Health and Plant Protein Group Limited

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ABN 68 010 978 800

ASX Code: HPP

Appendix 4D

Listing Rule 4.2A.3

Half-Year Report

For the six months ended 31 December 2020

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Appendix 4D – Half-Year Report

Health and Plant Protein Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2020

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2020.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous corresponding period	Increase / Decrease	% $'000	To $'000
Revenue from continuing operations	Decrease	(22%)	**17,691**
	Decrease	(5,009)	**17,691**
Profit/(loss) from continuing operations after tax attributable to members	Increase	(360%)	**(3,706)**
	Increase	(2,901)	**(3,706)**
Profit/(loss) for the period attributable to members	Decrease	432%	**(3,271)**
	Decrease	(4,255)	**(3,271)**

Refer to the attached Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and significant notes identified in the notes to the consolidated interim financial report for further detail of the aforementioned results.

Dividends (Distributions)

No dividend has been paid or declared for the half-years ended 31 December 2020 and 31 December 2019. No dividend or distribution reinvestment plans were in operation during the half-year.

A brief explanation of the figures reported is below. Further detail is included in the Review of Operations.

The Group recorded a net loss after tax of $3,271,000 for the half-year ended 31 December 2020 inclusive of income tax benefit of $670,000. This result compared to the prior half-year net profit after tax of $984,000 inclusive of income tax and discontinued operations.

The net loss before tax from continuing operations was $4,376,000 compared to $202,000 for the previous comparative period.

	2020 $'000	2019 $'000
NET PROFIT / (LOSS) FOR THE HALF-YEAR	**(3,271)**	984
Profit/(loss) from discontinued operations	**435**	1,789
Profit/(loss) from continuing operations for the half-year attributable to members	**(3,706)**	(805)
Tax expense/(benefit)	**(670)**	603
Group profit /(loss) from continuing operations before income tax	**(4,376)**	(202)

The Group profit/(loss) before tax of $4,376,000 was contributed to by:

	2020 $'000	2019 $'000
Business segments		
Macadamia operations	**905**	1,548
Other	**(2,243)**	(98)
Total	**(1,338)**	1,450
Fair value gain/(loss) on derivative	**(665)**	(232)
Corporate overhead expenses	**(1,180)**	(410)
Net Finance costs	**(1,193)**	(1,010)
Group profit /(loss) from continuing operations before income tax	**(4,376)**	(202)

Appendix 4D – Half-Year Report (continued)

The main factors affecting trading performance in this half-year included:

- The Macadamia segment profit for the half year of $905,000 compares to the prior half year profit of $1,548,000. This is a decrease of 42% in the underlying profitability reflecting trading conditions and larger volumes of industrial sales.
- COVID-19 had a significant impact on the Hawaiian market which resulted in a decrease of sales for the macadamia segment. Tourist numbers in Hawaii are slowly increasing with the state having removed quarantine restrictions on a limited scale from October 2020. Mainland sales have not been as proportionately affected by COVID-19 with the geographical diversity of our customer base and has provided some relief. This resulted in a decline in sales of 22% in comparison to the prior year.
- Corporate overheads increased by $770,000 to $1,180,000 for the half-year. Included in this amount is one off costs of $422,000 for legal and consultancy fees and $86,000 for IT infrastructure upgrade costs due to the divestment of the ginger business.
- An income tax benefit of $670,000 has been recognised in the half-year which includes a tax expense of $24,000 relating to the USA, and an Australian tax benefit of $694,000 for the period.

NET TANGIBLE ASSET BACKING	**31/12/2020**	**30/06/2020**
Net tangible asset backing per ordinary share excluding intangible assets and net deferred tax assets	**$0.27**	$0.36
Number of shares on issue	**112,820,738**	86,021,860

ACCOUNTING STANDARDS

This report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Accounting Standards Board.

