



Oliver's Real Food Ltd
ABN 33 166 495 441
PO Box 3678
TUGGERAH NSW 2259
(02) 4353 8055

31 March 2021

Mr. Corey Lian
Graduate, Listing Compliance ASX (Sydney)
Reference: 31678

Dear Mr. Lian

Response to ASX Accounts-Query Letter

We refer to your email and letter dated 9 March 2021 and respond to your queries on behalf of Oliver's Real Foods Limited ("OLI", or "the Company") as follows.

ASX Question 1

Is OLI able to confirm that in the Directors' opinion the Half Year Accounts:

- 1.1 comply with the relevant Accounting Standards; and
- 1.2 give a true and fair view of OLI's financial performance and position?

OLI Response to Question 1

Confirmed.

ASX Question 2

Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether the OLI can continue as a going concern and OLI has cash and cash equivalents of \$2,710,808 and total current liabilities of \$12,093,404, please explain the basis for and the factors considered by the Directors to satisfy themselves that OLI will be able to continue as a going concern. Please respond to this question in sufficient details and having regard to the following factors:

- 2.1.1 Ability to source funding: whether OLI would be able to have access to additional working capital to meet its obligations.
- 2.1.2 Trade and Other Payables: whether OLI would meet its obligations to repay its trade payables when they fall due.
- 2.1.3 Restructuring of OLI: Whether the implementation of the proposed restructuring plan would ensure that OLI will be able to continue as a going concern.

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OLI Response to Question 2

2.1.1 Ability to source funding:

- *The Company announced on 10 March 2021 that with the support of key stakeholders it has commitments to complete a minimum \$2.5m placement to fund working capital and the expected investment required to refresh the OLI brand and Company owned stores.*
- *The Placement will be via a two-tranche issue, of which \$1.2m is being conducted under the Company's existing Listing Rule 7.1 Placement Capacity, with all funds being received by 17 March 2021.*
- *The second tranche, for \$1.3m, is subject to shareholder approval both because it is above existing capacity and because the recipients (Gelba Pty Limited and Twenty Second Sepelda Pty Ltd) are associates of the Company.*
- *Pure Asset Management, our primary funder, has agreed to waive the EBITDA covenant until 31 December 2021 and, with effect from 5 March 2021 until the expiry of the loan, are revising the Cash Cover covenant under the Facility from \$2m to \$1m, which has freed up \$1.0m in cash. This will allow the Company to work through the restructuring and reach EBIT profitability, after which the Company expects to be able to meet all of the revised covenants. In addition, Pure Asset Management are contributing \$200,000 to tranche one and \$400,000 to tranche two of the Placement.*
- *Investors will be invited to participate in a Share Purchase Plan (SPP) for up to \$30,000 per investor, on the same terms as the Placement. The SPP will be capped at \$1.5m and investors may be subject to scale backs.*
- *Trade Receivables increased during the period 1 July to 31 December 2020 due to the roll out of the Oliver's Food to Go sales channel via EG Fuelco (EG). Sales (including GST) were close to \$400,000 in December. This was up from \$150,000 in July. Allowing for trading terms with EG, the receivables at 31 December 2020 is high, but was expected, as the roll out occurred during the period.*

This immediate funding is more than adequate to ensure that the Company is a going concern. The plan and funding takes into account the cessation of JobKeeper at 31 March 2021.

The resignations of Mr Jason Gunn and Mrs Amanda Gunn on 4 March 2020, will have no implications on the fund raising or on the restructure plan.

2.1.2 Trade and Other Payables:

OLI is able to meet its obligations to repay its trade payables when they fall due.



