



Appendix 4D [Listing Rule 4.2A.3](#)

# Half-Year Report

For the  
six months ended  
31 December 2021

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## Appendix 4D – Half-Year Report

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

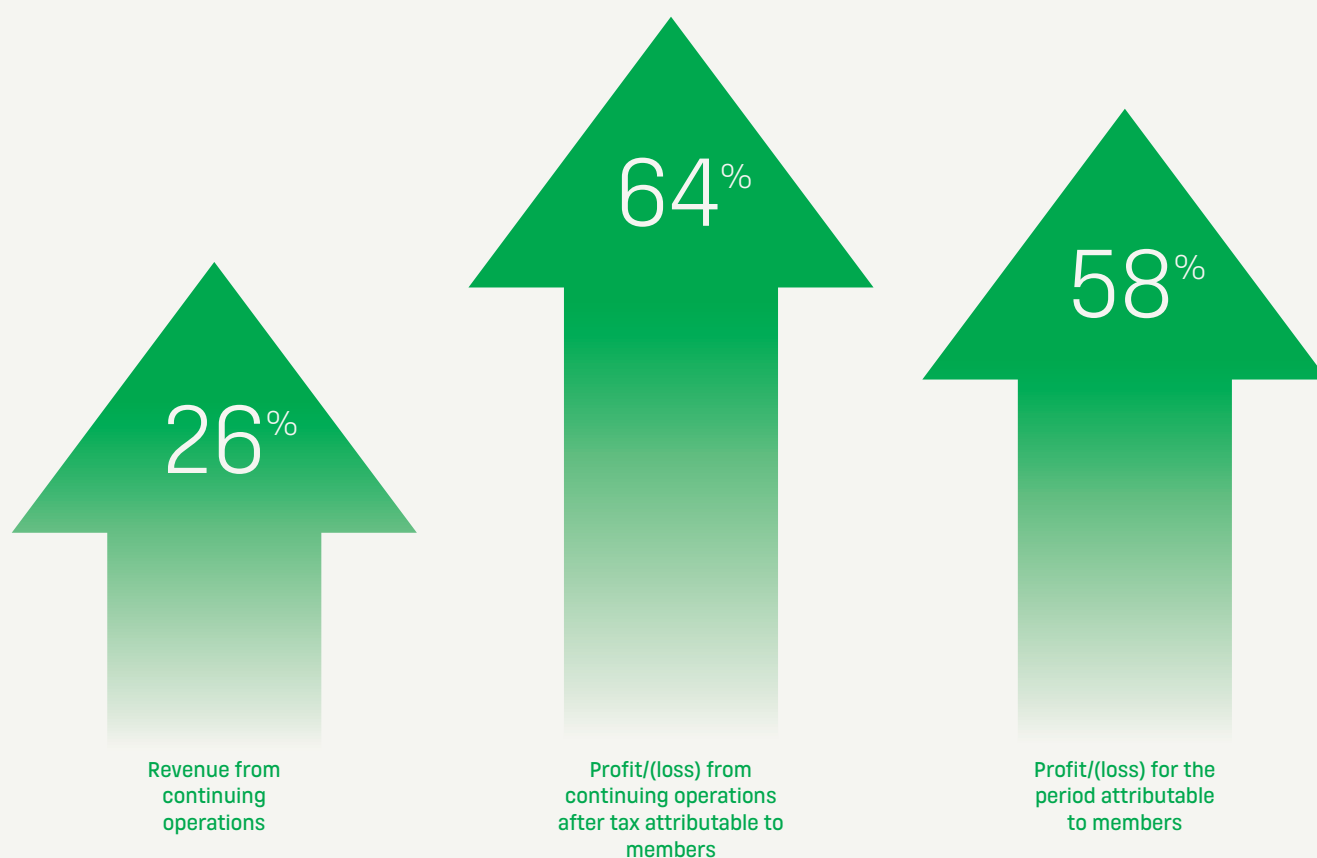
Half-year ended 31 December 2021

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2021.