The half-year financial report should be read in conjunction with the annual Financial Report of Health and Plant Protein Group Limited (formerly known as Buderim Group Limited) as at 30 June 2020. It is also recommended that the half-year financial report be considered together with any public announcements made by Health and Plant Protein Group Limited and its controlled entities during the half-year ended 31 December 2020 and up until the date of this report, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

INDEPENDENT REVIEW OF THE FINANCIAL REPORT

This report is based on accounts which have been subject to a review. An independent review report is provided as part of this report. The Auditor's Independence Declaration is also included in the Directors' Report. The half-year accounts are not subject to any audit dispute or qualification. The entity has a formally constituted audit committee.

Lisa Davis
Company Secretary
Brisbane, 25 February 2021

Health and Plant Protein Group Limited

ABN 68 010 978 800

ASX Code: HPP

Half-Year Report

For the six months ended 31 December 2020

DIRECTORS' REPORT (continued)

The Directors of Health and Plant Protein Group Limited (formerly known as Buderim Group Limited) present their report on the consolidated entity consisting of Health and Plant Protein Group Limited ('the Company') and the entities it controlled ('the Group') for the half-year ended 31 December 2020.

DIRECTORS

The names of the company's directors in office during the half-year under review and at the date of this report are as follows:

- Guy Cowan
- Qi (Christina) Chen
- Peter O'Keeffe
- Dennis Lin (appointed 1 July 2020 as Executive Director)
- Andrew Bond (appointed 1 October 2020)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the half-year ended 31 December 2020 the Group recorded a net loss after tax of $3,271,000 inclusive of net profit from discontinued operation of $435,000 (2019: net profit after tax $984,000 inclusive of net profit from discontinued operations of $1,789,000).

The net loss before tax from continuing operations was $4,376,000 compared to $202,000 for the previous comparative period.

Summarised operating results from continuing operations attributable to equity holders of Health and Plant Protein Group Limited are as follows:

	2020		**2019**	
	Revenues $'000	**Results* $'000**	Revenues $'000	Results* $'000
Business segments				
Macadamia operations	**17,856**	**905**	22,921	1,548
Other	**789**	**(2,243)**	29	(98)
Total	**18,645**	**(1,338)**	22,950	1,450
Fair value gain/(loss) on other financial liabilities	**-**	**(665)**	-	(232)
Corporate overhead expenses	**-**	**(1,180)**	-	(410)
Net Finance costs	**-**	**(1,193)**	-	(1,010)
Group income and loss from continuing operations before income tax	**18,645**	**(4,376)**	22,950	(202)

*Business segment results represent profit before corporate overheads, interest and tax

The main factors affecting trading performance in this half-year included:

- The Macadamia segment profit for the half year of $905,000 compares to the prior half year profit of $1,548,000. This is a decrease of 42% in the underlying profitability reflecting trading conditions and larger volumes of industrial sales.
- COVID-19 had a significant impact on the Hawaiian market which resulted in a decrease of sales for the macadamia segment. Tourist numbers in Hawaii are slowly increasing with the state having removed quarantine restrictions on a limited scale from October 2020. Mainland sales have not been as proportionately affected by COVID-19 with the geographical diversity of our customer base and has provided some relief. This resulted in a decline in sales of 22% in comparison to the prior year.
- Corporate overheads increased by $770,000 to $1,180,000 for the half-year. Included in this amount is one off costs of $422,000 for legal and consultancy fees and $86,000 for IT infrastructure upgrade costs due to the divestment of the ginger business.
- An income tax benefit of $670,000 has been recognised in the half-year which includes a tax expense of $24,000 relating to the USA, and an Australian tax benefit of $694,000 for the period.

DIRECTORS' REPORT

The table below shows the asset and capital structure as at 31 December 2020. Net debt has decreased primarily due to payments made towards the convertible note and Greensill facility:

	CONSOLIDATED	
	31/12/2020 $'000	30/06/2020 $'000
NET GEARING		
Debts		
Interest-bearing liabilities	**22,457**	27,027
Cash and cash equivalents	**(10,005)**	(2,673)
Net debt	**12,452**	24,354
Total equity	**29,070**	26,389
Total capital employed	**41,522**	50,743
	30.0%	48.0%
DEBT/EQUITY		
Total equity	**29,070**	26,389
Intangibles	**(1,317)**	(1,720)
	27,753	24,669
Interest-bearing liabilities	**22,457**	27,027
	80.9%	109.6%

