



Annual Report 2022

HEALTH AND PLANT PROTEIN GROUP LIMITED





Health Plant Protein Group Limited
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2022 Annual Report
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In this report

6	Executive Chair's Message
8	Directors' Report
32	Auditors' Independence Declaration
34	Consolidated Statement of Financial Position
35	Consolidated Statement of Profit or Loss and Other Comprehensive Income
36	Consolidated Statement of Cash Flows
37	Consolidated Statement of Changes in Equity
40	Notes to the Financial Statements
91	Directors' Declaration
92	Independent Audit Report
98	Additional Information for Listed Public Companies
100	Corporate Information



Executive Chair's Message

Dear Shareholders,

On behalf of the Health and Plant Protein Group Limited's (HPP) Board, I am pleased to present the annual report for the financial year ended 30 June 2022. This is my first report since recently re-joining the business on 19 July 2022, after having left in February 2019 when it was still part of the Buderim Group. I am happy to be taking over from Dennis Lin as Executive Chair, to lead the business into its next chapter.

For the financial year ended 30 June 2022, the Group has posted a Net Profit After Tax of \$665k compared with a \$10.6 million loss in the prior year, and total consolidated sale of goods to external customers for the continuing operations has increased 16.6% from \$36.2 million to \$42.2 million. The Group has ended the financial year with a positive net operating cashflow of \$1.4 million notwithstanding cashflow constraints due to supply chain issues in the March quarter, which is a significant turnaround compared to the negative net operating cashflow of \$2.6 million last year.

Earlier in the financial year, then Chair Dennis Lin led a strategic review of our Kapua Orchard which identified a number of opportunities and potential partners. We are still working to find an outcome that is beneficial to the business as well as our shareholders. As we advised in the Q3 FY2022 Appendix 4C Quarterly Activities report, it was important for the Group to ensure that the successful strategic partner would continue with production and provide a reliable and appropriate supply off-take arrangement, as well as committing a level of investment to improving production and processing assets. We endeavour to provide a further update to shareholders in the coming months.

...we have ended the financial year with a positive net operating cashflow of \$1.4 million notwithstanding cashflow constraints due to supply chain issues in the March quarter.

In the half year accounts, we advised that in light of difficult trading conditions, the Board took the hard decision to derecognise the EVR investment in its entirety, although the Group had made an additional investment in EVR Foods Inc. (Lavva®) of US\$107,083 (AUD\$143,967) in October 2021. This meant a net loss of US\$2,237,406 (AUD\$3,068,723) was accounted for in the half year to 31 December 2021 accounts. Although both HPP and S2G Ventures wanted to see this brand succeed, based on the adverse effect those trading conditions were having on our respective businesses, it was decided not to proceed with further funding. On the 10 June 2022, the Lavva® brand was acquired by Regenerative Plant Based, Inc. Prior to my appointment in July, the Group formally forfeited any shareholding in EVR.

In March 2022, American AgCredit, FLCA approved an increase in our facility limit from US\$7.7 million (AUD\$11.1 million) to US\$10 million (AUD\$14.5 million), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 2022. The increased debt facilities will provide greater headroom for working capital requirements as we enter a new harvest and processing season. We thank American AgCredit, FLCA for their continued support of the Group's business.

Importantly, following the recruitment of our General Manager - Sales, the Group has been able to recover 48.44% (US\$3.3 million (AUD\$4.8 million)) of the US\$6.4 million (AUD\$8.3 million) unfavourable inventory adjustment that was booked in the 2021 financial year. This has allowed the Group to further develop partnerships with a range of larger manufacturers.

Finally, I would like to thank the Board, Dennis, management team, and staff for their hard work throughout a challenging year and also thank the shareholders for their continued support while we have been undergoing change in the business. I look forward to engaging with you as I move forward in this role.



Albert Tse
Executive Chair

	30/06/2022	30/06/2021
	\$'000	\$'000
Revenue (Sale of Goods)	42,250	36,230
EBITDA ¹	962	(10,568)
EBIT ¹	(543)	(11,833)
Net Profit/(Loss) Before Tax	586	(13,453)
Net Profit/(Loss) After Tax	665	(10,597)

¹ Refer to Shareholders Returns and Performance Measurements on Page 18 of the Directors' Report for definition.

Board of Directors



Dennis Lin
Executive Chair

(Appointed 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022)

Mr Lin was appointed an Executive Chair on 4 August 2021, an Executive Director on 1 July 2020 and a Non-Executive Director on 3 November 2017. Mr Lin is Executive Chairman of Bubs Australia Limited and a Director of Synertec Corporation Limited. He is also co-founder and Chairman of Cortina Capital, an independent private equity fund. Mr Lin focuses on high growth branded businesses that are looking to expand globally. He speaks fluent Mandarin, Chinese and Japanese.

Qualifications

CA, Solicitor of the Supreme Court of Queensland

Interest in shares and options

100,945 ordinary shares held directly

Special responsibilities

Member of Remuneration Committee and member of the Audit, Compliance & Safety Committee

Other current directorships in listed entities

Bubs Australia Limited (ASX: BUB); Synertec Corporate Limited (ASX: SOP)

Other directorships in listed entities held in the previous three years

eCargo Holdings Limited (ASX:ECG)



Albert Tse
Executive Chair

(Appointed 19 July 2022)

Mr Tse was appointed Executive Chair on 19 July 2022, having also been a Director of the business between February 2017 and February 2019. Mr Tse is the founder of Wattle Hill Capital, a leading mid-market private equity fund based in Sydney. Mr Tse was the former Legal Representative of Macquarie Group in Beijing and led transactions including the historic \$22.1bn Hong Kong and Shanghai initial public offering of the Agricultural Bank of China in 2010.

Qualifications

B.BUS, CA, Solicitor of the Supreme Court of Queensland

Interest in shares and options

50,000 ordinary shares held directly

Special responsibilities

None

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Board of Directors Cont...



Qi (Christina) Chen
Non-Executive Director

Ms Chen was appointed a Director on 28 July 2017. Ms Chen is a Director of ChaCha Food Co. Ltd and a Director and Vice Chairman of Hefei Huatai Group Co. Ltd. Ms Chen has relevant experience in fast moving consumer goods, E-commerce, and equity investment. She has held a number of senior positions previously, including; CEO of Hefei ChaCha Weileiyuan E-Commerce Co. Ltd, Assistant President, Vice President of Anhui Huayuan Financial Group Co. Ltd. and as an Investment Manager and a partner in Harvest Capital Co. Ltd. Ms Chen is also on the Board of the International Nut & Dried Fruit Council (INC).

Qualifications

B.A. ECON, B.COM FIN (University of Manitoba)

Interest in shares and options

None

Special responsibilities

None

Other current directorships in listed entities

ChaCha Food Co. Ltd (SHE: 002557)

Other directorships in listed entities held in the previous three years

None



Peter O'Keeffe
Non-Executive Director

Mr O'Keeffe was appointed a Director on 31 October 2014. Mr O'Keeffe is an accounting professional, with both public practice and commercial accounting experience, within Australia and overseas, across the full range of small and medium to large sized business structures. Recent industry involvement includes manufacturing, wholesale and distribution within the food industry, service industries, IT services and database development and contract accounting services to a variety of enterprises.

Interest in shares and options

None

Special responsibilities

Chair of the Audit, Compliance & Safety Committee. Member of the Remuneration Committee

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Board of Directors Cont...



Andrew Bond
Non-Executive Director

Mr Bond has over 25 years of broad corporate leadership experience across a range of industries. Qualifying as a Chartered Accountant whilst with KPMG, before moving to commerce, Mr Bond has held a number of senior roles both domestically and internationally across a variety of industries, predominantly FMCG, including senior roles with Capilano Honey, Medihoney and Buderim Foods. Mr Bond acted as CEO of ASX Listed Buderim Group Limited from the 16 December 2017 to 30 September 2020 and has been critical to the execution of the Company's strategies and turnaround of the Company. After the sale of the Ginger business on 30 September 2020, the business rebranded and changed its name from Buderim Group Limited to Health and Plant Protein Group Limited on the 21 December 2020. Mr Bond became the CEO of Buderim Ginger (now owned by a private family) and a Non-Executive Director of ASX HPP (Health and Plant Protein Group Limited) on the 1 October 2020.

Qualifications

B.BUS ACC, GAICD, CA

Interest in shares and options

967,444 ordinary shares and 2,000,000 options held indirectly

Special responsibilities

Chair of Remuneration Committee (appointed 4 August 2021) and member of the Audit, Compliance & Safety Committee

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None



Hugh Robertson
Non-Executive Director

(Appointed 19 July 2022)

Mr Robertson has over 15 years of advisory and board experience across a range of industries including FMCG, Food and Agriculture, Technology and Financial and Professional Services. Mr Robertson has worked with HPP as a corporate advisor since 2017. Mr Robertson is currently a Director, Corporate Finance at Bell Potter Securities Ltd and supports emerging private and ASX listed company's in raising capital, strategy as well as mergers and acquisitions. Prior to Bell Potter, Mr Robertson was a Director of Bubs Australia (ASX:BUB), Agersens (cattle tracking technology) and Truffle and Wine Company (worlds largest farmed black perigord truffle producer) and was a founder of a start-up financial services business providing cash flow based debt solutions to Australian agribusinesses.

Qualifications

B.BUS, B.AG.SCI (HONS)

Interest in shares and options

None

Special responsibilities

None

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Board of Directors Cont...



Nicki (Nicole) Anderson
Chair and Non-Executive Director

(Resigned 4 August 2021)

Ms Anderson has held key leadership positions at numerous Australian consumer goods businesses within the food and beverage sector. She is a true global citizen having lived in Denmark, Canada and the United States, where she was Vice President Innovation for Cadbury Schweppes Americas Beverages based in New York. Ms Anderson has strong links to Australia's E-commerce, manufacturing and agricultural sectors and is a Director of a number of ASX, private family and not for profit companies. She is currently Deputy Chair of the Australian Made Campaign Limited and Mrs Mac's and a Non-Executive Director for Toys"R"Us ANZ, Graincorp, Craig Mostyn Group, Fred Hollows Foundation and Prostate Cancer Foundation of Australia.

Qualifications

B.BUS (MARKETING), EMBA, GAICD

Interest in shares and options

37,000 ordinary shares held directly

Special responsibilities

Chair of Remuneration Committee and member of the Audit, Compliance & Safety Committee

Other current directorships in listed entities

Toys"R"Us ANZ (ASX:TOY); Graincorp (ASX:GNC)

Other directorships in listed entities held in the previous three years

Select Harvests (ASX:SHV)

Company Secretary

Lisa Davis
Company Secretary

Ms Davis holds a Bachelor of Commerce (Accounting and IT), a Graduate Diploma in Business and is a qualified Chartered Accountant member of the Chartered Accountants Australia and New Zealand Institute. Ms Davis has over 15 years of experience leading high performing teams, focusing on driving financial transformation, process improvement, offshoring, strategic business planning and systems improvement. Ms Davis has worked with multinational organisations across New Zealand, India and Australia and joined the Group as Finance Manager in June 2019 and Chief Financial Officer on 1 July 2020.

Qualifications

B.COM, GRADDIP BUS, CA

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.







Corporate Information

Corporate Structure

Health and Plant Protein Group Limited is a company limited by shares that is incorporated and domiciled in Australia. As the ultimate parent entity, it has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 25 of these financial statements.

Nature of Operations and Principal Activities

The principal activities of the Group during the financial year were:

- **Macadamia** – production and processing in Hawaii of macadamia products and marketing to wholesale and retail customers in the North American Market;
- **LAWA**® – investment in EVR Foods, Inc. (holding entity of the LAWVA® brand and its associated assets).

The following significant changes in the nature of the principal activities occurred during the financial year:

On 31 December 2021, the Group recorded an impairment loss in its investment in EVR Foods, Inc. due to trading conditions of the associate. On 10 June 2022, LAWVA® was acquired by a new company, Regenerative Plant Based, Inc. The Group formally forfeited their shareholdings and Dennis Lin resigned as a Director of EVR Foods, Inc. at transaction completion. The Group discontinued the use of the equity method on 10 June 2022.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

Employees

The Group employed 169 employees as at 30 June 2022 (2021: 176). The number of employees will vary from year to year, and during each year, due to seasonal factors.

Meeting of Directors

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Compliance & Safety Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Lin ⁽¹⁾	12	10	4	3	3	2
Q Chen	12	12	4	4	3	3
P O'Keefe	12	12	4	4	3	3
A Bond	12	12	4	4	3	3
N Anderson ⁽²⁾	1	1	-	-	-	-

(1) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

(2) N Anderson resigned on 4 August 2021

Operating Results and Review

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

	2022	2022	2021	2021
	Revenues	Results*	Revenues	Results*
	\$'000	\$'000	\$'000	\$'000
Business segments				
Macadamia operations	42,541	2,088	38,087	(6,268)
Other	2,501	(1,427)	95	(333)
Total	45,042	661	38,182	(6,601)
Fair value gain/(loss) on derivative		714		249
Finance income		2,657		319
Finance costs		(1,528)		(4,398)
Corporate overhead expenses		(1,918)		(3,022)
Group revenues and other income	45,042	-	38,182	-
Group profit/(loss) before income tax		586		(13,453)
Income tax (expense)/benefit		79		2,856
Net profit/(loss) after tax		665		(10,597)

*Business segment results represent profit before corporate overheads, interest and tax. These are non-IFRS disclosures and are unaudited.



\$0.7
million

Net Profit After Tax
for the year ended
30 June 2022

compared to



\$10.6
million

Net Loss After Tax
for the year ended
30 June 2021

The Group's total consolidated sale of goods to
external customers for continuing operations



17% increased

from **\$36.2 million**
to **\$42.3 million.**

Operating Results and Review cont..

In summary

The Group recorded a net profit after tax of \$0.7 million from continuing operations for the year ended 30 June 2022 compared to a net loss of \$10.6 million after tax last year. The Group's total consolidated sale of goods to external customers for continuing operations increased 17 percent from \$36.2 million to \$42.3 million.

Included in this year's continuing operations result were a number of significant items including:

- A non-cash favourable Fair Value Adjustment (FVA) of \$0.7 million related to the change in fair value of the derivative component of the convertible notes pursuant to AASB 9 Financial Instruments as at 30 June 2022, compared to a favourable \$0.2 million adjustment in the prior year.
- Non-cash Interest on Convertible Notes of \$1.1 million being the amount of non-coupon finance costs in relation to the convertible notes.

- A non-cash favourable adjustment of \$2.6 million to the convertible debt host liability relating to a contract modification pursuant to AASB 9 Financial Instruments which 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.

- A non-cash unfavourable adjustment of US\$2.2 million (AUD\$3.1 million) related to the impairment loss of the EVR investment during the period.