### Results for Announcement to the Market

Comparison to previous corresponding period	31 December 2021 \$'000	31 December 2020 \$'000	\$ Increase change %
Revenue from continuing operations	22,347	17,691	<b>4,656 or 26%</b>
Profit/(Loss) from continuing operations after tax attributable to members	(1,340)	(3,706)	<b>2,366 or 64%</b>
Profit/(Loss) for the period attributable to members	(1,340)	(3,221)	<b>1,881 or 58%</b>

Refer to the attached 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 2021 and 31 December 2020. 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 profit/(loss) after tax of (\$1,340,000) for the half-year ended 31 December 2021 inclusive of income tax expense of \$204,000 for the corporate segment and USD\$500,000 (AUD\$696,000) for the macadamia segment. This compares to the prior half-year net profit/(loss) after tax of (\$3,221,000) inclusive of income tax and discontinued operations. The tax expense represents the movement in current and deferred tax in the period.

The net profit/(loss) before tax from continuing operations was (\$440,000) compared to (\$4,376,000) for the previous comparative period.

	2021 \$'000	2020 \$'000
<b>NET PROFIT / (LOSS) FOR THE HALF-YEAR</b>	<b>(1,340)</b>	<b>(3,221)</b>
Profit/(loss) from discontinued operations	-	485
Profit/(loss) from continuing operations for the half-year attributable to members	(1,340)	(3,706)
Tax expense/(benefit)	900	(670)
<b>Group profit/(loss) from continuing operations before income tax</b>	<b>(440)</b>	<b>(4,376)</b>

The Group profit/(loss) before tax of (\$440,000) was contributed to by:

	2021 \$'000	2020 \$'000
<b>Business Segments</b>		
Macadamia operations	2,050	905
Other	63	(2,243)
<b>Total</b>	<b>2,113</b>	<b>(1,338)</b>
Fair value gain/(loss) on derivative	(824)	(665)
Corporate overhead expenses	(983)	(1,180)
Finance costs	(746)	(1,193)
<b>Group profit/(loss) from continuing operations before income tax</b>	<b>(440)</b>	<b>(4,376)</b>

## The Macadamia segment profit

# \$2.05M

for the half-year ended 31 December 2021

## 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 \$2,050,000 compared to the prior half year profit of \$905,000, shows an underlying increased profitability of 126%.

The unwinding of a significant portion of the \$8.3 million (US\$6.4 million) inventory provision recognised in FY2021 has been driven by the appointment of a new position, General Manager - Sales which has led to an increased focus in Industrial sales, new business, product launches and expansion of existing regions.

Industrial sales increased to \$8.2 million (2020: \$4.0 million), an increase of 105% compared to 31 December 2020 reflecting the positive impact from a renewed focus on this sales channel. Retail sales growth of 3% was achieved during the period despite the ongoing impact of COVID-19 disruptions.

Tourist visitations to Hawaii have increased significantly during the current half, with December 2021 tourist numbers only 20.9% down on those recorded in December 2019, prior to the COVID-19 pandemic. Mainland sales have remained stable throughout the pandemic.

- The corporate segment profit for the HY of \$63,000 compared to the prior half year loss of \$2,243,000, shows an underlying increased profitability of 103%. Contributing to this profitability is a \$1,131,000 YTD foreign exchange gain, as well as a \$22,000 Government grant towards investment and improvement of in-house IT systems.

The additional investment in EVR Foods, Inc. (holding entity of the Lavva® brand and its associated assets) in October 2021 of US\$107,083 (AUD\$143,967), was followed by the subsequent decision to derecognise the EVR investment in its entirety (US\$2,237,406 (AUD\$3,068,723)), as of 31 December 2021 due to the trading conditions of the associate.