AUDITOR'S EMPHASIS OF MATTER PARAGRAPH

Included in the auditor's review report is an emphasis of matter paragraph drawing the attention of the users of the financial statements to Note 1 in the interim financial report. As at 31 December 2020, the Group operated under finance facilities with Greensill Capital (UK) and also had Convertible Notes held by Asia Mark Development Limited (AMD) of $10,000,000, $5,000,000 maturing in September 2021 with the final $5,000,000 maturing in September 2022. Since 31 December 2020, the Group has been in discussions with American AGCredit who want to support the group going forward by way of a traditional working capital facility. A term sheet was signed on 28 January 2021, refer Note 13. The term sheet was intended to aid in further discussions with the Group and was not a commitment to lend or borrow. Conditional pre-approval from American AGCredit was received on 19 February 2021 subject to the Group providing first ranking mortgage over the Hawaii assets. American AGCredit will replace Greensill Capital (UK) Limited as our main financier, and any monies owed to Greensill will be refinanced under American AGCredit. The facility will be a AUD$10,324,000 (USD$8,000,000) committed working capital facility and will be considered non-current due to the facility agreement being over 25 years. Amounts owing to American AGCredit will be secured by a first ranking general security interest over Health and Plant Protein Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii.

The Directors expect the financiers to provide continued support and welcome the addition of American AGCredit. The Group is continuing to expand sales distribution and implement strategies to improve profitability and generate sufficient cash flow to repay borrowings on the appropriate dates. Further the Directors believe that should the working capital facility be reduced; assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business.

Accordingly, the financial report has been prepared on a going concern basis.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS

On 28 January 2021, Health and Plant Protein Group signed a term sheet to enter into a working capital finance facility with American AGCredit. Conditional pre-approval from American AGCredit was received on 19 February 2021 subject to the Group providing first ranking mortgage over the Hawaii assets. Should this proceed, it will be a traditional working capital facility with low cost of capital, offering a flexible AUD$10,324,000 (USD$8,000,000) arrangement. This facility would continue to operate over a period of up to 25 years and replace our current financier Greensill Capital (UK) as first ranking mortgage over the group's property assets in Hawaii.

As per the recent ASX announcements, on the 11 January 2021 Health and Plant Protein Group agreed to acquire in a staged investment up to a 24% stake in EVR Foods, Inc. (LAVVA) ®), the holding entity of the LAVVA ® brand and its associated assets for a total of up to US$5 million (LAVVA ® Investment).

The Directors are not aware of any other matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect the operations and results of the Group.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

ROUNDING

The amounts contained in this report and in the interim financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the ASIC Instrument applies.

Signed in accordance with a resolution of the directors.

Guy Cowan
Director
Brisbane, 25 February 2021

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Auditor's Independence Declaration to the Directors of Health and Plant Protein Group Limited

As lead auditor for the review of Health and Plant Protein Group Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Health and Plant Protein Group Limited and the entities it controlled during the financial period.

Ernst + Young.

Ernst & Young

Susie Kuo
Partner
25 February 2021

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

	Notes	CONSOLIDATED 31/12/20 $'000	 30/06/20 $'000
CURRENT ASSETS			
Cash and cash equivalents		**10,005**	2,673
Trade and other receivables		**2,569**	803
Inventories including biological assets		**24,187**	23,744
Current tax assets		**20**	22
Prepayments		**694**	866
Assets classified as held for sale	12	**-**	16,491
TOTAL CURRENT ASSETS		**37,475**	44,599
NON-CURRENT ASSETS			
Property, plant and equipment	7	**24,161**	27,279
Intangible assets	8	**1,317**	1,720
Other receivables		**277**	-
TOTAL NON-CURRENT ASSETS		**25,755**	28,999
TOTAL ASSETS		**63,230**	73,598
CURRENT LIABILITIES			
Trade and other payables	6	**4,193**	4,824
Interest-bearing liabilities	9	**16,794**	16,777
Other financial liabilities	10	**507**	430
Lease liabilities	11	**447**	449
Employee entitlements		**807**	669
Liabilities directly associated with assets classified as held for sale	12	**-**	6,059
TOTAL CURRENT LIABILITIES		**22,748**	29,208
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	9	**5,663**	10,250
Other financial liabilities	10	**1,018**	860
Lease liabilities	11	**50**	311
Deferred tax liabilities		**4,661**	6,580
Long-term employee entitlements		**20**	-
TOTAL NON-CURRENT LIABILITIES		**11,412**	18,001
TOTAL LIABILITIES		**34,160**	47,209
NET ASSETS		**29,070**	26,389
EQUITY			
Contributed equity		**60,613**	54,824
Reserves		**13,807**	15,210
Accumulated losses		**(45,350)**	(43,645)
TOTAL EQUITY		**29,070**	26,389