- A cash favourable adjustment of US\$3.3 million (AUD\$4.8 million) resulting from the sale of inventory that had been previously written down in FY21.

The net segment result after impairments, inventory reversals, provisions, depreciation and amortisation is a gain of \$0.7 million compared to \$6.6 million loss for the prior year.



Operating results and review cont...

Shareholder Returns and Performance measurements for continuing operations

For the year ended		2022	2021	2020	2019	2018
Earnings/(loss) before interest and tax	(a)	(543)	(11,833)	877	3,585	(11,050)
EBITDA	(a)	962	(10,568)	2,343	4,488	(9,060)
Basic earnings/(losses) per share (cents)		0.54	(9.90)	(2.89)	(0.46)	(21.40)
Dividend per share (cents)	(b)	-	-	-	-	-
Dividend payout ratio (%)	(b)	-	-	-	-	-
Return on assets (%)	(c)	1.18	(20.92)	(3.37)	0.49	(24.71)
Return on equity (%)	(d)	2.66	(50.64)	(9.41)	(1.10)	(52.21)
Debt/equity (%)	(e)	82.07	94.11	109.55	68.46	48.42
Financial leverage ratio (%)	(f)	39.67	43.18	47.99	37.07	23.30
Current ratio (%)	(g)	352	83	153	174	191
Shares on issues (millions)		122.82	122.82	86.02	86.02	86.02
Net tangible asset backing per share (cents)	(h)	19	15	28	48	40

(a) EBIT and EBITDA are used as measures of profitability and reflect earnings attributable to equity holders of Health and Plant Protein Group Limited. The terms EBIT and EBITDA are non-IFRS disclosures and are unaudited. EBIT is earnings before interest and tax. It represents the addition of profit before tax and net finance costs (finance costs less finance revenue). EBITDA is earnings before net interest cost, tax, depreciation and amortisation (EBIT plus depreciation and amortisation) (refer note 5).

(b) These figures reflect the dividend amounts declared per share subsequent to reporting dates (refer note 20). The dividend payout ratio is calculated by dividing the dividend per share by the basic earnings per share, and as such, measures the percentage of earnings to be distributed to shareholders.

(c) Return on assets is a measure of profitability which identifies how profitable a company is relative to its total assets. It is calculated by dividing net profit after tax by total assets and is displayed as a percentage.

(d) Return on equity is also a measure of profitability which identifies net income returned on funds employed/invested by shareholders. It is calculated by dividing net profit after tax by equity and is expressed as a percentage.

(e) The debt/equity ratio is a measure of borrowing calculated by dividing total interest-bearing liabilities by net equity (total equity less intangible assets), and as such represents the proportion of equity the company is using to finance its assets. It is expressed as a percentage.

(f) Similarly, the financial leverage is demonstrated on the following page. This ratio is calculated by dividing net debt (interest bearing liabilities less cash) by net debt plus equity and is expressed as a percentage.

(g) The current ratio is a measure of liquidity. It is calculated by dividing current assets by current liabilities.

(h) Net tangible asset backing per ordinary share (NTA) is a measure of the worth of a share. It can be compared to the market value of the share. The ratio is calculated by dividing total shares on issue into the sum of equity less intangible assets less right-of-use assets. It is expressed as cents per share.





Review of Financial Condition

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of debt, which includes borrowings (disclosed in note 14), cash and cash equivalents and equity attributable to the equity holders of the parent (comprising issued capital, reserves and retained earnings as disclosed in note 18, and on the face of the Consolidated Statement of Changes in Equity). There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

Liquidity and capital resources

The Consolidated Statement of Cash Flows shows an increase in cash and cash equivalents for the year ended 30 June 2022 of \$0.7 million.

During the year cash inflows included \$1.4 million from net operating activities. Net inflows from financing activities of \$0.2 million included the drawdown of the American AGCredit, FLCA facility and repayment of convertible notes. Net investing activity outflows of \$1.0 million included plant and equipment acquisitions and further investment in EVR Foods, Inc. (holding entity of the LAWA® brand and its associated assets).

As at 30 June 2022 the Group had \$3.5 million cash and cash equivalents available, working capital facilities in relation to the American AGCredit, FLCA facility and others as set out in note 21 to the Financial Statements.

Asset and capital structure

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
NET GEARING		
Debt		
Interest-bearing liabilities	19,936	18,630
Cash and cash equivalents	(3,470)	(2,725)
Net debt	16,466	15,905
Total equity	25,043	20,925
Total capital employed	41,509	36,830
	39.67%	43.18%
DEBT/EQUITY		
Total equity	25,043	20,925
Intangibles	(753)	(1,130)
	24,290	19,795
Interest-bearing liabilities	19,936	18,630
	82.07%	94.11%

Review of Financial Condition Cont...

As at 30 June 2022, the Group held a finance facility with American AgCredit, FLCA of US\$7,680,000 (AUD\$11,111,111), the undrawn facility available was US\$19,079 (AUD\$27,602). On 14 March 2022, American AgCredit, FLCA approved an increase of the facility limit to US\$10,000,000 (AUD\$14,467,593), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 2022. The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets.

The Group has 25,000,000 convertible notes representing a principal amount of \$10 million as at 30 June 2022. On 31 December 2021, the Group entered into an agreement with Asia Mark Development Limited (AMD) to modify the terms of the Convertible Notes. Under the amended agreement the repayment of the convertible notes is as follows:

- 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.

At 30 June 2022, the convertible note is valued at \$8.0 million, consisting of the debt host facility of \$7.7 million and the derivative liability of \$0.3 million.

Profile of debts

The profile of the Group's debt finance below reflects the classification of the bank facilities as at 30 June 2022 as current on the basis of terms of the facility agreement in place at 30 June 2022. The carrying amount of the convertible notes are split between interest-bearing liabilities for the host debt liability and other financial liabilities for the derivative component. Refer to note 14 and note 15 for further information.

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
CURRENT		
Working capital financing facilities	-	7,030
Bank loans	1,004	1,147
Convertible notes	359	10,228
	1,363	18,405
NON-CURRENT		
Working capital financing facilities	11,084	-
Bank loans	153	225
Convertible notes	7,336	-
	18,573	225
	19,936	18,630

Dividends Paid or Proposed

No dividends have been paid during the year ended 30 June 2022. No dividend has been declared for the year ended 30 June 2022.

Significant changes in state of affairs

On 31 December 2021, the Group recorded an impairment loss on its investment in EVR Foods, Inc. due to trading conditions of the associate. On 10 June 2022, LAWA® was acquired by a new company, Regenerative Plant Based, Inc. The Group formally forfeited their shareholdings and Dennis Lin resigned as a Director of EVR Foods, Inc. at transaction completion. The Group discontinued the use of the equity method on 10 June 2022.

It is the opinion of the Directors that there have been no other significant changes in the state of affairs of the Group during the financial year under review other than those already disclosed in this report or the financial report.

Significant events after the balance date

On 14 March 2022, American AgCredit, FLCA approved an increase of the facility limit to US\$10,000,000 (AUD\$14,467,593), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 2022. The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets.

On the 19 July 2022 the Group announced two new board appointments. Albert Tse has been appointed to the role of Executive Chair and Hugh Robertson has been appointed as an Independent, Non-Executive Director. These appointments follow Dennis Lin's decision to retire as Executive Chair of the Company following expiry of his executive contract at 30 June 2022. Dennis ceased being a Director on the 19 July 2022.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results

Management has been focusing on the Macadamia segment continuing its focus on improving returns to shareholders by seeking to grow sales and distribution within existing markets, expanding into new markets, maintaining diligent cost control and investing in initiatives that will deliver strong returns on investment.

With continued increasing consumer demand for healthier and plant-based protein products, macadamias are well positioned to benefit from these market trends. The Group remains focused on ensuring the necessary resources are in place in its supply chain

and sales and marketing functions to support anticipated growth. This includes ensuring access to sufficient macadamia kernel by investing in improving the MacFarms orchard, working with independent growers and investing in processing capabilities. Broadening distribution channels and increasing consumer marketing through both online and offline initiatives will assist with increasing brand and product awareness.

Longer term focus is to consider opportunities in other health and plant protein products.

Environmental regulation and performance

The Group is subject to local environmental laws and controls in respect of its overseas operations. There have been no known reportable breaches of the Group's license conditions.

Climate related risks

The Group operates in markets exposed to agricultural risk and climatic factors. In particular macadamia growing regions can be affected by drought, tropical storms, diseases and pests. The Group operates in Hawaii, USA. In recent years the Group has not suffered any material adverse impact from climate related events.

Corporate Governance

Health and Plant Protein Group Limited's Board of Directors believes that sound and ethical corporate governance practices are essential to both conformance and performance, and send a positive signal to our workforce, our suppliers, customers and our shareholders about our culture. We also believe that responsiveness to the interests of other stakeholders and the undertaking of responsible and sustainable practices, including the safety and welfare of our employees and the protection of the environment in which we work, will help build a long-term future for the Group.

The Corporate Governance Statement is provided on the corporate website www.hppgroup.com under the Corporate Governance tab to inform shareholders and other stakeholders of the governance arrangements in the Group.

Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities and Investment Commissions (ASIC), relating to the "rounding off" of amounts in the Directors report. Amounts in the consolidated financial statements and directors' report have been rounded off in accordance with the ASIC instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Employment details of members of key management personnel

The remuneration report outlines the remuneration arrangements in place for the key management personnel, comprising of Directors and senior executives, of Health and Plant Protein Group Limited ("the Group").

The key management personnel of the Group consisted of the following Directors and senior executives of Health and Plant Protein Group Limited:

Directors	Position held
Q Chen	Non-Executive Director
P O'Keeffe	Non-Executive Director
A Bond	Non-Executive Director
N Anderson ⁽¹⁾	Chair (Independent Non-Executive Director)

Senior executives	
D Lin ⁽²⁾	Executive Chair
A Cunningham	Chief Operating Officer
L Davis	Chief Financial Officer

(1) N Anderson resigned on 4 August 2021

(2) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors and executives;
- Link executive rewards to shareholder value; and
- Provide, where appropriate, variable 'at risk' executive remuneration, dependent upon meeting pre-determined performance hurdles.

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Executive Director and the Executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

The Remuneration Committee meet at least once a year and more often as required.

Voting and comments made at the last AGM

The remuneration report resolution in regards to the remuneration report for the 2021 financial year was carried at the 2021 AGM. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Link between remuneration and the Group's performance

The table below indicates the earnings and shareholder value against the remuneration of key management personnel:

	2022	2021	2020	2019	2018
Earnings/(losses) (\$'000)	665	(10,112)	(7,566)	(235)	(16,720)
Basic earnings/(losses) per share (cents)	0.54	(9.45)	(8.80)	0.27	(21.40)
Dividend paid per share (cents)	-	-	-	-	-
Net asset value (\$'000)	25,043	20,925	26,389	32,259	32,025
Net tangible asset backing per share (cents)	19	15	28	48	40
Share price (cents)	7	27	22	17	31
KMP remuneration (\$)	841,147	1,032,797	916,840	1,550,298	1,704,785
KMP remuneration excluding long-term incentive and share-based payments (\$)	841,147	1,032,797	916,840	1,094,298	1,405,344

Remuneration Report Audited Cont...

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Non-Executive Directors do not receive any share-based remuneration.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 October 2015 when shareholders approved an aggregate remuneration of \$300,000 per year. Actual fees paid to Non-Executive Directors during the year totalled \$106,571 (2021: \$191,518).

The amount of aggregate remuneration approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers external remuneration surveys as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

The annualised fees for the year end 30 June 2022, as compared with the year end 30 June 2021, are outlined below:

	2022	2021
	\$	\$
Chair	266,433	108,179
Non-Executive Director	48,173	47,954

Additional fees are not currently paid for any board sub-committee on which a director sits, although considerable time commitments have been afforded by directors serving on various board sub-committees.

Non-Executive Directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company. The remuneration of Non-Executive Directors for the year is provided later in this report.

Executive remuneration

Salary packages are measured by the company as Total Employment Cost (TEC). TEC includes all costs associated with employment, which may include, but not limited to, PAYG salary, provision of motor vehicles, FBT, superannuation, salary sacrifice arrangements, and any other approved expenditure, excluding employment oncosts such as payroll tax and workers compensation. Fringe benefits or non-deductible expenditure is grossed up to include the tax effect as part of the cost of providing such benefits in a salary package. The Group aims to reward executives with a level and mix of TEC remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for the Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;

- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

In determining the level and make-up of Executive TEC remuneration, the Remuneration Committee makes reference to external remuneration surveys detailing market levels of remuneration for comparable executive roles, and internal relativities. From these deliberations, the Remuneration Committee makes its recommendations to the Board.

Depending upon the particular role undertaken by Executives, remuneration consists of one or all of the following key elements:

- Base salary and benefits;
- Short term incentives; and
- Long term incentives.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of companywide, business division and individual performance, relevant comparative remuneration in the market, internal relativities and, where appropriate, external advice on policies and practices. There is no guaranteed base remuneration increases included in contracts.

Variable Remuneration

The objective of the short-term incentive program (STI) is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to Executive officers where direct performance linkages can be established. This policy is reviewed annually.

Short-term incentives payable for executives are capped at a maximum, depending on seniority, of their fixed component of salary. No STI payments were made in the year 30 June 2022.

Actual incentive payments granted to relevant senior managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI) covering both revenue and profitability of their areas of responsibility.

The objective of the long-term incentive program (LTI) is designed to promote long-term stability to shareholder returns. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to the Executive Director/Chief Executive Officer (CEO).

LTI's payable to the Executive Director/CEO are capped at a maximum. No LTI payments were made in the year ended 30 June 2022.

STI's are payable at the Board's discretion.

Remuneration Report Audited Cont...

Service agreements

It is the Remuneration Committee's policy that employment contracts are entered into with executives to protect the interest of both the Group and the employee. Details of the key terms of these agreements are as follows:

Executive	Position Held	Term	Notice Period (Required by KMP)	Notice Period Required by the Group
D Lin ⁽¹⁾	Executive Director	Terminated	1 month	1 month
A Cunningham	Chief Operating Officer	On-going	1 month	1 month
L Davis	Chief Financial Officer	On-going	3 months	3 months

(1) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

Amounts paid to key management personnel are disclosed in the relevant section below.

Other than statutory leave entitlements, there are no specific termination benefits applicable to the other key management personnel's service agreements.