The execution of the convertible notes fourth deed of variation, resulted in a fair value loss on the derivative liability component of \$823,796, which is recognised in the consolidated statement of profit or loss. The contract modification when assessed under AASB9 Financial Instruments, resulted in substantially different future cashflows (>10%) and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a gain of \$2,656,955 recognised as other income.

Corporate overheads decreased by \$197,000 to \$983,000 for the half-year. Included in this amount are one off costs of \$62,839 for legal and professional fees and \$18,590 for IT costs.

- An income tax expense of \$900,000 has been recognised in the half-year which includes a tax expense of \$204,000 for the corporate segment and USD\$500,000 (AUD\$696,000) relating to the macadamia segment for the period. The tax expense represents the movement in current and deferred tax in the period.

NET TANGIBLE ASSET BACKING	31/12/2021	30/06/2021
Net tangible asset backing per ordinary share excluding intangible assets and net right-of-use assets	<b>\$0.14</b>	\$0.15
Number of shares on issue	<b>122,820,738</b>	122,820,738

### 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 as at 30 June 2021. 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 2021 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 2022

Industrial sales increased to

\$8.2M

(2020: \$4.0 million)

The corporate segment profit for the half year was

\$63,000

compared to the prior half year loss of \$2.243M

# Directors' Report

## Half-Year Report

For the six months ended  
31 December 2021





# Directors' Report

The Directors of Health and Plant Protein 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 2021.

## 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:

Dennis Lin	(appointed 4 August 2021 as Executive Chair)
Qi (Christina) Chen	
Peter O'Keeffe	
Andrew Bond	
Nicki Anderson	(resigned 4 August 2021)

## Review of Operations and Financial Results

For the half-year ended 31 December 2021 the Group recorded a net profit/(loss) after tax of (\$1,340,000) (2020: net loss after tax \$3,221,000 inclusive of net profit from discontinued operations of \$485,000).

The net profit/(loss) before tax from continuing operations was (\$440,000) compared to (\$4,376,000) 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:

	2021		2020	
	Revenues \$'000	Results* \$'000	Revenues \$'000	Results* \$'000
Business segments				
Macadamia operations	22,458	2,050	17,856	905
Other	3,837	63	789	(2,243)
<b>Total</b>	<b>26,295</b>	<b>2,113</b>	<b>18,645</b>	<b>(1,338)</b>
Fair value gain/(loss) on other financial liabilities	-	(824)	-	(665)
Corporate overhead expenses	-	(983)	-	(1,180)
Finance costs	-	(746)	-	(1,193)
<b>Group income and (loss) from continuing operations before income tax</b>	<b>26,295</b>	<b>(440)</b>	<b>18,645</b>	<b>(4,376)</b>

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



## Directors' Report (continued)

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

- The Macadamia segment profit for the half year of \$2,050,000 compared to the prior half year profit of \$905,000, shows an underlying increased profitability of 126%.

The unwinding of a significant portion of the \$8.3 million (US\$6.4 million) inventory provision recognised in FY2021 has been driven by the appointment of a new position, General Manager - Sales which has led to an increased focus in Industrial sales, new business, product launches and expansion of existing regions.

Industrial sales increased to \$8.2 million (2020: \$4.0 million), an increase of 105% compared to 31 December 2020 reflecting the positive impact from a renewed focus on this sales channel. Retail sales growth of 3% was achieved during the period despite the ongoing impact of COVID-19 disruptions.

Tourist visitations to Hawaii have increased significantly during the current half, with December 2021 tourist numbers only 20.9% down on those recorded in December 2019, prior to the COVID-19 pandemic. Mainland sales have remained stable throughout the pandemic.

- The corporate segment profit for the HY of \$63,000 compared to the prior half year loss of \$2,243,000, shows an underlying increased profitability of 103%.

Contributing to this profitability is a \$1,131,000 YTD foreign exchange gain, as well as a \$22,000 Government grant towards investment and improvement of in-house IT systems.