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		CONSOLIDATED	
	Notes	31/12/20 $'000	31/12/19 $'000 *
INCOME			
Sale of goods from continuing operations		**17,691**	22,700
Change in fair value of biological assets		**4,328**	4,053
Cost of sales		**(16,090)**	(20,754)
Gross profit		**5,929**	5,999
Other income	3 (a)	**669**	249
Finance income	3 (b)	**285**	1
		6,883	6,249
Selling and distribution expenses		**(2,133)**	(2,189)
Marketing expenses		**(819)**	(323)
Administration expenses		**(3,484)**	(2,631)
Other expenses	3 (c)	**(3,630)**	(298)
PROFIT / (LOSS) BEFORE TAX AND FINANCE COSTS		**(3,183)**	808
Finance costs	3 (d)	**(1,193)**	(1,010)
PROFIT / (LOSS) BEFORE INCOME TAX		**(4,376)**	(202)
Income tax benefit/(expense)	4	**670**	(603)
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**(3,706)**	(805)
Profit/(Loss) from discontinued operations	12	**435**	1,789
NET PROFIT / (LOSS) FOR THE HALF-YEAR		**(3,271)**	984
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		**163**	(137)
Total other comprehensive income/(loss), net of tax		**163**	(137)
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF-YEAR		**(3,108)**	(847)
Total net profit / loss is attributable to:			
Equity holders of Health and Plant Protein Group Limited		**(3,271)**	984
		(3,271)	984
Total comprehensive profit / loss is attributed to:			
Equity holders of Health and Plant Protein Group Limited		**(3,108)**	847
		(3,108)	847
Basic and diluted profit / (loss) per share (cents)		**(2.66)**	1.14
Basic and diluted profit /(loss) per share from continuing operations (cents)		**(3.02)**	(0.94)
Basic and diluted profit / (loss) per share from discontinued operations (cents)		**0.35**	2.08

*Comparative figures have been restated to present the impacts of the current year discontinued operations (as outlined in note 12).

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		CONSOLIDATED	
	Notes	31/12/20 $'000	31/12/19 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**24,762**	33,807
Payments to suppliers and employees (inclusive of GST)		**(29,660)**	(37,399)
Government grants		**1,281**	125
Interest received		**-**	1
Interest and other finance costs paid		**(590)**	(73)
Income tax (paid)/received		**(558)**	(22)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(4,765)**	(3,561)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(335)**	(339)
Proceeds from sale of property, plant and equipment		**59**	351
Consideration received on sale of business		**10,866**	-
Consideration paid for business combination		**-**	(284)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**10,590**	(272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of options		**-**	4
Proceeds from borrowings		**17,565**	2,000
Repayments of borrowings		**(21,441)**	(1,116)
Principal elements of lease payments		**(252)**	-
Proceeds from issues of equity securities		**6,256**	-
Transaction costs relating to issue of equity securities		**(467)**	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**1,661**	888
NET DECREASE IN CASH AND CASH EQUIVALENTS		**7,486**	(2,945)
Cash and cash equivalents at beginning of the half-year		**2,673**	4,293
Foreign exchange difference on cash holdings		**(154)**	94
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR		**10,005**	1,442