Remuneration details for the Year ended 30 June 2022

Details of the remuneration of the directors and other key management personnel are set out in the following tables. The amounts shown are equal to the amount expensed in the Group's financial statements:

	Short Term Benefits			Post Employment Benefits	Long Term Benefits			
2022	Salary and fees ⁽¹⁾	Short-term incentives	Non-monetary benefits ⁽²⁾	Superannuation	Long service leave	Long-term incentives	Total	Proportion of remuneration that is performance based
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
P O'Keeffe	43,794	-	-	4,379	-	-	48,173	-
A Bond	43,794	-	-	4,379	-	-	48,173	-
Q Chen	-	-	-	-	-	-	-	-
N Anderson ⁽³⁾	9,295	-	-	930	-	-	10,225	-
Total Directors	96,883	-	-	9,688	-	-	106,571	-
Executives								
D Lin ⁽⁴⁾	253,750	-	-	25,375	-	-	279,125	-
A Cunningham	203,000	-	745	20,300	4,655	-	228,700	-
L Davis	203,000	-	668	20,300	2,783	-	226,751	-
Total Executives	659,750	-	1,413	65,975	7,438	-	734,576	-
Total Remuneration	756,633	-	1,413	75,663	7,438	-	841,147	-

(1) 'Salary and fees' include annual leave entitlements taken during the reporting period

(2) 'Non-monetary benefits' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, insurance and/or professional membership subscriptions

(3) N Anderson resigned on 4 August 2021

(4) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

Remuneration Report Audited Cont...

Remuneration details for the Year ended 30 June 2022 cont...

	Short Term Benefits			Post Employment Benefits	Long Term Benefits		Total	Proportion of remuneration that is performance based
2021	Salary and fees ⁽¹⁾	Short-term incentives	Non-monetary benefits ⁽²⁾	Superannuation	Long service leave	Long-term incentives		
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
P O'Keeffe	43,794	-	-	4,160	-	-	47,954	-
A Bond ⁽³⁾	32,846	-	-	3,120	-	-	35,966	-
Q Chen	-	-	-	-	-	-	-	-
G Cowan ⁽⁴⁾	86,047	-	-	8,174	-	-	94,221	-
N Anderson ⁽⁵⁾	12,216	-	-	1,161	-	-	13,377	-
Total Directors	174,903	-	-	16,615	-	-	191,518	-
Executives								
D Lin ⁽⁶⁾	250,000	-	-	23,750	208	-	273,958	-
ACunningham ⁽⁷⁾	188,617	-	655	17,427	7,148	-	213,847	-
L Davis ⁽⁸⁾	183,257	-	655	17,409	645	-	201,996	-
A Bond ⁽³⁾	110,397	-	-	7,208	-	-	117,605	-
J Wood ⁽⁹⁾	30,934	-	-	2,939	-	-	33,873	-
Total Executives	763,205	-	1,340	68,733	8,001	-	841,279	-
Total Remuneration	938,108	-	1,340		8,001	-		-

(1) 'Salary and fees' include annual leave entitlements taken during the reporting period

(2) 'Non-monetary benefits' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, insurance and/or professional membership subscriptions

(3) A Bond was CEO of the group until 30 September 2020 and has continued as a Non-Executive Director from 1 October 2020

(4) G Cowan resigned on 14 May 2021

(5) N Anderson was appointed Non-Executive Director and Chair of the Board on the 17 May 2021 and resigned on 4 August 2021

(6) D Lin was appointed Executive Director from 1 July 2020 and Executive Chair from 4 August 2021

(7) A Cunningham was appointed Chief Operating Officer from 1 December 2020

(8) L Davis was appointed Chief Financial Officer from 1 July 2020

(9) J Wood resigned effective 31 August 2020

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportion of those elements of remuneration of key management personnel that are linked to performance are as follow:

Executive	Fixed Remuneration		At risk STI		STI forfeited		LTI forfeited	
	2022	2021	2022	2021	2022	2021	2022	2021
D Lin ⁽¹⁾	100%	100%	-	-	-	-	-	-
A Cunningham	100%	100%	-	-	-	-	-	-
L Davis	100%	100%	-	-	-	-	-	-
A Bond	-	25%	-	-	-	-	-	-

(1) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

Remuneration Report Audited Cont...

Share-based payments

During the year, there has been no issues of options.

Options

In October 2018 the Group agreed to a Long-Term Incentive Scheme with the previous CEO (Andrew Bond) for 3 million options at an exercise price of \$0.40 per share. The options consisted of three tranches of one million options subject to the satisfaction of EBIT related performance targets. The conditions relating to the first two tranches were met during the period ending 30 June 2019. On 9 November 2020, the third tranche was cancelled. There were no options exercised in the current year. Options are able to be exercised up to 31 December 2022.

Shareholding

The number of ordinary shares held in Health and Plant Protein Group Limited during the financial year held by each Director and other members of key management personnel of the Group at 30 June 2022 is set out below:

30 June 2022	Interest	Balance at beginning of year	Received as part of remuneration	Market acquisition/ (sale)	Other	Balance at end of year
Directors						
D Lin ⁽¹⁾	Direct	100,945	-	-	-	100,945
A Bond	Indirect	967,444	-	-	-	967,444
N Anderson ⁽²⁾	Direct	37,000	-	-	-	37,000
30 June 2021						
30 June 2021	Interest	Balance at beginning of year	Received as part of year remuneration	Market acquisition/ (sale)	Other	Balance at end of year
Directors						
D Lin ⁽¹⁾	Direct	79,000	-	21,945	-	100,945
G Cowan	Direct	212,052	-	58,903	(270,955)	-
A Bond	Indirect	800,000	-	167,444	-	967,444
N Anderson ⁽²⁾	Direct	-	-	37,000	-	37,000

(1) D Lin was appointed Executive Chair from 4 August 2021 and resigned as Executive Chair effective 30 June 2022 and as Director on 19 July 2022

(2) N Anderson resigned on 4 August 2021

All equity transactions with Directors and Executives have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Other transactions and balances with directors and executives

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

The Karand Family Trust

In October 2018, 3 million options at an exercise price of \$0.40 were granted to the Karand Family Trust a related party of the CEO for \$3,600 consideration. The first two tranches had vested during the period ending 30 June 2019. During the year there has been no options exercised or vested. On 9 November 2020 one million options were cancelled following a change of employment status of the CEO.

Loans made to KMP

There were no loans made to key management personnel during the year or prior year and there were no loans outstanding as at 30 June 2022.

END OF AUDITED REMUNERATION REPORT

Indemnification and insurance of directors, officers and auditors

Health and Plant Protein Group Limited and its subsidiaries have entered into Deeds of Indemnity, Insurance and Access. These deeds provide that the company indemnify all current and future directors and secretaries in accordance with the provisions of the Corporations Act 2001, and provide them with access to the company books and records for a period of seven years after they cease to be a director or secretary of the company.

During the financial year, the Group has paid premiums in respect of a contract insuring all the directors and officers of Health and Plant Protein Group Limited against a liability incurred in their role as directors of the company, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of sections 232(5) or (6) of the Corporations Act 2001; and
- (c) as permitted by section 199B of the Corporations Act 2001.

The directors have not included details of the amount of the premium paid in respect of the Directors and Officers and Supplementary Legal Expenses policies as such disclosure is prohibited under the terms of the contract.

The Group has not, during or since the end of the financial year indemnified or agreed to indemnify the auditor of the Group against a liability incurred as auditor.

Options

No options over unissued shares or interests in the company or a controlled entity were granted during or since the end of the financial period.

Auditor Independence

The auditors' independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2022 can be found on page 32 of the consolidated financial report.

Non-Audit Services

The non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive \$29,000 for the provision of non-audit services.

Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Albert Tse
Executive Chair
Brisbane, 22 August 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 audit of the financial report of Health and Plant Protein Group Limited for the financial year ended 30 June 2022, 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 audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Susie Kuo
Partner
22 August 2022



Consolidated Statement of Financial Position

For the Year Ended 30 June 2022

		CONSOLIDATED	
	Note	2022 \$'000	2021 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	3,470	2,725
Trade and other receivables	8	2,183	2,446
Inventories	10	16,262	13,004
Prepayments		1,255	1,488
Biological assets	11	355	657
TOTAL CURRENT ASSETS		23,525	20,320
NON-CURRENT ASSETS			
Property, plant and equipment	12	31,860	25,858
Intangible assets	13	753	1,130
Investments in associates	24	-	3,350
TOTAL NON-CURRENT ASSETS		32,613	30,338
TOTAL ASSETS		56,138	50,658
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	4,106	4,159
Interest-bearing liabilities	14	1,363	18,405
Other financial liabilities	15	-	174
Current tax liabilities		-	219
Lease liabilities	16	261	487
Employee entitlements	17	957	943
Provisions		3	113
TOTAL CURRENT LIABILITIES		6,690	24,500
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	14	18,573	225
Other financial liabilities	15	327	867
Deferred tax liabilities	6	4,486	3,005
Lease liabilities	16	979	1,103
Employee entitlements	17	40	33
TOTAL NON-CURRENT LIABILITIES		24,405	5,233
TOTAL LIABILITIES		31,095	29,733
NET ASSETS		25,043	20,925
EQUITY			
Contributed equity	18	60,613	60,613
Reserves	19	15,894	12,441
Accumulated losses		(51,464)	(52,129)
TOTAL EQUITY		25,043	20,925

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

For the Year Ended 30 June 2022		CONSOLIDATED	
	Note	2022 \$'000	2021 \$'000
INCOME			
Sales of goods from continuing operations	4	42,250	36,230
Change in fair value of biological assets	11	4,129	6,079
Cost of sales	5	(34,590)	(40,922)
Gross profit		11,789	1,387
Rental revenue		19	21
Other income	4	3,487	2,181
Administration expenses		(5,838)	(6,844)
Selling and distribution expenses		(4,510)	(3,984)
Marketing expenses		(1,551)	(1,610)
Share of net profit/(loss) of an associate	24	(3,740)	(489)
Other expenses	5	(199)	(2,495)
PROFIT/(LOSS) BEFORE INCOME TAX AND FINANCE INCOME/(COSTS)		(543)	(11,833)
Finance income	4	2,657	319
Finance costs	5	(1,528)	(1,939)
PROFIT/(LOSS) BEFORE INCOME TAX		586	(13,453)
Income tax (expense)/benefit	6	79	2,856
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		665	(10,597)
Gain/(loss) from discontinued operations	27	-	485
NET PROFIT/(LOSS) FOR THE YEAR		665	(10,112)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of land for continuing operations, net of tax		2,838	(216)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		615	(925)
Total other comprehensive income for the year, net of tax		3,453	(1,141)
TOTAL COMPREHENSIVE INCOME/(LOSS)		4,118	(11,253)
Total net loss is attributable to:			
Equity holders of Health and Plant Protein Group Limited		665	(10,112)
		665	(10,112)
Total comprehensive income/(loss) attributable to:			
Equity holders of Health and Plant Protein Group Limited		4,118	(11,253)
		4,118	(11,253)
Basic and diluted profit/(loss) per share from continuing operations (cents)	3	0.54	(9.90)
Basic and diluted profit/(loss) per share attributable to the ordinary equity holders of the Group (cents)	3	0.54	(9.45)

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

		CONSOLIDATED	
		2022	2021
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		44,488	44,129
Payments to suppliers and employees (inclusive of GST)		(42,736)	(45,214)
Other receipts		71	1,326
Finance costs		(421)	(3,444)
Income taxes (paid)/received		(4)	584
NET CASH PROVIDED FROM/(USED) IN OPERATING ACTIVITIES	7	1,398	(2,619)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(822)	(925)
Proceeds from sale of plant and equipment		18	57
Acquisition of associate	24	(144)	(3,838)
Proceeds from sale of business		-	10,646
NET CASH PROVIDED FROM/(USED) IN INVESTING ACTIVITIES		(948)	5,940
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		-	6,256
Payment of transaction costs		-	(467)
Proceeds from borrowings		3,224	20,236
Repayment of borrowings		(2,427)	(28,722)
Principal elements of lease payments		(500)	(419)
NET CASH PROVIDED FROM/(USED) IN FINANCING ACTIVITIES		297	(3,116)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		747	205
Cash and cash equivalents at beginning of year		2,725	2,673
Foreign exchange difference on cash holdings		(2)	(153)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	7	3,470	2,725

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

	CONSOLIDATED				
	Contributed Equity	Asset Revaluation Reserve	Foreign Currency Translation	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	60,613	12,128	313	(52,129)	20,925
<i>Total comprehensive income/(loss) for the year</i>					
Net profit/(loss) for the year	-	-	-	665	665
Other comprehensive income/(loss) for the year	-	2,838	615	-	3,453
Total comprehensive income/(loss) for the year	-	2,838	615	665	4,118
Balance at 30 June 2022	60,613	14,966	928	(51,464)	25,043
Balance at 1 July 2020	54,824	13,972	1,238	(43,645)	26,389
<i>Total comprehensive income/(loss) for the year</i>					
Net profit/(loss) for the year	-	-	-	(10,112)	(10,112)
Other comprehensive income/(loss) for the year	-	(216)	(925)	-	(1,141)
Total comprehensive income/(loss) for the year	-	(216)	(925)	(10,112)	(11,253)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued during the year, net of transaction costs	5,789	-	-	-	5,789
Transfer to retained earnings from asset revaluation reserve	-	(1,628)	-	1,628	-
Balance at 30 June 2021	60,613	12,128	313	(52,129)	20,925



Contents

to the Financial Statements

40	Basis of Preparation	70	Leases Liabilities
42	Segment Information	72	Employee Entitlements
44	Earnings Per Share	73	Contributed Equity
45	Revenue and Other Income	74	Reserves
46	Result for the Year	74	Dividends or Proposed
47	Income Tax	75	Financial Risk Management, Objectives and Policies
52	Cash and Cash Equivalents	79	Fair Value
54	Trade and Other Receivables	81	Commitments and Contingencies
56	Trade and Other Payables	82	Investment in Associates
57	Inventories	83	Investment in Controlled Entities
58	Biological Assets	84	Parent Entity Information
59	Property, Plant and Equipment	85	Discontinued Operations
64	Intangible Assets	86	Directors and Executive Disclosures
67	Interest-bearing Liabilities	87	Related Party
69	Other Financial Liabilities	90	Events Occuring After the Reporting Date

Notes to the Financial Statements

For the Year ended 30 June 2022

The consolidated financial statements of Health and Plant Protein Group Limited for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 22 August 2022. Health and Plant Protein Group Limited is a for profit Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements covers the consolidated group of Health and Plant Protein Group Limited and its controlled entities (the "Group").

1 BASIS OF PREPARATION

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards ("IFRS") issued by the international Accounting Standards Board.

The consolidated financial statements have also been prepared on an accruals basis and are based on historical costs, except for investments, land, biological assets and derivative liabilities that have been measured at fair value. The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

GOING CONCERN

The Group recorded a profit from macadamia operations of \$3,387,000 for the year ended 30 June 2022. This result compared to the prior period loss from macadamia operations of \$5,133,000. The group recorded a consolidated net profit for the year of \$665,000.