The additional investment in EVR Foods, Inc. (holding entity of the Lavva® brand and its associated assets) in October 2021 of US\$107,083 (AUD\$143,967), was followed by the subsequent decision to derecognise the EVR investment in its entirety (US\$2,237,406 (AUD\$3,068,723)), as of 31 December 2021 due to the trading conditions of the associate.

The execution of the convertible notes fourth deed of variation, resulted in a fair value loss on the derivative liability component of \$823,796, which is recognised in the consolidated statement of profit or loss. The contract modification when assessed under AASB9 Financial Instruments, resulted in substantially different future cashflows (>10%) and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a gain of \$2,656,955 recognised as other income.

Corporate overheads decreased by \$197,000 to \$983,000 for the half-year. Included in this amount are one off costs of \$62,839 for legal and professional fees and \$18,590 for IT costs.

- An income tax expense of \$900,000 has been recognised in the half-year which includes a tax expense of \$696,000 relating to the USA, and an Australian tax expense of \$204,000 for the period.

### Macadamia segment profit ↑126%

HY21

\$2,050,000

HY20

\$905,000

### Corporate segment profit ↑103%

HY21

\$63,000

-\$2,243,000

HY20

## Directors' Report (continued)

The table below shows the asset and capital structure as at 31 December 2021. Net debt has decreased primarily due to the modification of the convertible note agreement:

	CONSOLIDATED	
	31/12/2021 \$'000	30/06/2021 \$'000
<b>NET GEARING</b>		
Debts		
Interest-bearing liabilities	15,986	18,630
Cash and cash equivalents	(2,822)	(2,725)
Net debt	13,164	15,905
Total equity	19,828	20,925
Total capital employed	32,992	36,830
	39.90%	43.18%
<b>DEBT/EQUITY</b>		
Total equity	19,828	20,925
Intangibles	(942)	(1,130)
	18,886	19,795
Interest-bearing liabilities	15,986	18,630
	84.64%	94.11%

### 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 2021, the Group held finance facilities with American AgCredit, FLCA, of USD\$8,000,000 (AUD\$10,972,432) and also had Convertible Notes held by Asia Mark Development Limited (AMD) of \$10,000,000 with the following revised terms:

- 1.25 million convertible notes (representing a principal amount of \$500,000) to be redeemed on 30 September 2022 and 31 March 2023;
- 1.875 million convertible notes (representing a principal amount of \$750,000) to be redeemed on 30 September 2023 and 31 March 2024; and
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2024, 31 March 2025, 30 September 2025, 31 March 2026, 30 September 2026 and 31 March 2027; and
- 3.75 million convertible notes (representing a principal amount of \$1.5 million) on 30 September 2027.

Prior to the new agreed payment schedule, Health and Plant Protein Group Limited had agreed to redeem 12.5 million convertible notes on 30 September 2021 with the remaining 12.5 million convertible notes due 30 September 2022.

The Directors expect the financiers to provide continued support. The review of Kapua Orchard continues, and the Group is in discussion with several interested parties, with an outcome likely before the end of 30 June 2022. The business continues its focus to expand sales distribution and implement strategies to improve profitability.

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

The Directors are not aware of any 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 12.

### 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.



D Lin  
Executive Chair  
Brisbane, 25 February 2022



**Building a better  
working world**

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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 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene 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