*Cash flows from discontinued operations have been included above, refer to note 12 for breakdown.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	CONSOLIDATED				
		RESERVES			
	Contributed Equity $'000	Asset Revaluation $'000	Foreign Currency Translation $'000	Accumulated Losses $'000	Total Equity $'000
As at 1 July 2019	54,824	16,471	1,043	(36,079)	**36,259**
Total comprehensive income for the half-year					
Net profit for half-year	-	-	-	984	**984**
Other comprehensive income	-	-	(137)	-	**(5)**
Total comprehensive income for the half-year	-	-	(137)	984	**847**
Transactions with owners in their capacity as owners					
Shares issued, net of transaction costs	-	-	-	-	**-**
As at 31 December 2019	**54,824**	**16,471**	**906**	**(35,095)**	**37,106**
As at 1 July 2020	54,824	13,972	1,238	(43,645)	**26,389**
Total comprehensive income for the half-year					
Net loss for half-year	-	-	-	(3,271)	**(3,271)**
Other comprehensive income /(loss)	-	1,230	(1,005)	(62)	**163**
Total comprehensive income for the half-year	-	1,230	(1,005)	(3,333)	**(3,108)**
Transfer of asset revaluation reserve to retained earnings *	-	(1,628)	-	1,628	**-**
Transactions with owners in their capacity as owners					
Shares issued, net of transaction costs	5,789	-	-	-	**5,789**
As at 31 December 2020	**60,613**	**13,574**	**233**	**(45,350)**	**29,070**

*Impact of discontinued operations in transfer of the revaluation reserve of the PPE disposed as part of the discontinued operations.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Interim Financial Report

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim condensed financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Health and Plant Protein Group Limited and its controlled entities ('the Group') during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The company is an entity to which the ASIC Instrument applies.

This consolidated interim financial report was authorised for issue by the board of directors on 25 February 2021.

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

Certain comparative amounts have been restated to conform with current year's presentation.

Going Concern

The Group recorded a net loss after tax of $3,271,000 for the half-year ended 31 December 2020 inclusive of income tax benefit of $670,000. This result compared to the prior half-year net profit after tax of $984,000 inclusive of income tax and discontinued operations. COVID-19 had a significant impact on the Hawaiian market which resulted in a decrease of sales for the macadamia segment whilst mainland sales have not been as proportionately impacted by COVID-19.

As at 31 December 2020, the Group operated under finance facilities with Greensill Capital (UK). The balance at 31 December 2020 was 10,797,000. Since 31 December 2020, the Group has been in discussions with American AGCredit who want to support the group going forward by way of a traditional working capital facility. A term sheet was signed on 28 January 2021, refer Note 13. The term sheet was intended to aid in further discussions with the Group and was not a commitment to lend or borrow. Conditional pre-approval from American AGCredit was received on 19 February 2021 subject to the Group providing first ranking mortgage over the Hawaii assets. It is the expectations from all parties that the proposed funding will proceed in March 2021. American AGCredit will replace Greensill Capital (UK) Limited as the Group's main financier and any monies owed to Greensill will be refinanced under American AGCredit. The working facility will be $10,324,000 (USD$8,000,000) for a 25 year term. Amounts owing to American AGCredit will be secured by a first ranking general security interest over Health and Plant Protein Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii.

As disclosed in Note 9, the Group also has Convertible Notes held by Asia Mark Development Limited (AMD) of $10,000,000, $5,000,000 maturing in September 2021 with the final $5,000,000 maturing in September 2022. The cashflow forecast may not be sufficient to cover the settlement of convertible notes and the short term financial facility, and as a result there is material uncertainty that may cast doubt on the Group's ability to continue as a going concern to realise its assets and discharge its liabilities in the normal course of business.

The Directors expect the financiers to provide continued support and welcome the addition of American AGCredit. The Group is continuing to expand sales distribution and implement strategies to improve profitability and generate sufficient cash flow to repay borrowings on the appropriate dates. Further the Directors believe that should the working capital facility be reduced, assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business. Accordingly, the financial report has been prepared using the going concern basis of accounting.