As at 30 June 2022, the Group held a finance facility with American AgCredit, FLCA of US\$7,680,000 (AUD\$11,111,111), the undrawn facility available was US\$19,079 (AUD\$27,602). On 14 March 2022, American AgCredit, FLCA approved an increase of the facility limit to US\$10,000,000 (AUD\$14,467,593), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 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 14, the Group has 25,000,000 convertible notes representing a principal amount of \$10 million as at 30 June 2022. On 31 December 2021, the Group entered into an agreement with Asia Mark Development Limited (AMD) to modify the terms of the convertible notes. Under the amended agreement the repayment of the convertible notes is as follow:

- 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 ability of the Group to continue as a going concern is contingent upon additional finance and replacement of existing debt, 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 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.

Accordingly, the financial report has been prepared using the going concern basis of accounting.

Notes to the Financial Statements

For the Year ended 30 June 2022

1 BASIS OF PREPARATION (CONTINUED)

GOING CONCERN (CONTINUED)

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.

BASIS OF CONSOLIDATION

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, excluding intercompany loans denominated in foreign currencies, have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

OTHER ACCOUNTING POLICIES

Significant and other accounting policies relevant to gaining an understanding of the financial statements have been grouped with the relevant notes to the financial statements.

KEY JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates, judgements in the process of applying the Group's accounting policies. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in the following notes:

		PAGE
Note 1	Going Concern	25
Note 11	Biological assets	43
Note 12	Impairment of Non-Current Assets	44
Note 15	Derivative Financial Liabilities	54

In addition, significant judgements, estimates and assumptions for the year ended 30 June 2022 include consideration to the COVID-19 pandemic. Specific consideration has also been given to estimates and judgements applied in the following key areas:

- Allowance for impairment loss on trade receivables
- Recoverability of inventories
- Recoverability of biological assets
- Valuation of derivative financial liabilities
- Recognition of government grants and other support packages

Notes to the Financial Statements

For the Year ended 30 June 2022

2 SEGMENT INFORMATION

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director.

(A) Description of segments

The operating businesses are recognised 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 Executive Director reviews each segments performance and is the Chief Operational Decision Maker (CODM).

The reportable segments for the year ended 30 June 2022 were as follow:

- **Macadamias** - production and processing in Hawaii of macadamia products and marketing to wholesale and retail customers in the North America Market;
- **Corporate** - Australian Head Office, foreign exchange gains, investment in associates, leases recognised during the year ended 30 June 2022.

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 each note. There were no other changes in segment accounting policies that had a material effect on the segment information.

(B) Reportable Segment Information as presented for the CODM

Segment information provided to the Chief Operational Decision Maker includes an allocation of corporate costs for finance, information technology and administrative costs as a percentage of total sale of goods to external customers, as such there has been costs included in the operating profit below which may differ from the operating profit reported as part of the presentation of the financial statement for the operations. For the purpose of the financial statements, a portion of the actual corporate costs have been allocated to each segment of the business.

The segment information as provided to the CODM for the years ended 30 June 2022 and 30 June 2021 is as follows:

Notes to the Financial Statements

For the Year ended 30 June 2022

2 SEGMENT INFORMATION (CONTINUED)

(B) Reportable Segment Information as presented for the CODM (CONTINUED)

	Macadamias		Other		Total	
	2022	2021	2022	2021	2022	2021
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income						
Sales of goods to external customers	42,250	36,230	-	-	42,250	36,230
Other income	291	1,857	2,501	95	2,792	1,952
Total segment revenue	42,541	38,087	2,501	95	45,042	38,182
Results						
Operating profit/(loss)	(2,339)	3,189	2,334	(312)	(5)	2,877
Share of net profit/(loss) of an associate	-	-	(3,740)	-	(3,740)	-
Inventory reversal/(write-downs)	5,726	(8,322)	-	-	5,726	(8,322)
Segment EBITDA	3,387	(5,133)	(1,406)	(312)	1,981	(5,445)
Depreciation and amortisation	(1,299)	(1,135)	(21)	(21)	(1,320)	(1,156)
Segment result	2,088	(6,268)	(1,427)	(333)	661	(6,601)
Fair value gain/(loss) on derivative	-	-	-	-	714	249
Corporate overheads	-	-	-	-	(1,918)	(3,022)
EBIT	-	-	-	-	(543)	(9,374)
Finance income	-	-	-	-	2,657	319
Finance costs	-	-	-	-	(1,528)	(4,398)
Profit/(loss) before income tax	-	-	-	-	586	(13,453)
Income tax (expense)/benefit	-	-	-	-	79	2,856
Net profit/(loss) after income tax from continuing operations	-	-	-	-	665	(10,597)

(C) Other Geographical Information

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

	USA		Australia		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales of goods to external customers	41,753	35,193	-	-	497	1,037	42,250	36,230
Other income	291	1,857	2,501	95	-	-	2,792	1,952
Total geographical revenue	42,044	37,050	2,501	95	497	1,037	45,042	38,182
Total income from continuing operations	42,044	37,050	2,501	95	497	1,037	45,042	38,182

Notes to the Financial Statements

For the Year ended 30 June 2022

2 SEGMENT INFORMATION (CONTINUED)

(C) Other Geographical Information (CONTINUED)

	USA		Australia		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total geographical assets	31,614	24,531	24,524	26,127	-	-	56,138	50,658
Total geographical liabilities	21,720	20,312	9,375	9,421	-	-	31,095	29,733

Major customers (defined as > 10% of group turnover)

During the period ended 30 June 2022, revenues of approximately \$13,729,000 (2021: 12,393,000) were derived from sales to one customer through the macadamia segment. In total the 2022 revenue recorded through sales to one customer amounted to 32% (2021: 35%) of the Group's revenue from external customers.

3 EARNINGS PER SHARE

Accounting Policy

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

The convertible notes issued in 2017 and the CEO options issued in 2018 have the potential to have a dilutive impact on ordinary shares. As the Group incurred losses for the current and prior year period, these notes are considered antidilutive and are therefore not utilised in dilutive earnings per share calculations.

The following reflects the income and share data used in the basic earnings/(losses) per share computations:

	CONSOLIDATED	
	2022	2021
Net profit/(loss) after tax attributable to ordinary shareholders of Health and Plant Protein Group Limited from continuing operations, used in the calculation of basic and diluted earnings per share (\$'000)	665	(10,597)
Net profit/(loss) from discontinued operations (\$'000)	-	485
Weighted average number of ordinary shares on issue used in calculation of basic and diluted earnings/(losses) per share	122,830,738	107,054,883
Basic and diluted earnings/(losses) per share from continuing operations (cents per share)	0.54	(9.90)
Basic and diluted earnings/(losses) per share from discontinued operations (cents per share)	-	0.45
Total basic and diluted earnings/(losses) per share attributable to ordinary shareholders of Health and Plant Protein Group Limited (cents per share)	0.54	(9.45)

Notes to the Financial Statements

For the Year ended 30 June 2022

3 EARNINGS PER SHARE (CONTINUED)

	CONSOLIDATED	
	2022	2021
	Number of Notes	Number of Notes
CEO options issued on 29 October 2018	2,000,000	2,000,000
Convertible notes issued on 15 February 2017	38,895,152	38,895,152
	40,895,152	40,895,152

4 REVENUE AND OTHER INCOME

Accounting Policy

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally at the time of shipment or on delivery of the goods depending on agreed trading terms.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. freight). In determining the transaction price for the sale of product, the Group considers the effects of variable consideration, freight revenue, and principal versus agent relationship.

If the consideration in a contract includes a variable amount, the Group estimates at the time of recognition of the sale to the customer the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. Certain promotions, or discounts, are provided for at the time of recognition of the sale to the customer based off historical and forecast promotional activities.

The Group concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

No contract assets and liabilities existed at 30 June 2022 or 30 June 2021.

Interest income

Revenue is recognised as the interest accrues using the effective interest method.

Rental income

Rental income is recognised on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Other income

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements

For the Year ended 30 June 2022

4 REVENUE AND OTHER INCOME (CONTINUED)

Revenue from continuing operations

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Sale of goods from continuing operations		
At a point in time	42,250	36,230
Total sale of goods from continuing operations	42,250	36,230
Finance income		
Gain on extinguishment adjustment of host liability	2,657	-
Gain on modification adjustment of host liability	-	319
Total finance income	2,657	319
Other income		
Profit on disposal of property, plant and equipment	18	-
Grant income	-	1,670
Foreign exchange gains	2,440	-
Fair value gain on derivative financial liabilities	714	249
Sundry income	315	262
Total other income	3,487	2,181

5 RESULT FOR THE YEAR

The result for the year includes the following specific expenses:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
(a) Other expenses		
Foreign exchange losses	139	2,460
Loss on disposal of property, plant and equipment	48	27
Sundry expenses	12	8
Total other expenses	199	2,495
(b) Depreciation and Amortisation		
Buildings	59	54
Bearer plant	179	175
Property, plant and equipment	549	341
Right-of-use assets	260	250
Total depreciation	1,047	820

Notes to the Financial Statements

For the Year ended 30 June 2022

5 RESULT FOR THE YEAR (CONTINUED)

		CONSOLIDATED	
		2022	2021
		\$'000	\$'000
Relationships		249	242
Trade marks		209	203
Total amortisation		458	445
Total depreciation and amortisation		1,505	1,265
(d) Finance costs			
Convertible notes	14	1,107	1,181
Bank loans and overdraft		340	385
Working capital financial facilities		14	339
Interest on lease liabilities		67	34
Total finance costs		1,528	1,939
(e) Employee benefit expenses			
Employee benefit expensed (excluding 401k profit sharing plan expenses)		11,742	11,731
401k Profit sharing plan expenses		410	370
Total employee benefit expenses		12,152	12,101
(f) Inventory (reversal)/write-downs*			
		(5,726)	8,322

* Cost of sales include inventory write-downs and reversal of inventory write-down. The reversal of inventory write-down in the current period represents realisation of commercial grade kernel.

6 INCOME TAX

Accounting Policy

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

For the Year ended 30 June 2022

6 INCOME TAX (CONTINUED)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss (except for transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as recognition of an ROU Asset and a lease liability);
- when the taxable temporary differences are associated with investments in subsidiaries, associates and interest in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss (except for transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as recognition of an ROU Asset and a lease liability); or
- when the deductible temporary differences are associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Health and Plant Protein Group Limited and its wholly owned Australian resident subsidiaries are a tax consolidated group. All members of the tax consolidated group are taxed as a single entity from the date they enter the group. Members of the group apply the group allocation approach in determining the amount of current tax and deferred taxes recognised by members of the tax consolidation group. The head entity and other members of the tax consolidated group have entered into a tax sharing agreement. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in

Notes to the Financial Statements

For the Year ended 30 June 2022

6 INCOME TAX (CONTINUED)

respect of this agreement. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Health and Plant Protein Group Limited.

Major components of income tax expense/(benefit) for the years ended 30 June 2021 and 30 June 2022 are:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Current income tax		
Current income tax (expense)/benefit	(456)	1,704
Adjustments of current income tax of previous years	(53)	(117)
Deferred income tax		
Deferred income tax (expense)/benefit	588	1,317
Tax (expense)/benefit	79	2,904
Income tax (expense)/benefit is attributable to:		
Profit/(loss) from continuing operations	79	2,856
Profit/(loss) from discontinued operations	-	48
	79	2,904

A reconciliation of income tax expense/(benefit) to accounting loss before income tax at the statutory rate for the years ended 30 June 2021 and 30 June 2022 is as follow:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Accounting profit/(loss) before tax continuing operations	586	(13,453)
Accounting profit/(loss) before tax from discontinued operations	-	1,637
	586	(11,816)
<i>At the statutory income tax rate of 25% (2021: 30%)</i>	(146)	3,545
Australia (under)/over provision	-	343
USA (under)/over provision	(442)	114
Tax adjustments due to tax in foreign jurisdictions	297	(202)
Deferred tax assets recognised in the year	(630)	199
Tax effect of non-deductible amounts for taxation	1,030	(1,095)
Other	(30)	-
Tax (expense)/benefit	79	2,904

Deferred tax benefits are recognised for deductible temporary differences and accumulated differences losses incurred in the Macadamia segment in the current and preceding to the extent they are available to be offset with deferred tax liabilities.

Notes to the Financial Statements

For the Year ended 30 June 2022

6 INCOME TAX (CONTINUED)

Tax on Other Comprehensive Income

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Income tax on other comprehensive income	980	(93)

Movement in deferred tax balances for the years ended 30 June 2022 and 30 June 2021:

	CONSOLIDATED					
	Revaluation of Land \$'000	Accelerated Depreciation \$'000	Employment Benefits \$'000	Accruals and Provisions \$'000	Tax Losses to Offset/ Other \$'000	Total \$'000
Deferred tax assets						
As at 1 July 2021	-	-	199	2,118	238	2,555
Recognised in profit/(loss)	-	-	66	(1,430)	2,497	1,133
As at 30 June 2022	-	-	265	688	2,735	3,688
Deferred tax liabilities						
As at 1 July 2021	(4,798)	(644)	-	-	(118)	(5,560)
Recognised in equity	(2,069)	-	-	-	-	(2,069)
Recognised in profit/(loss)	-	9	-	-	(554)	(545)
As at 30 June 2022	(6,867)	(635)	-	-	(672)	(8,174)
Set-off deferred tax assets pursuant to set-off provisions						3,688
Net deferred tax liabilities at 30 June 2022						(4,486)

Notes to the Financial Statements

For the Year ended 30 June 2022

6 INCOME TAX (CONTINUED)

	CONSOLIDATED					
	Revaluation of Land \$'000	Accelerated Depreciation \$'000	Employment Benefits \$'000	Accruals and Provisions \$'000	Tax Losses to Offset/ Other \$'000	Total \$'000
Deferred tax assets						
As at 1 July 2020	-	-	192	-	1,273	1,465
Recognised in profit/(loss)	-	-	7	2,118	(1,035)	1,090
As at 30 June 2021	-	-	199	2,118	238	2,555
Deferred tax liabilities						
As at 1 July 2020	(7,056)	(648)	-	-	(341)	(8,045)
Recognised in equity	2,258	-	-	-	-	2,258
Recognised in profit/(loss)	-	4	-	-	223	227
As at 30 June 2021	(4,798)	(644)	-	-	(118)	(5,560)
Set-off deferred tax assets pursuant to set-off provisions						2,555
Net deferred tax liabilities at 30 June 2021						(3,005)

Unrecognised deferred tax assets

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account is as follow:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Tax losses		
Temporary differences from operating losses	41,779	40,073

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility occur. These amounts have no expiry date.