Susie Kuo  
Partner  
25 February 2022





# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

	Notes	CONSOLIDATED	
		31/12/21 \$'000	30/06/21 \$'000*
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,822	2,725
Trade and other receivables		2,030	2,446
Inventories including biological assets		15,896	13,661
Prepayments		782	1,488
<b>TOTAL CURRENT ASSETS</b>		<b>21,530</b>	<b>20,320</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	26,879	25,858
Intangible assets	7	942	1,130
Investments in associates	8	-	3,350
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,821</b>	<b>30,338</b>
<b>TOTAL ASSETS</b>		<b>49,351</b>	<b>50,658</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,134	4,159
Interest-bearing liabilities	9	758	18,405
Other financial liabilities	10	17	174
Current tax liabilities		224	219
Lease liabilities	11	290	487
Employee entitlements		865	943
Other provisions		97	113
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,385</b>	<b>24,500</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	9	15,228	225
Other financial liabilities	10	1,848	867
Lease liabilities	11	1,056	1,103
Deferred tax liabilities		3,970	3,005
Employee entitlements		36	33
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>22,138</b>	<b>5,233</b>
<b>TOTAL LIABILITIES</b>		<b>29,523</b>	<b>29,733</b>
<b>NET ASSETS</b>		<b>19,828</b>	<b>20,925</b>
<b>EQUITY</b>			
Contributed equity		60,613	60,613
Reserves		12,684	12,441
Accumulated losses		(53,469)	(52,129)
<b>TOTAL EQUITY</b>		<b>19,828</b>	<b>20,925</b>

\*Certain comparative figures have been restated to conform with current year's presentation.

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 2021

		CONSOLIDATED	
	Notes	31/12/21 \$'000	31/12/20 \$'000*
<b>INCOME</b>			
Sale of goods from continuing operations		22,347	17,691
Change in fair value of biological assets		2,038	4,328
Cost of sales		(17,287)	(16,090)
<b>Gross profit</b>		<b>7,098</b>	<b>5,929</b>
Rental income		12	-
Other income	3 (a)	1,279	669
Finance income	3 (b)	2,657	285
		<b>11,046</b>	<b>6,883</b>
Administration expenses		(2,834)	(3,484)
Selling and distribution expenses		(2,424)	(2,133)
Marketing expenses		(834)	(819)
Share of net profits / (loss) of associates	8	(3,740)	-
Other expenses	3 (c)	(908)	(3,630)
<b>PROFIT / (LOSS) BEFORE TAX AND FINANCE COSTS</b>		<b>306</b>	<b>(3,183)</b>
Finance costs	3 (d)	(746)	(1,193)
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>(440)</b>	<b>(4,376)</b>
Income tax benefit/(expense)	4	(900)	670
<b>NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS</b>		<b>(1,340)</b>	<b>(3,706)</b>
Profit / (loss) from discontinued operations		-	485
<b>NET PROFIT / (LOSS) FOR THE HALF-YEAR</b>		<b>(1,340)</b>	<b>(3,221)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange difference on translation of foreign operations, net of tax		243	163
<b>Total other comprehensive income / (loss), net of tax</b>		<b>243</b>	<b>163</b>
<b>TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF-YEAR</b>		<b>(1,097)</b>	<b>(3,058)</b>
<b>Total net profit / (loss) is attributable to:</b>			
Equity holders of Health and Plant Protein Group Limited		(1,340)	(3,221)
		<b>(1,340)</b>	<b>(3,221)</b>
<b>Total comprehensive profit / (loss) is attributed to:</b>			
Equity holders of Health and Plant Protein Group Limited		(1,097)	(3,058)
		<b>(1,097)</b>	<b>(3,058)</b>
Basic and diluted profit / (loss) per share (cents)		<b>(1.09)</b>	<b>(2.62)</b>
Basic and diluted profit / (loss) per share from continuing operations (cents)		<b>(1.09)</b>	<b>(3.02)</b>
Basic and diluted profit / (loss) per share from discontinued operations (cents)		-	0.39

\*Certain comparative figures have been restated to present the impacts of the discontinued operations.