- *The funding in 2.1.1 will enable the Company to repay its trade and other payables when they fall due.*
- *The Company has entered into structured payment plans with a number of its major creditors to defer payments over an agreed period. Of the \$7,177,995 recorded as Trade and Other Payables as at 31 December 2020, \$3,034,610 were on payments plans and \$4,143,385 were not, as set out below.*

	Balance 31/12/2020	Payment Plans 31/12/2020
	\$	
Trade Creditors	3,339,300	
		\$
Premium Funding		167,045
		\$
GST Owing		699,542
	\$	
Superannuation	300,617	
	\$	
Salary Clearing	51,410	
	\$	
FBT	127,545	
		\$
PAYG		1,473,068
		\$
Payroll Tax NSW, Vic, Qld		405,450
		\$
Workers Compensation		289,506
	\$	
Accruals	324,514	
	\$	\$
	4,143,385	3,034,610
		\$
		7,177,995

Payment plan payments post 31 December 2020 are \$1,973,503 during the January – March 2021 period. A further \$633,401 are scheduled for payment in the April to June 2021 period leaving a balance of \$473,706 which have been renegotiated for settlement post 30 June 2021.

Trade and other creditors' payments post 31 December 2021 (not under payment plans) include \$4,001,957 which have occurred during the January – March 2021 period, leaving a balance of \$141,428. This is made up of \$13,883 (disputed trade creditors) and \$127,545 being FBT due in April 2021.

We also comment that of the \$3,339,300 trade creditors outstanding at 31 December 2020, \$1,112,012 were outside standard trading terms. We can now advise that as at the date we reissued the HY2021 accounts, namely 16 March



2021, trade creditors on that day totalled \$1,568,823 and all were within standard trading terms other than the disputed creditor referred to above.

2.1.3 Restructuring of OLI:

The restructure plan for the business is specifically focused on achieving a reduction in overheads and fixed costs of approximately \$4,000,000 per annum, whilst at the same time providing the capacity needed to embrace the opportunities for growth that are currently available to the business. The plan consists of the following elements:

- Closure of facilities, which will result in staff reductions and associated head office personnel; and
- The current EG multi-source and logistics model, will be replaced by a single source, national fully integrated operator. All approvals from EG have been received.

The plan, once implemented by June 2021, forecasts the Company will be cash flow positive in FY2022 after incurring initial restructure costs of \$0.9M in the present period, , but this is subject to unforeseen events and sales progressively returning to pre-COVID-19 levels as the economic recovery continues and tourism rebounds..

ASX Question 3

What steps has OLI taken since the release of the Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?

OLI Response to Question 3

Subsequent to 31 December 2020 and as outlined below:

- Reissued HY2021 accounts which, under the auditors' Emphasis of Matter – Material Uncertainty Related to Going Concern now states "... indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern." From this statement we note the auditor's emphasis is now may.
- Sourced adequate Funding to allow the auditors to conclude that the Company's use of the going concern assumption in the preparation of the reissued HY2021 accounts was appropriate. Please refer to auditor's review report in the reissued HY2021 accounts - Other Matter "These events and conditions, disclosed in Note 1 and 16, enabled us to form a conclusion on the appropriateness of the use of the going concern basis in the preparation of the reissued half-year financial report."
- Restructure to allow the business to generate positive cash and EBIT profits.
- Payment and restructuring of Trade Creditors.



ASX Question 4

Does OLI consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion and comment on the nature of the OLI's current business activities.

OLI Response to Question 4

Yes

- *OLI has generated sales over at a minimum, annual sales of \$20m per annum since listing with sales levels of approximately \$35 million pre-COVID 19. Sales are returning to pre-COVID 19 levels.*
- *Has 24 stores operating in New South Wales, Victoria and Queensland. Stores closures were only related to COVID 19 lock downs and restrictions.*
- *Employs 250-400 staff depending on the season.*
- *Supplies 115 EG service stations with Fresh Food.*
- *OLI has appropriate operating systems:*
 - *Redcat Point of Sale System for stores and uses*
 - *Netsuite ERP for Operations and Accounting.*
- *Has appropriately qualified and trained staff to produce and keep accurate books of account.*

ASX Question 5

Does OLI consider that the financial condition of OLI is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

OLI Response to Question 5

Yes.

Please refer also to the responses to Questions 2, 3 and 4.

ASX Question 6

If the answer to questions 4 and/or 5 is 'no', please explain what steps OLI has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and/or 12.2.

OLI Response to Question 6

Not applicable.