No adjustments have been made to the amounts and classifications of recorded assets and liabilities should the entity be unable to continue as a going concern.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

2. SEGMENT INFORMATION

Description of segments

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets, and thus form the basis of the reports reviewed by the Board and the executive management committee. The Chief Executive Officer reviews each segments performance and is the Chief Operational Decision Maker (CODM).

The reportable segments for the half-year ended 31 December 2020 were as follows:

Macadamias - production and processing in the United States of macadamia products and marketing to wholesale and retail customers throughout the world;

Other - other segment relates to the Australian corporate head office, foreign exchange gains, Morwell leases recognised during the period ending 31 December 2020.

The Group generally accounts for inter-segmental sales and transfers as if the sales or transfers were to third parties at current market prices. This results in transfer pricing between business segments, being set on an arm's length basis. Revenues are attributed to geographic areas based on the source of income.

Segment accounting policies are the same as the Group's policies described in Note 1. There were no changes in segment accounting policies that had a material effect on the segment information.

2. SEGMENT INFORMATION (continued)

Reportable segments

Segment information provided to the Board and executive management committee for the half-years ended 31 December 2020 and 31 December 2019 are as follows:

	Macadamias		Other		Total	
	31/12/20 $'000	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000
Income						
Sales of goods to external customers	**17,691**	22,700	**-**	-	**17,691**	22,700
Other revenue / income	**165**	221	**789**	29	**954**	250
Total segment revenue	**17,856**	22,921	**789**	29	**18,645**	22,950
Total income from continuing operations					**18,645**	22,950
Results						
Operating profit	**1,421**	2,288	**(2,120)**	(55)	**(699)**	2,233
Segment EBITDA	**1,421**	2,288	**(2,120)**	(55)	**(699)**	2,233
Depreciation and amortisation	**(516)**	(740)	**(123)**	(43)	**(639)**	(783)
Segment result	**905**	1,548	**(2,243)**	(98)	**(1,338)**	1,450
Fair value gain/(loss) on derivative					**(665)**	(232)
Corporate overheads					**(1,180)**	(410)
EBIT					**(3,183)**	808
Net Finance costs					**(1,193)**	(1,010)
Loss before income tax					**(4,376)**	(202)
Income tax (expense)/benefit					**670**	(603)
Net Loss after income tax from continuing operations					**(3,706)**	(805)

* The comparative figures have been restated to present the impact of the current year discontinued operations.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

2. SEGMENT INFORMATION (continued)

	Australia		USA		Other		Total	
	31/12/20 $'000	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000
Sales of goods to external	**20**	55	**17,618**	22,535	**53**	110	**17,691**	22,700
Other revenue / income	**789**	115	**165**	135	**-**	-	**954**	250
Total geographical revenue	**809**	170	**17,783**	22,670	**53**	110	**18,645**	22,950
Total income from continuing operations							**18,645**	22,950
	31/12/20 $'000	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000	**31/12/20 $'000**	31/12/19 $'000
Total geographical assets	**27,302**	47,497	**35,928**	35,917	**-**	-	**62,230**	83,414
Total geographical liabilities	**8,591**	22,652	**25,569**	25.655	**-**	-	**34,160**	46,307

* The comparative figures have been restated to present the impact of the current year discontinued operations.

Revenue is attributable to external customers based on location of the customer.

'Other' represents sales to foreign countries that are not individually material to the Group and include the Asia, Europe and the South Pacific.

3. INCOME AND EXPENSES

		CONSOLIDATED	
	Note	**31/12/20 $'000**	31/12/19 $'000
(a) Other income			
Foreign exchange gains		**1**	95
Gain on modification of other financial liabilities	10	**430**	-
Sundry income		**238**	154
Total other income		**669**	249
(b) Finance income			
Gain on modification of convertible notes		**285**	-
Interest income		**-**	1
Total other expenses		**285**	1
(c) Other expenses			
Foreign exchange losses		**2,939**	66
Fair value loss on other financial liabilities	10	**665**	232
Loss on disposal of property, plant and equipment		**26**	-
Total other expenses		**3,630**	298
(d) Finance costs			
Bill facility		**217**	966
Bank loans and overdraft		**304**	14
Interest on lease payments		**18**	30
Convertible notes		**654**	-
Total finance costs		**1,193**	1,010

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

4. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. An income tax benefit of $670,000 has been recognised in the half-year which includes a tax expense of $24,000 relating to the USA, and an Australian tax benefit of $694,000 for the period. The Group has a total of $37,048,000 tax losses carried forward. No tax losses have been recognised during the year.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2020 (31 December 2019: Nil).