Notes to the Financial Statements

For the Year ended 30 June 2022

7 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand including deposits with an original maturity of three months or less. Short-deposits consists of deposits with an original maturity of more than three months. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Bank overdrafts are shown within interest-bearing liabilities in current liabilities in the Consolidated Statement of Financial Position.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Cash balance comprises		
Cash at bank and in hand (i)	3,470	2,725
Total cash and cash equivalents	3,470	2,725

(i) Included in this balance is \$121,000 relating to a bank guarantee the Group provides in support of its tenancy agreement for the Corporate Office at Level 3, 159 Coronation Drive, Milton Queensland.

Notes to the Financial Statements

For the Year ended 30 June 2022

7 CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of net income to net cash provided by operating activities:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Net profit/(loss)	665	(10,112)
- Depreciation and amortisation	1,505	1,265
- Impairment expenses	3,740	489
- Interest expense on convertible notes debt-host liability	1,107	1,181
- Change in fair value of biological assets	(4,129)	(6,079)
- Fair value (gain)/loss on derivative financial liabilities	(714)	(249)
- Net (Profit)/loss on disposal	28	57
- Net exchange differences	(729)	(162)
- Inventory (reversal)/write downs	1,262	8,322
- Modification gain on convertible note debt-host liability	-	(319)
- Make good provision	-	113
- Loan forgiveness	-	(1,667)
- Expenses paid by a third party as part of divestment	-	152
- Reclassification of foreign exchange reserve to the P&L	-	1,201
<i>Changes in assets and liabilities:</i>		
- (Increase)/decrease in trade and other receivables	263	(1,489)
- (Increase)/decrease in inventories	(3,258)	9,839
- (Increase)/decrease in prepayments	234	273
- (Increase)/decrease in current tax asset	-	23
- (Increase)/decrease in biological assets	302	984
- Increase/(decrease) in income tax provisions	(219)	219
- Increase/(decrease) in trade and other payables	(52)	(3,229)
- Increase/(decrease) in employee benefits	22	142
- Increase/(decrease) in deferred tax liability	1,481	(3,573)
- Increase/(decrease) in other provisions	(110)	-
Net cashflows from operating activities	1,398	(2,619)

(i) All cash and cash equivalents are categorised as financial assets as amortised cost. They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements

For the Year ended 30 June 2022

7 CASH AND CASH EQUIVALENTS (CONTINUED)

Changes in liabilities arising from financing activities

	CONSOLIDATED			
	Other assets	Liabilities from financing activities		Total \$'000
	Cash/bank overdraft \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000	
Net debt as at 1 July 2021	2,725	(18,405)	(225)	(15,905)
Cash flows	747	(1,780)	983	(50)
Foreign exchange adjustments	(2)	(905)	-	(907)
Other non-cash movements	-	19,727	(19,331)	396
Net debt as at 30 June 2022	3,470	(1,363)	(18,573)	(16,466)
Net debt as at 1 July 2020	2,673	(16,777)	(10,250)	(24,354)
Cash flows	205	3,233	5,064	8,502
Foreign exchange adjustments	(153)	577	-	424
Other non-cash movements	-	(5,438)	4,961	(477)
Net debt as at 30 June 2021	2,725	(18,405)	(225)	(15,905)

8 TRADE AND OTHER RECEIVABLES

Accounting Policy

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group's principal financial assets comprise cash and short-term deposits and receivables, which meet the conditions for classification and measurement at amortised cost. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Financial Statements

For the Year ended 30 June 2022

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounting Policy (CONTINUED)

At initial recognition, the Group's financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. The trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less any provision for impairment.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the contractual rights to the cash flow expire, the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the relevant derecognition criteria are satisfied.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the simplified approach to measuring expected credit losses for all trade receivables. To measure the expected losses, trade receivables have been grouped based on days past due. Expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical default experience within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Trade receivables	2,059	2,173
Deposits and other loans	10	155
Other receivables	116	126
Less: Allowance for expected credit losses	(2)	(8)
Total trade and other receivables	2,183	2,446

(i) Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Notes to the Financial Statements

For the Year ended 30 June 2022

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables:

	Current \$'000	> 30 days past due \$'000	> 60 days past due \$'000	> 90 days past due \$'000	Total \$'000
Loss allowance at 30 June 2022					
Expected loss rate (%)	0.03%	0.16%	1.42%	0.81%	
Gross carrying amount (\$'000)	1,644	262	50	103	2,059
Total loss allowance	0.4	0.4	0.7	0.8	2
Loss allowance at 30 June 2021					
Expected loss rate (%)	0.02%	0.40%	0.70%	9.50%	
Gross carrying amount (\$'000)	2,043	51	7	72	2,173
Total loss allowance	1	-	-	7	8

The maximum exposure to credit risk includes considerations provided for as a result of the COVID-19 pandemic.

9 TRADE AND OTHER PAYABLES

Accounting Policy

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amounts of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements

For the Year ended 30 June 2022

9 TRADE AND OTHER PAYABLES (CONTINUED)

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Trade payables	2,377	2,341
Other payables	1,687	1,797
Interest payable	42	21
Total trade and other payables	4,106	4,159

- Trade and other payables are non-interest bearing and are normally settled on 30-45 day terms. The net of GST payable and GST received is remitted to the appropriate tax body on a monthly basis.
- The carrying amounts of trade and other payables are assumed to approximate their fair values due to their short term nature.
- All trade and other payables are categorised as "other financial liabilities". They are initially recognised and subsequently carried at amortised cost using the effective interest method.
- For terms and conditions relating to related parties refer to note 29

10 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost and net realisable value, except for Macadamia produce, which are measured at fair value less costs to sell at the point of harvest. Macadamias cease to be agricultural produce after picking and are subsequently classified as raw materials, measured at cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Macadamia produce** - fair value less costs to sell at the point the Macadamia crop becomes non-living. This measurement then becomes the cost recognised under raw materials;
- **Raw Materials** - purchase cost on a first-in, first-out basis; and
- **Finished goods and work-in-progress** - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and the estimated costs necessary to make the sale.

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Raw materials (at lower of cost and net realisable value)	3,786	2,789
Finished goods (at lower of cost and net realisable value)	12,476	10,215
Total inventories	16,262	13,004

Refer to note 5 for the recognised expenses for inventories carried at net realisable value. This is recognised in cost of sales in the profit or loss.

Notes to the Financial Statements

For the Year ended 30 June 2022

11 BIOLOGICAL ASSETS

Accounting Policy

Biological assets comprise of macadamia nuts growing on macadamia trees.

The current growing macadamia crop is not considered harvested, as this crop is attached to the trees and therefore classified as a biological asset and valued in accordance with *AASB 141 Agriculture*. The fair value of the macadamia nuts on trees takes into account current macadamia selling prices and current growing, processing and selling costs. The calculated crop value is then discounted to take into account that it is only partly developed, and then further discounted by a suitable factor to take into account the agricultural risk until crop maturity. As the macadamia growth cycle is complete within 12 months, no adjustment has been made for discounting future harvests to net present value. In applying this standard, the Group has made various assumptions at the reporting date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Balance at 1 July	657	1,641
Change in fair value due to biological transformation	4,129	6,079
Transfer of harvested Macadamia nuts to inventory	(4,431)	(7,063)
Balance as at 30 June	355	657

As part of its operations, the Group grows, harvests, processes and sells macadamia nuts. As at 30 June 2022, the Group owned a total of 3,998 acres of macadamia orchard located on the Big Island of Hawaii (2021: 3,998 acres). The orchard produced a total of 10.02m lbs of wet in shell macadamia nuts for the year ended 30 June 2022 (2021: 10.86m lbs).

Valuation of macadamia produce

The Group has a team that performs valuations of the Group's biological assets for financial reporting purposes, including Level 3 fair values. The main Level 3 inputs used by the Group are derived and evaluated as follows:

- Volume of macadamia nuts on trees is determined utilising known growth cycles and expected macadamia orchard yields. Expected yields are estimated based upon historical yields and adjusted for climatic conditions and observations of the current crop growing in the orchard.
- Selling prices are based on average trend prices for wet in shell macadamia nuts.
- Growing, processing and selling costs are based on long term average levels.

As the macadamia growth cycle is complete within 12 months, no adjustment has been made for discounting future harvest to net present value.

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measure of the macadamia produce:

Notes to the Financial Statements

For the Year ended 30 June 2022

11 BIOLOGICAL ASSETS (CONTINUED)

Valuation of macadamia produce (CONTINUED)

		2022	2021
Valuation inputs	Relationship of unobservable inputs to fair value	\$'000	\$'000
Actual macadamia orchard yield (millions lbs)	The higher the macadamia nut yield, the higher the fair value	10.02	10.86
Selling price of wet in shell macadamia nuts (US \$ per lb)	The higher the wet in shell sell price, the higher the fair value	0.86	0.93
Cost of growing (US \$ per lb)	The higher the cost of growing, the lower the fair value	0.19	0.14
Cost of disposal including processing and selling (US \$ per lb)	The higher the cost of disposal, the lower the fair value	0.32 - 0.51	0.38 - 0.52

Assets pledged as security

Information about assets pledged as security is provided in note 12.

12 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Land

For the basis of the valuations, land is measured at fair value.

Increases in carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increases reverse a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the land are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the land; all other decreases are charged to profit or loss. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the lands' fair value at the reporting date. Upon disposal, any revaluation reserve relating to the land being sold is transferred to retained earnings.

Buildings, plant and equipment

Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, over the estimated useful life of the assets as follows:

Fixed asset class	Useful life
Freehold buildings	50 years
Plant and equipment	3 – 20 years
Bearer plants	65 years

The asset's residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end.

The useful lives of assets and major depreciation periods used in 2022 are consistent with those used in the prior year.

Notes to the Financial Statements

For the Year ended 30 June 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

Right-of-use assets

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, lease incentives and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the right-of-use asset, unless those costs are incurred to produce inventories.

The Group recognises right-of-use assets at the commencement date of the lease i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises of the initial lease liability amount, initial direct costs incurred when entering in the lease less lease incentives received and an estimate of the costs to be incurred in dismantling and removing the underlying asset and restoring the site on which it is located, to the condition required by the terms and conditions of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An assets recoverable amount is the higher of its fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. An assessment is made at each reporting date as to whether a previously recognised impairment loss in respect of non-financial assets other than goodwill, can be reversed.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Freehold land		
At fair value	23,220	17,657
Total freehold land	23,220	17,657
Buildings		
At cost	1,681	1,425
Accumulated depreciation	(409)	(317)
Total buildings	1,272	1,108

Notes to the Financial Statements

For the Year ended 30 June 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Capital works in progress		
At cost	12	16
Total capital works in progress	12	16
Plant and equipment		
At cost	7,508	6,062
Accumulated depreciation	(4,910)	(4,019)
Total plant and equipment	2,598	2,043
Bearer Plants		
At cost	4,851	4,438
Accumulated depreciation	(1,325)	(1,039)
Total Bearer Plants	3,526	3,399
Right-of-Use		
At cost	1,406	2,420
Accumulated depreciation	(174)	(468)
Accumulated impairment	-	(317)
Total Right-of-Use	1,232	1,635
Total property, plant and equipment	31,860	25,858

Reconciliation of the book amounts of each class of property, plant and equipment between the beginning and the end of the financial year is set out below:

	CONSOLIDATED						
	Freehold land \$'000	Buildings on freehold land \$'000	Plant and Equipment \$'000	Capital works in progress \$'000	Bearer Plants \$'000	Right-of- Use assets \$'000	Total \$'000
Year ended 30 June 2022							
Opening net book amount	17,657	1,108	2,043	16	3,399	1,635	25,858
Exchange differences	1,642	99	131	-	306	41	2,219
Revaluation increase/(decrease)	3,921	-	-	-	-	-	3,921
Additions	-	124	718	-	-	235	1,077
Disposals	-	-	(49)	-	-	(2)	(51)
Transfers	-	-	304	(4)	-	(300)	-
Other adjustment	-	-	-	-	-	(117)	(117)
Depreciation expense	-	(59)	(549)	-	(179)	(260)	(1,047)
Closing net book amount	23,220	1,272	2,598	12	3,526	1,232	31,860

Notes to the Financial Statements

For the Year ended 30 June 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED						Total \$'000
	Freehold land	Buildings on freehold land	Plant and Equipment	Capital works in progress	Bearer Plants	Right-of- Use assets	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Year ended 30 June 2021							
Opening net book amount	19,936	1,140	1,600	-	3,907	696	27,279
Exchange differences	(1,710)	(99)	(135)	-	(333)	(71)	(2,348)
Revaluation increase/(decrease)	(569)	-	-	-	-	-	(569)
Additions	-	121	975	16	-	1,317	2,429
Disposals	-	-	(56)	-	-	(57)	(113)
Transfers	-	-	-	-	-	-	-
Depreciation expense	-	(54)	(341)	-	(175)	(250)	(820)
Closing net book amount	17,657	1,108	2,043	16	3,399	1,635	25,858

(A) Fair value of leasehold and freehold land

The Group engages external, independent and qualified valuers to determine the fair value of the Group's leasehold and freehold land at least every three years. An independent valuation of the freehold land in Hawaii was performed on 1 June 2022 by CBRE Valuation and Advisory Services (USA).

The Directors do not believe there has been a material movement in fair value since the valuations were conducted in relation to the Hawaii land. The independent valuation was determined by the direct comparison approach, utilising recent observable market data for similar properties. Key inputs include the price per square meter. There were no changes during the year in the valuation techniques used by the Group to determine Level 2 fair values of land.

Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold and leasehold land were stated on the historical cost basis, the amounts would be as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Freehold land	2,290	2,290

Notes to the Financial Statements

For the Year ended 30 June 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(B) Right-of-use assets

The Group leases various properties, equipment and vehicles. The right-of-use assets relate to the following types of assets:

CONSOLIDATED			
	Buildings on leasehold land	Plant and equipment	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2022			
Opening net book amount	1,009	626	1,635
Exchange differences	6	35	41
Additions	235	-	235
Disposals	(2)	-	(2)
Transfers	-	(300)	(300)
Other adjustment	(117)	-	(117)
Depreciation	(209)	(51)	(260)
Closing net book amount	922	310	1,232

CONSOLIDATED			
	Buildings on leasehold land	Plant and equipment	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2021			
Opening net book amount	242	454	696
Exchange differences	(8)	(63)	(71)
Additions	973	344	1,317
Disposals	-	(57)	(57)
Depreciation	(198)	(52)	(250)
Closing net book amount	1,009	626	1,635

Information about the Group's leases are provided in note 16.

(C) Assets pledged as security

American AGCredit, FLCA holds a first ranking mortgage over the Group's property assets in Hawaii. The terms of this first mortgage preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times. The convertible noteholders hold a second mortgage over the Group's assets in Hawaii.

(D) Impairment testing

Information about impairment testing of property, plant and equipment is provided in note 13.