ASX Question 7

In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of OLI's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of OLI have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of OLI and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

OLI Response to Question 7

Yes

ASX Question 8

If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of OLI's Corporate Governance Disclosure?

OLI Response to Question 8

Not applicable.

ASX Question 9

What enquiries did the Board make of management to satisfy itself that the financial records of OLI have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of OLI?

OLI Response to Question 9

The Company is provided with monthly financial reports prepared by the Chief Financial Officer (CFO), Mr. Robert Ross-Edwards, and Chief Executive Officer (CEO), Ms. Tammie Phillips. These reports are tabled and discussed at weekly Management meetings and provided to Directors for review, as well as monthly Board Packs. Directors visit head office and discuss all aspects of the business and review reports, which are also emailed to all Directors.

The Audit & Risk committee meet on a regular basis to discuss and approve all aspects of internal controls and adherence and changes in accounting standards.

ASX Question 10

Commenting specifically on the disclaimer of conclusion, does the board consider that OLI has a sound system of risk management and internal control which is operating effectively?



OLI Response to Question 10

Yes.

We reference the following statement from the auditor's review report in the re-issued HY2021 accounts:

"Based on our review, which is not an audit, with the exception of the matters described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matters that make us believe that the 31 December 2020 reissued half-year financial report of Oliver's Real Food Limited is not in accordance with the Corporations Act 2001, including:

- (1) Giving a true and fair view of the of the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date; and*
- (2) Complying with Australia Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001".*

We highlight this particular passage because this statement was not included in the accounts lodged on 26 February 2021. The Board remains satisfied that OLI has a sound system of risk management and internal control which is operating effectively.

ASX Question 11

Given the Auditors were unable to obtain sufficient appropriate audit evidence about the carrying value of the intangible assets, right-of-use assets and property, plant and equipment as OLI did not undertake an impairment assessment as at 31 December 2020 in accordance with the Australian accounting standards, in particular paragraph 10(a) of AASB 136: Impairment of Assets, please explain how the Directors satisfied themselves that the carrying values are appropriate and adheres to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the Directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.

OLI Response to Question 11

The Directors satisfied themselves that the carrying values are appropriate and adheres to the Australian Accounting Standards with reference to the values and calculations reviewed as at 30 June 2020.

Due to uncertainties connected with COVID-19 and uncertainties associated with the effects of the planned restructure Management and the Directors considered that an impairment review at 31 December 2020, would not represent a true reflection of the asset values and a review would be undertaken at 30 June 2021, once the restructure was complete. As a result Management did not undertake an impairment assessment as of 31 December 2020.



ASX Question 12

Please confirm that OLI is complying with the Listing Rules and, in particular, Listing Rule 3.1.

OLI Response to Question 12

OLI confirms that it is complying with the Listing Rules and in particular Listing Rule 3.1. OLI notes that the following announcements have been made to the ASX since 26 February 2021:

- 23/3 Restructure and ASX Suspension*
- 19/3 Change in Substantial holding*
- 19/3 Cleansing Prospectus*
- 18/3 Appendix 2A*
- 11/3 Update – Proposed issue of Securities – OLI*
- 10/3 Placement, Relaxation of Debt Covenants and SPP*
- 9/3 Final Director's Interest Notice*
- 9/3 Final Director's Interest Notice*
- 4/3 OLI Board Restructure*
- 3/3 Change in substantial holding*
- 3/3 Change in substantial holding.*

ASX Question 13

Please confirm that OLI's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of OLI with delegated authority from the board to respond to ASX on disclosure matters.

OLI Response to Question 13

OLI confirms the responses to the questions above have been authorised and approved by the Board of OLI or an officer with delegated authority from the Board to respond to the ASX on disclosure matters.



Yours sincerely

A handwritten signature in blue ink that reads "Nyla Bacon". The signature is written in a cursive, flowing style.