6. CONTRACT LIABILITIES

At 31 December 2020, there was $113,000 (30 June 2020: $528,000) of contract liabilities included within Trade and other payables relating to promotions, discounts, and term accruals. There were no contract assets at 31 December 2020 (30 June 2020: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

The Group purchased $335,000 (30 June 2020: $1,151,000) of property, plant and equipment during the period. There has been no other significant changes in the value of property, plant and equipment at 31 December 2020.

8. INTANGIBLE ASSETS

There has been no significant changes in the value of intangible assets at 31 December 2020.

9. INTEREST-BEARING LIABILITIES

A. Bank and working capital facilities

The Group has a working capital finance facility with Greensill Capital (UK) Limited. As at 31 December 2020, the Group has a total drawdown of the facility of $10,797,000. The drawdowns have a 120 day maturity term upon which the balance is able to be drawn down in full again. The average interest rate for the facility is 8.33%.

The Group also has a loan of AUD$1,613,000 (US$1,250,000) obtained as part of the US Government Paycheck Protection Program through the Bank of Hawaii. The facility has a 2-year term and the entity is eligible to apply for loan forgiveness should certain criteria be met and it is the intention of MacFarms, LLC to submit an application. As at 31 December 2020, applications had not opened to apply for loan forgiveness. The interest rate for the loan is 1%.

Other bank loans include the MacFarms LLC loan facilities for AFCO (premium funding) and JD equipment. These facilities are at an average interest rate of 3.79% (2019: 5.05%) and 0.0% (2019: nil).

B. Convertible Notes

The Group made a payment of $5,000,000 to the notes holder on the 1 October 2020. On the 31 December 2020 the terms of the agreement were modified to extend the repayment of the convertible notes to $5,000,000 due at 30 September 2021 and the remaining $5,000,000 due at 30 September 2022. This modification resulted in a gain of $285,025 recognised as finance income for the period ended 31 December 2020.

10. OTHER FINANCIAL LIABILITIES

The derivative liability recognised in other financial liabilities represent the value attributable to the potential adjustments to conversion of the convertible notes issued (refer to note 9(b) for convertible notes). The contract modification to the convertible note on the 1 October 2020 resulted in a modification to the derivative liability and gain of $429,921 recognised in other income. The derivative liability component of the convertible note is measured at fair value on each reporting date. The valuation as at 31 December 2020 was $1,524,690 (30 June 2020: $1,289,763) resulting in a fair value loss of $664,848 (30 June 20: loss of $932,000) recognised in the consolidated statement of profit or loss.

11. LEASE LIABILITIES

The carrying amount of the lease liabilities at 31 December 2020 is outlined below:

	CONSOLIDATED	
	31/12/20 $'000	30/06/20 $'000
Current lease liabilities	**447**	449
Non-current lease liabilities	**50**	311
Total lease liabilities	**497**	**760**

12. DISCONTINUED OPERATIONS

On 15 June 2020, the Group announced plans for the disposal of the assets of the Ginger and Tourism division by way of a proposed sale. Subsequently on 6 August 2020, the Group entered a binding agreement to sell the Ginger and Tourism division for cash consideration of $11,000,000 and the purchaser committed to assuming certain liabilities of the divisions. The associated assets and liabilities were consequently presented as held for sale in the 30 June 2020 financial statements and the result presented as discontinued operations.

On 30 September 2020, the sale of the assets of the Ginger and Tourism division and subsidiaries Frespac Ginger (Fiji) Pte Ltd and Ginger Head Quarters Pty Ltd completed and is reported in the current period as discontinued operations. The financial information relating to the discontinued operations for the period to the date of disposal is set out below.

Financial performance and cash flow information
The financial performance and cash flow information presented are for the three months ended 30 September 2020.