Notes to the Financial Statements

For the Year ended 30 June 2022

13 INTANGIBLE ASSETS

Accounting Policy

Customer relationships

Customer relationships are carried at cost, less any accumulated impairment losses and amortisation. Customer relationships have been assessed as having a finite life from the date of business acquisition and are amortised over a period of between 5 - 8 years (2021: 5 - 8 years).

Trade marks

Trade marks are recognised at cost, less any accumulated losses and amortisation. Separately acquired trademarks and licences through a business combination are recognised at fair value at the acquisition date, they have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Trade marks are assessed for impairment at least annually and is allocated to the cash-generating unit for which they relate. Trademarks are amortised over a period of between 5 - 8 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Impairment testing is performed annually for intangible assets where any impairment indicators exist.

	Consolidated	
	2022	2021
	\$'000	\$'000
Trade marks		
Cost	1,321	1,208
Accumulated amortisation and impairment	(946)	(664)
Net carrying amount	375	544
Relationships		
Cost	1,515	1,386
Accumulated amortisation and impairment	(1,137)	(800)
Net carrying amount	378	586
Total Intangible assets	753	1,130

Notes to the Financial Statements

For the Year ended 30 June 2022

13 INTANGIBLE ASSETS (CONTINUED)

Movement in carrying amounts of intangible assets:

	CONSOLIDATED		
	Brand names \$'000	Relationships \$'000	Total \$'000
Year ended 30 June 2022			
Opening net carrying amount	544	586	1,130
Exchange differences	40	41	81
Additions	-	-	-
Amortisation	(209)	(249)	(458)
Closing carrying amount	375	378	753

	CONSOLIDATED		
	Brand names \$'000	Relationships \$'000	Total \$'000
Year ended 30 June 2021			
Opening net carrying amount	816	904	1,720
Exchange differences	(69)	(76)	(145)
Additions	-	-	-
Amortisation	(203)	(242)	(445)
Closing carrying amount	544	586	1,130

(A) Asset pledged a security

Information about assets pledged as security is provided in note 12.

(B) Impairment testing

The Group is required to test its intangible assets annually for impairment, along with its other non-financial assets when indications of impairment are identified. Given the nature of the assets held by the Group, including intangible assets and factory plant and equipment which do not generate cash inflows that are largely independent of other assets, the Group must determine the recoverable amount for the cash-generating unit (CGU) to which the assets belong.

	Macadamia USA	
	2022 \$'000	2021 \$'000
Customer relationships	378	586
Trade marks	375	544
Total	753	1,130

Notes to the Financial Statements

For the Year ended 30 June 2022

13 INTANGIBLE ASSETS (CONTINUED)

(B) Impairment testing (CONTINUED)

USA Macadamia CGU

The Group has identified the following indicators of impairment for the current financial reporting period:

- The carrying amount of the net assets of the Group is higher than its market capitalisation; and
- There is evidence available from internal reporting that indicates that the economic performance of the Group's assets is lower than expected.

The Group has calculated the recoverable amount for all CGU based on the fair value less cost of disposal (FVLCD). In determining the FVLCD values, the Group has obtained an independent valuation of the Macadamia USA CGU on a whole of business basis to represent the fair value and has made an allowance for the cost of disposal of 3% of the fair value (2021: 3%). The basis for the fair value of the land associated with the CGU is outlined in note 12. The FVLCD values were determined using both the income capitalisation approach and the comparable sales approach, some of the inputs utilised within the valuation are unobservable and are therefore deemed to be Level 3 in the fair value hierarchy. The following table outlines the key assumptions that have been made in the determination of the FVLCD recoverable amount.

ASSUMPTIONS	2022	2021
INCOME CAPITALISATION APPROACH		
Capitalisation rate (%)	13.00	13.00
Stabilised orchard yield (m lbs p/a)	9.00	9.00
Stabilised price per lb (US\$)	1.20	1.20
Stabilised operating costs (US\$ per planted acre)	1,585	1,585
COMPARABLE SALES APPROACH		
Sales price per acre (US\$ per planted acre)	8,800	7,700

The carrying amount of the Macadamia USA CGU has been determined with reference to the intangible assets and the relevant property, plant and equipment. Having regard to the information above, the Group has concluded that the FVLCD calculation does not result in the recoverable amount for the CGU being lower than its carrying amount.

Sensitivity

The Directors has made judgements and estimates in respect of impairment testing of non-financial assets. Should such judgements and estimates not occur the resulting asset carrying amount may decrease. The Group has considered and assessed reasonably possible changes in key assumptions and has not identified any instances that could cause the carrying amounts of the CGU's to exceed their recoverable amounts.

Notes to the Financial Statements

For the Year ended 30 June 2022

14 INTEREST-BEARING LIABILITIES

Accounting Policy

Financial liabilities, including all loans and borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged, cancelled or if the terms are modified resulting in the present value of future cash flow being modified more than 10%. Under the circumstances of modification resulting in derecognition of the liability is recognised at the new present value of the future cash flows under the modified terms. Where the modification results in the present value of future cash flows being modified by less than 10%, any gains or losses on modification are recognised in profit or loss for the period in which the modification occurs.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
CURRENT		
Secured		
Working capital financing facilities	-	7,030
Bank loans	1,004	1,147
Convertible notes	359	10,228
Total current interest-bearing liabilities	1,363	18,405
NON-CURRENT		
Secured liabilities:		
Working capital financing facilities	11,084	-
Bank loans	153	225
Convertible notes	7,336	-
Total non-current interest-bearing liabilities	18,573	225
Total interest-bearing liabilities	19,936	18,630

Summary of borrowings

A. Bank loans and working capital financing facilities

As at 30 June 2022, the Group held a finance facility with American AgCredit, FLCA of US\$7,680,000 (AUD\$11,111,111), the undrawn facility available was US\$19,079 (AUD\$27,602). On 14 March 2022, American AgCredit, FLCA approved an increase of the facility limit to US\$10,000,000 (AUD\$14,467,593), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 2022. The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets.

Notes to the Financial Statements

For the Year ended 30 June 2022

14 INTEREST-BEARING LIABILITIES (CONTINUED)

Summary of borrowings (CONTINUED)

MacFarms LLC has two financing facilities with John Deere Financial, both secured equipment finance, the first one at 0% (2021: 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 FY2022/FY2023 insurance period is 4.632% (AFCO) and 2.865% (iQumulate).

B. Convertible notes

On 15 February 2017, the parent entity issued 37,500,000 convertible notes at \$0.40 per note with a coupon rate of 4.50% per annum to Asia Mark Development Limited (AMD). The notes are convertible into fully paid ordinary shares of the parent entity, at the option of the shareholder, or repayable at the maturity date.

The initial fair value of the host debt liability portion of the convertible notes was determined as the residual balance between the face value of the notes issued, being \$15,000,000 and the fair value of the derivative liability recognised. The derivative liability represents the value attributable to the potential adjustment to the conversion ratio on the conversion of the notes, the valuation of the derivative liability is outlined in note 15. The host debt liability is subsequently recognised on an amortised cost basis until the debt is extinguished on conversion or maturity of the notes.

The Group made a payment of \$5,000,000 to the notes on the 1 October 2020. After repayment, 25,000,000 notes remains on issue. On 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 30 June 2022.

The host debt liability portion of the convertible notes are held at amortised cost. This host debt liability represents the 4.50% annual coupon payable and \$10 million payable at the maturity of the notes. As at 30 June 2022, the fair value of the host debt liability is considered to be \$7,695,000 (2021: \$10,228,000), representing the net present value of future cash flows utilising the effective interest rate of 14.36%.

Notes to the Financial Statements

For the Year ended 30 June 2022

14 INTEREST-BEARING LIABILITIES (CONTINUED)

B. CONVERTIBLE NOTES (CONTINUED)

	2022	2021
	\$'000	\$'000
Opening balance	11,269	15,715
Gain on extinguishment adjustment of host liability	(2,657)	-
Fair value (gain)/loss on derivative	(714)	(249)
Interest expense	1,107	1,181
Interest paid	(983)	(5,059)
Modification adjustment on host liability portion	-	(319)
	8,022	11,269
Current liability	359	10,402
Non-current liability	7,663	867
Total liability	8,022	11,269

- The table above includes the debt host liability and the derivative component of the convertible note. Refer to note 15 in relation to the derivative portion.
- The interest expense is calculated by applying the effective interest rate of 14.36% (2021: 10.70%) to the host debt liability component.

15 OTHER FINANCIAL LIABILITIES

Accounting Policy

The initial fair value of the host debt liability portion of the convertible notes was determined as the residual balance between the face value of the notes issued, being \$15,000,000 and the fair value of the derivative liability recognised. The derivative liability represents the value attributable to the potential adjustment to the conversion ratio on the conversion of the notes. They are initially recognised at fair value and subsequently remeasured at each reporting date. The Group is required to measure its other financial liabilities, being the derivative liability component of the convertible notes issued at fair value. Refer to note 14 for further information relating to the convertible notes.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Derivative liability component - current	-	174
Derivative liability component - non-current	327	867
Total other financial liabilities	327	1,041

Fair value of other financial liabilities

In determining the fair value of the derivative liability component, a number of key assumptions are required to be made. The Group engages external, independent and qualified advisors to determine the fair value of the Group's derivative liability component of its convertible notes. The valuation determines the fair value of the derivative component through a Binomial option pricing model.

Notes to the Financial Statements

For the Year ended 30 June 2022

15 OTHER FINANCIAL LIABILITIES (CONTINUED)

Fair value of other financial liabilities (CONTINUED)

The following table summarises the quantitative information about the significant unobservable inputs.

Valuation inputs	Relationship of unobservable inputs to fair value	2022	2021
Historical 3-years volatility of share price (%)	The higher the volatility, the higher the fair value	81.1	86.3

The fair value recognised at 30 June 2022 was \$327,000 (2021: \$1,041,000) resulting in a fair value gain of \$714,000 (2021: \$248,000) recognised during the year in the consolidated statement of profit or loss and other comprehensive income.

16 LEASES LIABILITIES

Accounting Policy

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

At the commencement date of the lease, the Group recognises the lease liabilities measured at the present value of the lease payments that are not paid at the commencement date, discounted using either the rate implicit in the lease, or if that rate is not readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments for penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. For leases which contain a lease and a non-lease component, such as maintenance or charges, these are required to be accounted for separately.

After the commencement date, the amount of the lease liability is increased to reflect interest on the lease liability and reduced for the lease payments made. The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate of a change in expected payments under guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Refer to note 12 for the accounting policy for right-of-use asset.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Notes to the Financial Statements

For the Year ended 30 June 2022

16 LEASES LIABILITIES (CONTINUED)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Lease liabilities		
Current	261	487
Non-Current	979	1,103
Total lease liabilities	1,240	1,590

The maturity analysis of the contracted undiscounted cash flows for leases:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Maturity analysis		
Not later than one year	261	555
Later than 1 year and not later than 5 years	949	931
Later than 5 years	30	104
Total	1,240	1,590

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Total cash outflow for leases	565	460

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Notes	CONSOLIDATED	
		2022	2021
		\$'000	\$'000
Depreciation charge of right-of-use assets			
Buildings	12	209	198
Plant and equipment	12	51	52
		260	250
Interest expense (included in finance costs)		67	34
Expenses relating to short term lease (included in cost sales)		423	449

Notes to the Financial Statements

For the Year ended 30 June 2022

16 LEASES LIABILITIES (CONTINUED)

The Group's leasing activities and how these are accounted for

The Group leases several assets including office buildings, machinery and equipment and motor vehicles. The average lease term is 2 years but may have extension options and purchase options. The Group has made a determination that certain property leases extension options will not be exercised while certain purchase options associated with machinery and equipment leases are likely to be exercised in order to manage the flexibility of managing the assets used in the Group's operations. In determining the lease term, extension option and purchase options, management considers all facts and circumstances that create an economic incentive to exercise an option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

The incremental borrowing rate has been determined with reference to the risk-free interest rate adjusted for the credit risk associated with obtaining financing based on recent secured third party financing received by the Group as a lessee and making adjustments specific to the lease such as term, country, currency and security. The lessee's weighted average incremental borrowing rate applied to the lease liabilities at 30 June 2022 is 6.0%.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. During the year, there has been remeasurement of lease liabilities for the reporting period ending 30 June 2022 based on revision of variable lease payments associated with property leases.

17 EMPLOYEE ENTITLEMENTS

Accounting Policy

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using high quality corporate bond rates.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Employee benefits		
Current	957	943
Non current	40	33
Total employee benefits	997	976

The employee benefits cover the Group's liability for annual leave, sick leave and long service leave.

The current portion of this liability includes all accrued annual leave, sick leave and unconditional entitlements to long service leave where employees have completed the required period of service and those where employees are entitled to pro-rata payments.

Notes to the Financial Statements

For the Year ended 30 June 2022

18 CONTRIBUTED EQUITY

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Issued and paid up capital		
Fully paid ordinary shares	60,613	60,613
	60,613	60,613

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

MOVEMENT IN ORDINARY SHARES ON ISSUE	Date	Issue Price	Number of shares	\$'000
Balance as at 1 July 2021			122,820,738	60,613
Shares issued - Placement			-	-
Less transaction costs arising on share issue			-	-
Balance as at 30 June 2022			122,820,738	60,613

Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 14, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 18 and 19 and on the face of the Consolidated Statement of Changes in Equity. There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position (including minority interest) plus net debt.

Notes to the Financial Statements

For the Year ended 30 June 2022

18 CONTRIBUTED EQUITY (CONTINUED)

Asset and capital structure

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
NET GEARING		
Debts		
Interest-bearing liabilities	19,936	18,630
Cash and cash equivalents	(3,470)	(2,725)
Net debt	16,466	15,905
Total equity	25,043	20,925
Total capital employed	41,509	36,830
	39.67%	43.18%
DEBT/EQUITY		
Total equity	25,043	20,925
Intangibles	(753)	(1,130)
	24,290	19,795
Interest-bearing liabilities	19,936	18,630
	82.07%	94.11%

19 RESERVES

Asset revaluation

The asset revaluation reserve is used to record increments and decrements in the fair value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Foreign currency transaction

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

20 DIVIDENDS OR PROPOSED

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

Notes to the Financial Statements

For the Year ended 30 June 2022

21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

General objectives, policies and processes

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are established to minimise the potential impacts of these risks to the Group where such impacts may be material. The effectiveness of the processes put in place and the appropriateness of the objectives and policies are discussed regularly at Board level. Management also reviews the risk management policies and processes and reports their findings to the Audit, Compliance & Safety Committee.

The overall objective of the Board is to set policies that seek to reduce risk, without unduly affecting the Group's competitiveness and flexibility.

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

The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the reporting period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risks including interest rate risk and foreign currency risk. Other risks include liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

(A) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

As at reporting date the Group had the following variable rate borrowings:

	CONSOLIDATED			
	2022	2022	2021	2021
	Interest rate	Balance	Interest rate	Balance
	%	\$'000	%	\$'000
Working capital financing facilities (AUD)	4.56%	11,084	3.62%	7,030

An analysis of maturities is provided in section E below.