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 2021

		CONSOLIDATED	
	Notes	31/12/21 \$'000	31/12/20 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		21,794	24,762
Payments to suppliers and employees (inclusive of GST)		(19,724)	(29,660)
Government grants		22	1,281
Interest and other finance costs paid		(147)	(590)
Income tax (paid)/received		(30)	(558)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>1,915</b>	<b>(4,765)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(588)	(335)
Consideration paid to associate		(144)	-
Proceeds from sale of property, plant and equipment		-	59
Consideration received on sale of business		-	10,866
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(732)</b>	<b>10,590</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	17,565
Repayments of borrowings		(836)	(21,441)
Principal elements of lease payments		(251)	(252)
Proceeds from issues of equity securities		-	6,256
Transaction costs relating to issue of equity securities		-	(467)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(1,087)</b>	<b>1,661</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the half-year		2,725	2,673
Foreign exchange difference on cash holdings		1	(154)
<b>CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR</b>		<b>2,822</b>	<b>10,005</b>

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 2021

CONSOLIDATED					
	RESERVES				Total Equity \$'000
	Contributed Equity \$'000	Asset Revaluation \$'000	Foreign Currency Translation \$'000	Accumulated Losses \$'000	
<b>As at 1 July 2020</b>	54,824	13,972	1,238	(43,645)	26,389
<i>Total comprehensive income for the half-year</i>					
Net profit / (loss) for half-year	-	-	-	(3,221)	(3,221)
Other comprehensive income / (loss)	-	1,230	(1,005)	(62)	163
<b>Total comprehensive income / (loss) for the half-year</b>	-	1,230	(1,005)	(3,283)	(3,058)
Transfer of asset revaluation reserve to retained earnings	-	(1,628)	-	1,628	-
<i>Transactions with owners in their capacity as owners</i>					
Shares issued, net of transaction costs	5,789	-	-	-	5,789
<b>As at 31 December 2020</b>	60,613	13,574	233	(45,300)	29,120
<b>As at 1 July 2021</b>	60,613	12,128	313	(52,129)	20,925
<i>Total comprehensive income for the half-year</i>					
Net profit/(loss) for half-year	-	-	-	(1,340)	(1,340)
Other comprehensive income / (loss)	-	-	243	-	243
<b>Total comprehensive income / (loss) for the half-year</b>	-	-	243	(1,340)	(1,097)
Transfer of asset revaluation reserve to retained earnings	-	-	-	-	-
<i>Transactions with owners in their capacity as owners</i>					
Shares issued, net of transaction costs	-	-	-	-	-
<b>As at 31 December 2021</b>	60,613	12,128	556	(53,469)	19,828

\*Certain comparative figures have been restated to present the impacts 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

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

### 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim condensed financial report for the half-year reporting period ended 31 December 2021 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 2021 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 2022.

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 \$1,340,000 for the half-year ended 31 December 2021 inclusive of income tax expense of \$900,000. This result compared to the prior half-year net loss after tax of \$3,221,000 inclusive of income tax and discontinued operations.

As at 31 December 2021, the Group held a finance facility with American AgCredit, FLCA, of USD\$8,000,000 (AUD\$10,972,432), the undrawn facility being USD\$2,689,078 (AUD\$3,688,216). The facility limit is reduced by USD\$320,000 (AUD\$438,957) each year beginning 1 March 2022. The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets.

As disclosed in Note 9, the Group also has Convertible Notes held by Asia Mark Development Limited (AMD) of \$10,000,000, terms of which recently changed after the fourth deed of variation was agreed and executed on 31 December 2021. Under the revised agreement:

- 1.25 million convertible notes (representing a principal amount of \$500,000) to be redeemed on 30 September 2022 and 31 March 2023;
- 1.875 million convertible notes (representing a principal amount of \$750,000) to be redeemed on 30 September 2023 and 31 March 2024; and
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2024, 31 March 2025, 30 September 2025, 31 March 2026, 30 September 2026 and 31 March 2027; and
- 3.75 million convertible notes (representing a principal amount of \$1.5 million) on 30 September 2027.

The cashflow forecast may not be sufficient to cover the settlement of short-term working capital requirements due to the timing of inventory purchases, 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 available American AgCredit FLCA facility will assist the Group in managing the short-term working capital requirements and the Directors expect the Group's financiers will provide continued support. The review of Kapua Orchard continues, and the Group is in discussion with several interested parties, with an outcome likely before 30 June 2022. The business continues its focus to expand sales distribution and implement strategies to improve profitability.

