of Australia

Stock Exchange Listing

Pure Foods Tasmania Limited shares are listed on the Australian Securities Exchange, code PFT.

For personal use only