Nyla Bacon
Company Secretary Oliver's
Real Food Limited 10
Amsterdam CCT.
Wyong NSW 2259

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3 March 2021

Reference: 31678

Mr Jason Gunn
Chairman and Non-Executive Director
Oliver's Real Food Limited
10 Amsterdam Ct
Wyong NSW 2259

By email:

Dear Mr Gunn

Oliver's Real Food Limited ('OLI'): Accounts - Query

ASX refers to the following:

- A. OLI's half year accounts for the half year ended 31 December 2020 lodged with ASX and released over the ASX Market Announcements Platform ('MAP') on 26 February 2021 ('Half Year Accounts').
- B. The securities of OLI being suspended from official quotation on 26 February 2021 for the following reason:

"ASX has determined that OLI's financial condition is not adequate to warrant the continued quotation of its securities and therefore it is in breach of Listing Rule 12.2. The suspension will continue until OLI is able to demonstrate compliance with Listing Rule 12.2."

- C. ASX notes that the Independent Auditor's Review Report attached to the Half Year Accounts ('Auditor's Report') contains a Basis for Disclaimer of Conclusion.

"As set out in Note 1 [Significant Accounting Policies], "Going Concern" the Group [OLI] is critically dependent upon achieving a number of assumptions to continue as a going concern. Many are not at a stage where counterparties have committed to the course of action the Group proposes, are not sufficiently secured at this time, or evidence is not available to us to perform our obligations. The status of these assumptions have material and pervasive negative impacts on our ability to gather evidence to form a conclusion, in particular in testing the existence of plans the Group has proposed put into effect, the existence of other mitigating factors, the feasibility of these plans, and whether the outcome of these plans will materialise to support the going concern assumption, as and when needed."

- D. OLI's Corporate Governance Statement for 30 June 2020 lodged with ASX and released over MAP on 1 October 2020 which confirms that OLI complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

- E. Listing Rule 12.1 which states:

The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.

- F. Listing Rule 12.2 which states:

An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

G. Listing Rule 19.11A which states:

If a listing rule requires an entity to give ASX accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.*
- (f) If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts.*

Request for information

In light of the information contained in the Half Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is OLI able to confirm that in the Directors' opinion the Half Year Accounts:
 - 1.1 comply with the relevant Accounting Standards; and
 - 1.2 give a true and fair view of OLI's financial performance and position?
2. Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether the OLI can continue as a going concern and OLI has cash and cash equivalents of \$2,710,808 and total current liabilities of \$12,093,404, please explain the basis for and the factors considered by the Directors to satisfy themselves that OLI will be able to continue as a going concern. Please respond to this question in sufficient details and having regard to the following factors:
 - 2.1.1 Ability to source funding: whether OLI would be able to have access to additional working capital to meet its obligations.
 - 2.1.2 Trade and Other Payables: whether OLI would meet its obligations to repay its trade payables when they fall due.
 - 2.1.3 Restructuring of OLI: Whether the implementation of the proposed restructuring plan would ensure that OLI will be able to continue as a going concern.

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3. What steps has OLI taken since the release of the Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?
 4. Does OLI consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion and comment on the nature of the OLI's current business activities.
 5. Does OLI consider that the financial condition of OLI is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
 6. If the answer to questions 4 and/or 5 is 'no', please explain what steps OLI has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and/or 12.2.
 7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of OLI's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of OLI have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of OLI and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 8. If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of OLI's Corporate Governance Disclosure?
 9. What enquiries did the Board make of management to satisfy itself that the financial records of OLI have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of OLI?
 10. Commenting specifically on the disclaimer of conclusion, does the board consider that OLI has a sound system of risk management and internal control which is operating effectively?
 11. Given the Auditors were unable to obtain sufficient appropriate audit evidence about the carrying value of the intangible assets, right-of-use assets and property, plant and equipment as OLI did not undertake an impairment assessment as at 31 December 2020 in accordance with the Australian accounting standards, in particular paragraph 10(a) of AASB 136: Impairment of Assets, please explain how the Directors satisfied themselves that the carrying values are appropriate and adheres to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the Directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.
 12. Please confirm that OLI is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 18. Please confirm that OLI's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of OLI with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEDT Thursday, 11 March 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, OLI's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require OLI to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that

it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to OLI's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that OLI's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Corey Lian
Graduate, Listings Compliance (Sydney)