Notes to the Financial Statements

For the Year ended 30 June 2022

21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONTINUED)

(A) Interest rate risk (CONTINUED)

At reporting date, the effect on profit and equity as a result of a 100 basis points change in the interest rate, with all other variables remaining consistent, would be an increase/decrease by \$111,000 (2021: \$70,000). This is mainly due to the Group's exposure to variable interest rate on the American AGCredit, FLCA debt facility drawn of US\$7,661,000 (AUD\$11,084,000) (2021: AUD\$7,030,000).

(B) Foreign currency risk

As a result of the Group's operations in the United States, the macadamia segment's statement of financial position can be affected by movements in USD/AUD exchange rates.

The Group also has transactional currency exposures. Such exposures arises from the sale or purchases by the operating unit in currencies other than the unit's functional currency. All sales and purchases in the macadamia segment are in transactional currency (USD) of that segment, other than intercompany recharges from the parent (and previously Ginger business), which are in the transaction currency of the parent (AUD).

Intercompany loans and receivable balances between the macadamia segment and the parent, are also subject to foreign exchange risk.

As at 30 June, the effect on profit and equity as a result of changes in exchange rates between the AUD/USD currencies, with all other variables remaining constant would be as follows:

	2022			2021		
	Exposure \$'000	+10% \$'000	-10% \$'000	Exposure \$'000	+10% \$'000	-10% \$'000
Balances held in USD	30,012	(2,728)	3,335	29,076	(2,643)	3,231

(C) Commodity risk

The Group is exposed to commodity risk in the macadamia segment.

As at 30 June 2022, the effect on profit and equity as a result of an increase/(decrease) in commodity prices by 1% would be \$28,000 (2021: \$29,000).

(D) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Group. Credit risk arises principally from trade and other receivables and derivatives.

Notes to the Financial Statements

For the Year ended 30 June 2022

21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONTINUED)

(D) Credit risk (CONTINUED)

The object of the Group is to minimise risk of loss from credit risk exposure. To achieve this, the Group has established a number of policies and processes to manage credit risk from receivables and derivatives. The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customer who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the objective that the Group's exposure to bad debts is minimised. Refer to note 8 for further information on the Group's policy for the determination of expected credit losses.

Credit risk from receivables is measured through the use of credit agency reports on worthiness, trading history and days sales outstanding ratios. Credit risk from derivatives is measured through monitoring of foreign exchange and interest rate movements. The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those asset as indicated in the consolidated statement of financial position.

(E) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, leases and bill facilities. The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers.

The Group has established a number of policies and processes for managing liquidity risk, these include:

- Continuously monitoring actual and daily cash flows of all Group entities;
- Continuously monitoring long-term forecast cash flow requirements of the Group;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows;
- Maintaining adequate borrowing facilities such as unused credit;
- Monitoring measures of borrowing such as EBIT/interest, EBIT/sales, gearing and debt to equity ratios;
- Monitoring liquidity ratios such as working capital;
- Managing the timing of outflows designated for reduction for liabilities in accordance with usual industry practice; and
- Liquidity risk is measured using liquidity ratios such as working capital.

The Group has access to debt facilities held with American AGCredit, FLCA (2021: American AGCredit, FLCA). The facility limits and undrawn balances as at reporting date are outlined in the table below:

DEBT FACILITY	2022		2022		2021
	Expiry Date \$'000	Facility Limit \$'000	Undrawn \$'000	Facility limit \$'000	Undrawn \$'000
Working capital facility ⁽¹⁾	Various	11,111	28	10,589	3,559
Other facilities (AUD) ⁽²⁾	Various	246	-	309	-

(1) Held with American AGCredit, FLCA (2021: American AGCredit, FLCA)

(2) Held with John Deere Financial (2021: John Deere Financial)

Notes to the Financial Statements

For the Year ended 30 June 2022

21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONTINUED)

(E) Liquidity risk (CONTINUED)

The Group had access to the following undrawn borrowing facilities at the reporting date:

Financiers

American AGCredit, FLCA is the Group's principal financier while Westpac Banking Corporation, Bank of Hawaii and Key Bank supply retail banking facilities such as general operating, dividend, share purchase plan accounts, credit cards, business and corporate on-line facilities to entities within the Group.

Maturity analysis

Financial liabilities have differing maturity profiles depending on contractual term and in the case of borrowings, different repayment amounts and frequency. The periods in which the principal and interest (where applicable) of recognised and unrecognised financial liability balances will be paid based on the remaining period to repayment date assuming contractual repayments are maintained, may vary from carrying amounts due to future interest to be incurred on amortising liability amounts.

The American AgCredit, FLCA facility has a 25 year term and is not included in the maturity analysis table below as the Group has the ability to repay the principal and interest prior to the maturity date. The carrying amount at 30 June 2022 was \$11,084,000 (2021: \$7,030,000).

	Carrying amount \$'000	Contractual cash flows \$'000	< 6 MTHS \$'000	6 - 12 MTHS \$'000	1 - 3 YEARS \$'000	> 3 YEARS \$'000
2022						
Non-derivatives						
Trade and other payables	4,106	4,106	4,106	-	-	-
Interest-bearing liabilities	8,852	12,768	1,297	1,167	4,374	5,930
Lease liabilities	1,240	1,360	151	155	751	303
Total Non-derivatives	14,198	18,234	5,554	1,322	5,125	6,233

	Carrying amount \$'000	Contractual cash flows \$'000	< 6 MTHS \$'000	6 - 12 MTHS \$'000	1 - 3 YEARS \$'000	> 3 YEARS \$'000
2021						
Non-derivatives						
Trade and other payables	4,159	4,159	4,159	-	-	-
Interest-bearing liabilities	11,600	12,432	6,371	696	5,365	-
Lease liabilities	1,590	1,801	375	185	553	688
Total Non-derivatives	17,349	18,392	10,905	881	5,918	688

For further information on the Group's interest-bearing liabilities, refer to Note 14.

Notes to the Financial Statements

For the Year ended 30 June 2022

21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONTINUED)

(F) Foreign currency translation

The functional currency of each entity of the Group is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian Dollars (AUD) or (\$), which is the Group's functional and presentational currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign monetary assets and liabilities are translated using the exchange rates prevailing as at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate as at the date of the fair value determination.

Exchange differences arising from the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income. Exchange differences arising from the translation of non-monetary items are recognised in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

22 FAIR VALUE

Accounting Policy

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either; in a principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using fair value hierarchy that reflects the significance of the inputs used in making the measurements, being:

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability. |

Classification are reviewed each reporting period and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison where appropriate, with external source of data.

Notes to the Financial Statements

For the Year ended 30 June 2022

22 FAIR VALUE (CONTINUED)

Accounting Policy (CONTINUED)

Fair value hierarchy

The following table details the Group's assets and liabilities, measured or disclosed at fair value, using the three-level hierarchy:

30 June 2022		Level 1	Level 2	Level 3	Total
Non-financial assets					
Freehold land	12	-	23,220	-	23,220
Macadamia nuts growing on trees	11	-	-	355	355
Total non-financial assets		-	23,220	355	23,575

Other financial liabilities					
Derivative component of the convertible note	15	-	-	327	327
Total other financial liabilities		-	-	327	327

30 June 2021		Level 1	Level 2	Level 3	Total
Non-financial assets					
Freehold land	12	-	17,657	-	17,657
Macadamia nuts growing on trees	11	-	-	657	657
Total non-financial assets		-	17,657	657	18,314

Other financial liabilities					
Derivative component of the convertible note	15	-	-	1,041	1,041
Total other financial liabilities		-	-	1,041	1,041

Transfers between fair value

There were no movements between any of the three-level hierarchy classifications.

Notes to the Financial Statements

For the Year ended 30 June 2022

22 FAIR VALUE (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

The following table present the changes in Level 3 items for the years ended 30 June 2022 and 30 June 2021 for recurring fair value measurements:

	TOTAL OPERATIONS	
	2022	2021
	\$'000	\$'000
Macadamia nuts growing on trees		
Balance at 1 July	657	1,641
Gains recognised in profit or loss	4,129	6,079
Reclassification to inventory	(4,431)	(7,063)
Balance at 30 June	355	657

	TOTAL OPERATIONS	
	2022	2021
	\$'000	\$'000
Derivative component of the convertible note		
Balance at 1 July	1,042	1,290
Fair value gain recognised in profit or loss	(714)	(248)
Balance at 30 June	328	1,042

23 COMMITMENTS AND CONTINGENCIES

At 30 June 2022 the Group has commitments of \$2,803,000 (2021: \$2,564,000) principally relating to committed supply of manufacturing inputs. Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Within one year		
Consumables used in production processes	2,803	2,564
	2,803	2,564

Notes to the Financial Statements

For the Year ended 30 June 2022

24 INVESTMENT IN ASSOCIATES

Accounting Policy

Interest in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with *AASB 128 Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

Goodwill forms part of the carrying amount of an investment in equity accounted investees and is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investments is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

Associates

In January 2021, the Group entered into an agreement to acquire up to 24% interest in US based, EVR Foods Inc (LAVVA) brand and its associated assets. The Group co-invested with S2G Ventures. EVR Foods Inc (LAVVA) produces clean nutrients dense, plant-based yoghurt and milk with formulations that incorporate pili nuts, an ingredient with very similar qualities to macadamia nuts. The Group's interest in EVR Foods Inc (LAVVA) is accounted for using the equity method in the consolidated financial statements.

As at 30 June 2021, the Group obtained a total interest of 17.2% in EVR Foods Inc (LAVVA). The carrying value of the investment in the associate at 30 June 2021 was \$3,350,000. On 18 October 2021 the Group acquired a further interest in EVR Foods Inc (LAVVA) for US\$107,083 (AU\$143,967). This resulted in the increase in the Group's shareholding in EVR Foods Inc (LAVVA) from 17.2% to 17.6%.

At 31 December 2021, an impairment loss was recognised for US\$2,237,406 (AU\$3,068,723) due to the trading condition of the associate. The net investment in the associate was reduced to nil. On 10 June 2022, EVR Foods Inc (LAVVA) was acquired by Regenerative Plant Based, Inc. The Group forfeited their interest in EVR Foods Inc (LAVVA) for nil consideration. Dennis Lin resigned as a directors of EVR Foods Inc. at transaction completion. The Group discontinued the equity method on 10 June 2022.

Summarised statement of financial position of LAVVA®

The following table illustrates the summarised financial information of the Group's investment in LAVVA®:

	2022 \$'000	2021 \$'000
Summarised consolidated statement of financial position		
Current assets	-	5,493
Non-current assets	-	395
Current liabilities	-	2,301
Non-current assets	-	1,158
Equity	-	2,429

Notes to the Financial Statements

For the Year ended 30 June 2022

24 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised statement of financial position of LAVVA® (CONTINUED)

	2022 \$'000	2021 \$'000
Summarised consolidated statement of profit or loss and other comprehensive income		
Revenue from contract with customers	1,266	1,535
Cost of sales	(2,547)	(2,434)
Administrative expenses	(2,876)	(2,473)
Finance costs	(44)	(40)
Profit/(loss) before tax	(4,201)	(3,412)
Income tax expense / (income)	(349)	-
Profit/(loss) for the year	(3,852)	(3,412)
Total comprehensive income/(loss) for the year	(3,852)	(3,412)
Investment percentage from February 2021 - March 2021	-	10.42%
Investment percentage from April 2021 - June 2021	-	17.21%
Investment percentage from July 2021 - June 2022	17.21%	17.21%
Group's share of profit/(loss) for the period from February 2021 - March 2021	-	(150)
Group's share of profit/(loss) for the period from April 2021 - June 2021	-	(339)
Group's share of profit/(loss) for the period from July 2021 - June 2022	(663)	-
Total Group's share of profit/(loss) for the year	(663)	(489)

The associate had no contingent liabilities or capital commitments as at 30 June 2022.

25 INVESTMENT IN CONTROLLED ENTITIES

	Country of incorporation	Percentage held by Group (%) 2022	Percentage held by Group (%) 2021
HPP Group (Overseas) Holdings Pty Ltd	(i) Australia	100	100
HPP America, Inc.	(ii) United States	100	100
MacFarms, LLC	(iii) United States	100	100

(i) Investment by Health and Plant Protein Group Limited

(ii) Investment by HPP Group (Overseas) Holdings Pty Limited

(iii) Investment by HPP America, Inc.

Notes to the Financial Statements

For the Year ended 30 June 2022

26 PARENT ENTITY INFORMATION

The Corporations Act 2001 requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Health and Plant Protein Group Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described throughout this report.

	PARENT ENTITY	
	2022	2021
	\$'000	\$'000
Current assets	589	3,683
Non-current assets	22,452	23,451
Total Assets	23,041	27,134
Current liabilities	1,434	12,022
Non-current liabilities	8,374	2,057
Total Liabilities	9,808	14,079
Net assets	13,233	13,055
Issued capital	60,613	60,613
Reserves	1,324	1,404
Accumulated losses	(48,704)	(48,961)
Total shareholder's equity	13,233	13,056
Net profit/(loss) for the year	257	(1,862)
Total comprehensive profit/(loss) for the year	257	(1,862)

Guarantees

The parent entity has guaranteed under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 any deficiency of funds if HPP Group (Overseas) Holdings Pty Ltd is wound up.

Contractual commitments

The parent entity has no contractual commitments that have not already been provided for (2021: nil).

Contingent liabilities

The parent entity has no contingent liabilities, other than the guarantees detailed above (2021: nil).

Intercompany loan forgiveness

There has been no loan forgiveness in the current year (2021: The parent entity results include intercompany loan forgiveness of \$1.4 million provided by Ginger Headquarters Pty Ltd which is a discontinued operation (refer to note 27).

Notes to the Financial Statements

For the Year ended 30 June 2022

27 DISCONTINUED OPERATIONS

Accounting Policy

Non-current assets are classified as held for sale and measured at the lower of carrying amount and fair value less cost to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale. Classification as 'held for sale' occurs when management has committed to a plan for immediate sale; the sale is expected to occur within one year from date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less cost to sell in accordance with the requirements of AASB 136 Impairment of Assets, including the treatment of any assets which are held at revalued amounts. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

Change in composition of entity

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 total consideration of c\$13,000,000, subject to customary adjustments. The associated assets and liabilities were consequently presented as held for sale in the 30 June 2021 consolidated financial statements and the result presented as discontinued operations.