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 2021

### 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 2021 were as follows:



**Macadamias** Production and processing in United States, of macadamia products and marketing to wholesale and retail customers throughout the world.



**Corporate** Australian head office, foreign exchange, investment in associates and leases recognised during the period ended 31 December 2021.

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 location of the assets producing the revenues.

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.



# Notes to the Consolidated Interim Financial Report (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

### 2. SEGMENT INFORMATION (continued)

#### Reportable Segments

Segment information provided to the Board and executive management committee for the half-years ended 31 December 2021 and 31 December 2020 are as follows:

	MACADAMIAS		OTHER		TOTAL	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
<b>Income</b>						
Sales of goods to external customers	22,347	17,691	-	-	22,347	17,691
Other revenue / income	111	165	3,837	789	3,948	954
Total segment revenue	22,458	17,856	3,837	789	26,295	18,645
<b>Total income from continuing operations</b>					26,295	18,645
<b>Results</b>						
<b>Operating profit</b>	2,685	1,421	74	(2,120)	2,759	(699)
<b>Segment EBITDA</b>	2,685	1,421	74	(2,120)	2,759	(699)
Depreciation and amortisation	(635)	(516)	(11)	(123)	(646)	(639)
<b>Segment result</b>	2,050	905	63	(2,243)	2,113	(1,338)
Fair value gain/(loss) on derivative					(824)	(665)
Corporate overheads					(983)	(1,180)
<b>EBIT</b>					306	(3,183)
Finance costs					(746)	(1,193)
<b>Profit / (loss) before income tax</b>					(440)	(4,376)
Income tax (expense)/benefit					(900)	670
<b>Net profit / (loss) after income tax from continuing operations</b>					(1,340)	(3,706)

	AUSTRALIA		USA		OTHER		TOTAL	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
Sales of goods to external customers	-	20	21,969	17,618	378	53	22,347	17,691
Other revenue / income	3,837	789	111	165	-	-	3,948	954
<b>Total geographical revenue</b>	3,837	809	22,080	17,783	378	53	26,295	18,645
<b>Total income from continuing operations</b>							26,295	18,645
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
<b>Total geographical assets</b>	23,631	27,302	25,720	35,928	-	-	49,351	63,230
<b>Total geographical liabilities</b>	10,846	8,591	18,677	25,569	-	-	29,523	34,160



# Notes to the Consolidated Interim Financial Report (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

### 3. INCOME AND EXPENSES

	Notes	CONSOLIDATED	
		31/12/21 \$'000	30/06/21 \$'000
<b>(a) Other income</b>			
Foreign exchange gains		1,131	1
Fair value gain on other financial liabilities	10	-	430
Sundry income		148	238
<b>Total other income</b>		<b>1,279</b>	<b>669</b>
<b>(b) Finance income</b>			
Gain on extinguishment adjustment of host liability	9	2,657	-
Gain on modification adjustment of host liability	9	-	285
<b>Total finance income</b>		<b>2,657</b>	<b>285</b>
<b>(c) Other expenses</b>			
Foreign exchange losses		66	2,939
Fair value loss on other financial liabilities	10	824	665
Loss on disposal of property, plant and equipment		15	26
Sundry expenses		3	-
<b>Total other expenses</b>		<b>908</b>	<b>3,630</b>
<b>(d) Finance costs</b>			
Convertible notes	9	564	654
Bank loans and overdraft		138	304
Working capital financial facilities		8	217
Interest on lease liabilities		36	18
<b>Total finance costs</b>		<b>746</b>	<b>1,193</b>

### 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 expense of \$900,000 has been recognised in the half-year which includes a tax expense of \$696,000 relating to the USA, and an Australian tax expense of \$204,000 for the period. The Group has tax losses carried forward of AUD\$41,213,243 for the corporate segment and USD\$3,697,153 (AUD \$5,070,845) for the macadamia segment. 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 2021 (31 December 2020: Nil).