	31/12/20 $000	31/12/19 $'000
Revenue	**8,721**	15,796
Other income	**1,080**	125
Operating expenses *	**(8,166)**	(14,592)
Profit/(loss) before income tax	**1,635**	1,329
Income tax expense/(benefit)	**-**	460
Profit/(loss) after income tax from discontinued operations	**1,635**	1,789
Loss on sale after tax (see below)	(1,200)	-
Profit/(loss) from discontinued operations	**435**	1,789

*Impairment to the fair value less cost to sell expense totalling $9,799 were recognised as at 30 June 2020.

	31/12/20 $000	31/12/19 $'000
Net cash inflow/(outflow) from operating activities	**5,072**	(892)
Net cash inflow/(outflow) from investing activities	**6,705**	(64)
Net cash inflow/(outflow) from financing activities	**(486)**	(4)
Net increase/(decrease) in cash generated by the discontinued operations	**11,291**	**(960)**

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Details of the sale of the subsidiary

	30/9/20 $000
Cash consideration received	**11,020**
Consideration payable to buyer	**(220)**
Carrying amount of net assets sold	**(11,526)**
Loss on sale before income tax and reclassification of foreign currency translation reserve	**(726)**
Reclassification of foreign currency translation reserve	**(474)**
Income tax expense/(benefit) on sale	**-**
Loss on sale after income tax	**(1,200)**

The carrying amount of assets and liabilities as at the date of sale (30 September 2020) were:

	30/09/20 $000
Cash and cash equivalents	**23**
Trade and other receivables	**4,911**
Inventories	**3,581**
Prepayments	**(382)**
Property, plant, and equipment	**7,200**
Deferred tax assets	**43**
Intangible assets	**1**
Other non-current assets	**109**
Current tax assets	**57**
Total assets	**15,543**
Trade and other payables	**2,210**
Employee entitlements	**1,348**
Lease liabilities	**459**
Total liabilities	**4,017**
Net assets	**11,526**

13. EVENTS AFTER THE REPORTING DATE

On 28 January 2021, Health and Plant Protein Group signed a term sheet to enter into a working capital finance facility with American AGCredit. Conditional pre-approval from American AGCredit was received on 19 February 2021 subject to the Group providing first ranking mortgage over the Hawaii assets. Should this proceed, it will be a traditional working capital facility with low cost of capital, offering a flexible AUD$10,324,000 (USD$8,000,000) arrangement. This facility would continue to operate over a period of up to 25 years and replace our current financier Greensill Capital (UK) as first ranking mortgage over the group's property assets in Hawaii.

As per the recent ASX announcements, on the 11 January 2021 Health and Plant Protein Group agreed to acquire in a staged investment up to a 24% stake in EVR Foods, Inc. (LAVVA) ®), the holding entity of the LAVVA ® brand and its associated assets for a total of up to US$5 million (LAVVA ® Investment).

The Directors are not aware of any other matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect the operations and results of the Group.

14. RELATED PARTY DISCLOSURES

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Asia Mark Development Limited (AMD)

Asia Mark Development Limited, a major shareholder, holds 25,000,000 convertible notes as at 31 December 2020. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals $533,712 (2019: $1,162,663).

MacFarms of Hawaii 401(k) Profit Sharing Plan

The Group periodically elects to make discretionary contribution to the accounts of eligible employees under the MacFarms of Hawaii (401k) Profit Sharing Plan, a self-administered deferred profit sharing plan for eligible employees of MacFarms, LLC. Contributions to the profit sharing plan are made in the second half of the financial year. The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of $9,445 in relation to administration fees (31 December 2019: $14,416).

Directors' Declaration

The directors of the company declare that:

(a) the consolidated interim financial report of Health and Plant Protein Group Limited are in accordance with the *Corporations Act* 2001, including:

(i) giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulation 2001*; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Guy Cowan

Director

Brisbane, 25 February 2021

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Independent auditor's review report to the members of Health and Plant Protein Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Health and Plant Protein Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

Susie Kuo
Partner
Brisbane
25 February 2021