On 30 September 2020, the sale of the Ginger division assets, including The Ginger Factory, the Buderim Ginger brands and subsidiaries Frespac Ginger (Fiji) Pte Limited and Ginger Head Quarters Pty Ltd completed and have been 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 were as follows:

	2022	2021
	\$'000	\$'000
Revenue	-	8,719
Other income	-	1,063
Operating expenses	-	(8,145)
Profit/(loss) before income tax	-	1,637
Income tax expense/(benefit)	-	48
Profit/(loss) after income tax from discontinued operations	-	1,685
Profit/(loss) on sale after tax (see below)	-	(1,200)
Profit/(loss) from discontinued operations	-	485

	2022	2021
	\$'000	\$'000
Net cash inflow/(outflow) from operating activities	-	5,072
Net cash inflow/(outflow) from investing activities	-	6,705
Net cash inflow/(outflow) from financing activities	-	(486)
Net increase/(decrease) in cash generated by the discontinued operations	-	11,291

Notes to the Financial Statements

For the Year ended 30 June 2022

27 DISCONTINUED OPERATIONS (CONTINUED)

Details of the sale of the subsidiary

	2022 \$'000	2021 \$'000
Consideration received	-	11,020
Consideration payable to buyer	-	(220)
Carrying amount of net assets sold	-	(11,526)
Profit/(loss) on sale before income tax and reclassification of foreign currency translation reserve	-	(726)
Reclassification of foreign currency translation reserve	-	(474)
Profit/(loss) on sale after income tax	-	(1,200)

28 DIRECTORS AND EXECUTIVE DISCLOSURES

Details of Compensation of Key Management Personnel

Details of the nature and amount of each element of the remuneration of Key Management Personnel (KMP) of the company and the Group for the financial year can be found in the remuneration report in the director's report. Refer to note 29 for other KMP transactions.

	CONSOLIDATED	
	2022 \$	2021 \$
Short-term employee benefits		
Cash salary and fees	756,633	938,108
Short-term incentives	-	-
Non-monetary	1,413	1,340
Post-employment benefits		
Superannuation	75,663	85,348
Other long-term employment benefits		
Long service leave	7,438	8,001
	841,147	1,032,797

Notes to the Financial Statements

For the Year ended 30 June 2022

29 RELATED PARTY

Entities subject to class order relief

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to certain controlled entities of Health and Plant Protein Group Limited from the Corporations Act 2001 requirements for preparation, audit, publication and lodgment of their financial reports. As a condition of the ASIC Instrument, Health and Plant Protein Group Limited and the controlled entities, subject to the ASIC Instrument, entered into a Deed of Indemnity on 22 March 2019. Members of the closed group include Health and Plant Protein Group Limited and HPP Group (Overseas) Holdings Pty Ltd. The effect of the deed is that Health and Plant Protein Group Limited has guaranteed to pay any deficiency in the event of winding up of the members of the closed group. The members of the closed group have also given a similar guarantee in the event that Health and Plant Protein Group Limited is wound up.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income of the entities which are members of the "Closed Group" are as follows:

	2022	2021
	\$'000	\$'000
Income		
Rental revenue	19	21
Other income	4,223	55
Finance revenue	2,657	751
	6,899	827
Administration expenses	(3,022)	(4,229)
Marketing expenses	(305)	(82)
Share of profit in associate	(3,739)	(489)
Other expenses	(142)	(872)
Profit/(loss) before tax and finance costs	(309)	(4,845)
Finance costs	256	(3,468)
Profit/(loss) before income tax	(53)	(8,313)
Income tax (expense)/benefit	310	1,189
Net profit/(loss) from continuing operations	257	(7,124)
Gain/(loss) from discontinued operations	-	4,058
Net profit/(loss) for the year	257	(3,066)
Other comprehensive income		
Total comprehensive profit/(loss) for the year	257	(3,066)
Total net profit/(loss) is attributable to:		
Equity holders of Health and Plant Protein Group Limited	257	(3,066)
	257	(3,066)
Total comprehensive loss is attributable to:		
Equity holders of Health and Plant Protein Group Limited	257	(3,066)

Notes to the Financial Statements

For the Year ended 30 June 2022

29 RELATED PARTY (CONTINUED)

The Consolidated Statement of Financial Position of the entities which are members of the "Closed Group" are as follow:

	2022 \$'000	2021 \$'000
Consolidated Statement of Financial Position		
Current Assets		
Cash and cash equivalents	323	639
Trade and other receivables	232	2,885
Other current assets	100	224
Total Current Assets	655	3,748
Non-Current Assets		
Receivables	23,852	21,166
Investments	1,298	4,646
Property, plant and equipment	1,797	2,053
Total Non-Current Assets	26,947	27,865
Total Assets	27,602	31,613
Current Liabilities		
Trade and other payables	327	710
Interest-bearing liabilities	892	10,851
Other financial liabilities	-	174
Short-term provisions	214	284
Total Current Liabilities	1,433	12,019
Non-Current Liabilities		
Interest-bearing liabilities	8,007	847
Other financial liabilities	327	867
Deferred tax liabilities	-	310
Long-term provisions	41	33
Total Non-Current Liabilities	8,375	2,057
Total Liabilities	9,808	14,076
Net Assets	17,794	17,537
Equity		
Contributed equity	64,923	64,923
Reserves	1,196	1,196
Accumulated losses	(48,325)	(48,582)
Total Equity	17,794	17,537

Notes to the Financial Statements

For the Year ended 30 June 2022

29 RELATED PARTY (CONTINUED)

	2022	2021
	\$'000	\$'000
Movement in retained earnings		
Opening balance	(48,582)	(46,732)
Attributable to changes to the closed group members	-	1,216
Net profit/(loss) for the year	257	(3,066)
Closing balance	(48,325)	(48,582)

SUBSIDIARIES

Interest in subsidiaries is set out in note 25.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the Directors' report.

Transactions with other 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

Asia Mark Development Limited, a major shareholder, holds 25,000,000 convertible notes as at 30 June 2022. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$167,671 (2021: \$760,685).

MacFarms of Hawaii 401(k) Profit Sharing Plan

The Group elected to make a discretionary contribution during the year amounting to US\$203,482 (AUD\$287,511) (2021: US\$199,353) to the accounts of eligible employees under the MacFarms of Hawaii 401(k) Profit Sharing Plan, a self-administered deferred plan for eligible employees of MacFarms, LLC. There were no outstanding contributions payable at reporting date (2021: nil). The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of US\$9,206 (AUD\$13,008) (2021: US\$8,497) in relation to administration fees.

Notes to the Financial Statements

For the Year ended 30 June 2022

29 RELATED PARTY (CONTINUED)

AUDITORS REMUNERATION

During the year, the following fees were paid or payable for services provided by the Lead Auditor of the consolidated entity:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Fees to Ernst & Young (Australia)		
- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	209,000	218,000
- Fees for other services	29,000	125,000
	238,000	343,000

30 EVENTS OCCURRING AFTER THE REPORTING DATE

On 14 March 2022, American AgCredit, FLCA approved an increase of the facility limit to US\$10,000,000 (AUD\$14,467,593), subject to terms and conditions of the loan documents, which have subsequently been signed after 30 June 2022. The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets.

On the 19 July 2022 the Group announced two new board appointments. Albert Tse has been appointed to the role of Executive Chair and Hugh Robertson has been appointed as an Independent, Non-Executive Director. These appointments follow Dennis Lin's decision to retire as Executive Chair of the Company following expiry of his executive contract at 30 June 2022. Dennis ceased being a Director on the 19 July 2022.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Director's Declaration

The directors of the Company declare that:

- (a) the attached financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2022 and of the performance for the year ended on that date;
- (b) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022;
- (c) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) the Directors, confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- (e) in the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

Signed in accordance with a resolution of the Directors.



Albert Tse
Executive Chair

Brisbane, 22 August 2022

Independent Audit Report



**Building a better
working world**

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Independent Auditor's Report to the Members of Health and Plant Protein Group Limited

Report on the audit of the financial report

Opinion

We have audited the 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 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Independent Audit Report



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment of Group's non-current assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2022, the Group's total non-current assets of \$32,613k included property, plant and equipment amounting to \$31,860k and intangible assets amounting to \$753k. As described in Note 13, the Group had determined that impairment indicators exist at 30 June 2022 and accordingly performed an impairment assessment of its Macadamia cash generating unit (CGU). The assessment of the recoverable value of these assets incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating costs and economic assumptions such as capitalisation rate, inflation rates and foreign currency rates. On this basis this was considered a key audit matter.	The audit procedures we performed included the following: ▶ Considered the completeness of the Group's assessment of the indicators of impairment, including the Group's market capitalisation compared to its net assets. ▶ In relation to the valuation performed by the Group's external valuation experts, conducted to support the Group's assessment of the fair value less costs of disposal (FVLCD) of the Macadamia CGU, we, in conjunction with EY's valuation specialists: • Considered the competency, qualifications, experience and objectivity of the valuation experts. • Read the valuation report and assessed the valuer's methodology for consistency with the requirements of the Australian Accounting Standards. • Assessed the reasonableness of the key assumption used in the comparable sales approach and the direct capitalisation of income approach and performed sensitivity analysis of the key assumptions used. ▶ Assessed the adequacy of the financial report disclosures contained in Note 13 in accordance with Australian Accounting Standards.

Inventory and Biological Assets Valuation

Why significant	How our audit addressed the key audit matter
As disclosed in Notes 10 Inventories and 11 Biological Assets, the Group held significant amounts of inventory and biological assets at 30 June 2022 including \$12,476 of finished goods, \$3,786 of raw materials, and \$355K of biological assets. Australian Accounting Standards require the Group recognise inventories are valued at the lower of cost and net realisable value (which, for Nuts on Floor, is	The audit procedures we performed included the following: ▶ Considered whether the biological assets were appropriately accounted for at fair value less costs to sell by reviewing management's supporting analysis, obtaining an understanding of its valuation process, testing the mathematical accuracy of its calculation, and

Independent Audit Report



Why significant	How our audit addressed the key audit matter
deemed to equal fair value less costs to sell), and biological assets at fair value less costs to sell. The carrying value of inventories and biological assets was considered a key audit matter due to the size of the respective balances, the number of estimates (and their complexity, uncertainty, and subjectivity) used to determine the valuation of the biological assets, and the judgement involved in the provision for obsolescence in inventory.	agreeing the key inputs back to supporting documentation. ▶ Considered whether the inventory was appropriately accounted for at the lower of cost and net realisable value (which for harvested macadamia nuts is deemed to equal fair value less costs to sell at the point of harvest), by selecting a sample of inventory items on hand at balance sheet date, and comparing the carrying value of this inventory to its most recent sale prices and costs necessary to make the sale. ▶ Observed a sample of physical inventory counts. This included consideration of whether inventory items with quality or obsolescence issues had been appropriately identified. ▶ Considered the methods and key assumptions used to develop the Group's provision for inventory obsolescence and assessed the adequacy of the provision compared to the prior period, subsequent experience, and aging of inventory items. ▶ Assessed the adequacy of the financial report disclosures contained in Note 10 and 11 in accordance with Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent Audit Report



Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

Independent Audit Report



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

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Health and Plant Protein Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, likely belonging to Susie Kuo.

Susie Kuo
Partner
Brisbane
22 August 2022

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Additional Information for Listed Public Companies

For the Year Ended 30 June 2022

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is set out below. This information is current as at 29 July 2022.

(A) SUBSTANTIAL SHAREHOLDER

The names of substantial shareholders are set out below:

	Number of Shares
Asia Mark Development Limited	42,844,007
Mr John Cheadle	17,428,785
Ilwella Pty Ltd	6,250,000

All ordinary shares (all fully paid) carry one vote per share without restriction.

(B) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class are:

	ORDINARY SHARES	
	Number of Holders	Number of Shares
1 - 1,000	564	191,061
1,001 - 5,000	392	1,030,721
5,001 - 10,000	127	970,408
10,001 - 100,000	253	8,112,374
100,000 and over	80	112,516,174
	1,416	122,820,738
The number of shareholders holding less than a marketable parcel of shares are:	1,002	1,476,674

(B) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares are:

	ORDINARY SHARES	
	Number of Shares Held	% of Issued Shares
Asia Mark Development Limited	42,844,007	34.88
Mr John Cheadle	17,428,785	14.19
Ilwella Pty Ltd	6,250,000	5.09
Rubicon Family Office Pty Limited	4,195,088	3.42
Randell Management Services Pty Ltd	4,030,488	3.28
Mr John Rostyn Homewood	3,700,000	3.01
Bundaberg Sugar Group Ltd	2,291,261	1.87
Melbourne Securities Corporation Limited	2,164,706	1.76
Shadbolt Future Fund (Tottenham) Pty Ltd	1,541,727	1.26
Shane Templeton	1,528,703	1.24
BNP Paribas Nominees Pty Ltd Barclays	1,486,306	1.21
Edlou Investments Pty Limited	1,468,930	1.20
JAF Capital Pty Ltd	1,400,000	1.14

Additional Information for Listed Public Companies For the Year Ended 30 June 2022

	ORDINARY SHARES	
	Number of Shares Held	% of Issued Shares
Netwealth Investments Limited	1,285,969	1.05
Burton Investment Pty Limited	1,165,099	0.95
Mr Robert Investment Pty Limited	1,092,117	0.89
MFA Capital Pty Ltd	1,000,000	0.81
Mr Andrew Bond + Mrs Karen Bond	967,444	0.79
Ayers Capital Pty Ltd	834,829	0.68
Cannon Rocks Pty Ltd	775,000	0.63
Report total	97,450,459	79.34
Remainder	25,370,279	20.66
Grand total	122,820,738	100.00

Registered Address

Level 3, 159 Coronation Drive, Milton QLD 4064

Contact Details

Postal Address: PO Box 2225, Milton, QLD 4064

Phone Number: 07 3067 4828

Website: www.hppgroup.com

Email: corporate@hppgroup.com

ABN

68 010 978 800

Board of Directors

Albert Tse (*Executive Chair*)

Christina Chen

Peter O'Keeffe

Andrew Bond

Hugh Robertson

Company Secretary

Lisa Davis

Senior Management

Adam Cunningham

Chief Operating Officer

Lisa Davis

Chief Financial Officer

Solicitors

Thomson Geer Lawyers

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Brisbane QLD 4000

Telephone: (07) 3085 7000

Auditors

Ernst & Young

111 Eagle Street, Brisbane QLD 4000

Telephone: (07) 3011 3333

Share Registry

Computershare Investor Services Pty Limited

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Phone Number: 1300 850 505 (within AUS)

Phone Number: +61 3 9415 4000 (Outside AUS)

Fax: +61 3 9473 2500

Website: www.investorcentre.com/contact

Security Exchange Listing

ASX Limited

ASX Code: HPP

Bankers and Financiers

American AGCredit, FLCA

Westpac Banking Corporation

Bank of Hawaii

Hawaiian Macadamia Office

MacFarms, LLC dba MacFarms of Hawaii

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California Macadamia Office

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