# Notes to the Consolidated Interim Financial Report (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

### 6. PROPERTY, PLANT AND EQUIPMENT

The Group purchased \$588,000 (30 June 2021: \$925,000) 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 2021.

### 7. INTANGIBLE ASSETS

There have been no significant changes in the value of intangible assets at 31 December 2021.

### 8. INVESTMENT IN ASSOCIATES

On 18 October 2021 the Group acquired a further interest in EVR Foods, Inc (Lavva®) for US\$107,083 (AUD\$143,967). This resulted in the increase of the Groups shareholding in EVR Foods, Inc from 17.2% to 17.6%.

A subsequent decision to derecognise the EVR investment in its entirety (US\$2,237,406 (AUD\$3,068,723)), occurred, effective 31 December 2021.

### 9. INTEREST-BEARING LIABILITIES

#### A. Bank and working capital facilities

The Group has a secured revolving line of credit with American AGCredit, FLCA, of US\$8,000,000 (AU\$10,972,432). As at 31 December 2021, the Group had drawn down US\$5,310,922 (AU\$7,284,216), leaving US\$2,689,078 (AU\$3,688,216) available for use. This facility has an interest rate of 3.63%, subject to LIBOR.

MacFarms LLC has two financing facilities with John Deere Financial, both secured equipment finance, the first one at 0% (2020: nil) interest over 60 months, maturity date 30 October 2024 and the second one at 0% interest over 48 months, maturity date 05 May 2025.

The Group has financing facilities for premium funding, through AFCO (MacFarms LLC), and iQumulate (Corporate). The interest rate for the FY2021/FY2022 insurance period is 3.109% (AFCO) and 2.8718% (iQumulate).

#### B. Convertible Notes

On the 31 December 2021 the terms of the agreement were modified to extend the repayment of the convertible notes to:

- 1.25 million convertible notes (representing a principal amount of \$500,000) to be redeemed on 30 September 2022 and 31 March 2023;
- 1.875 million convertible notes (representing a principal amount of \$750,000) to be redeemed on 30 September 2023 and 31 March 2024; and
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2024, 31 March 2025, 30 September 2025, 31 March 2026, 30 September 2026 and 31 March 2027; and
- 3.75 million convertible notes (representing a principal amount of \$1.5 million) on 30 September 2027.

The contract modification at 31 December 2021 when assessed under AASB9 Financial Instruments resulted in substantially different future cashflows, and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a gain of \$2,656,955 recognised as finance income for the period ended 31 December 2021.



# Notes to the Consolidated Interim Financial Report (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

### 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 derivative liability component of the convertible note is measured at fair value on each reporting date. The valuation as at 31 December 2021 was \$1,864,890 (30 June 2021: \$1,041,094) resulting in a fair value loss of \$823,796 (30 June 21: gain of \$249,000) recognised in the consolidated statement of profit or loss.

### 11. LEASE LIABILITIES

The carrying amount of the lease liabilities at 31 December 2021 is outlined below:

	CONSOLIDATED	
	31/12/21 \$'000	30/06/21 \$'000
Current lease liabilities	290	487
Non-current lease liabilities	1,056	1,103
<b>Total lease liabilities</b>	<b>1,346</b>	<b>1,590</b>

### 12. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any 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.

### 13. 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 2021. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$987,534 (2020: \$533,712).

#### *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 \$12,537 in relation to administration fees (31 December 2020: \$9,445).







# 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 2021 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.



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**Executive Chair**

Brisbane, 25 February 2022



**Building a better  
working world**

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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 2021, 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 2021 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.

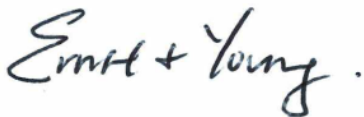
#### **Auditor's responsibility**

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 2021 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 2022

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