



better food for the future

# Annual Report

4 July 2022 to 2 July 2023

SPC Global Ltd ABN: 73 633 389 394



# Chairman's Letter

Hussein H Rifai

Dear Shareholders,

I trust this letter finds you in good health and spirits.

As at the conclusion of another fiscal year, it is both a privilege and a responsibility to communicate with you, our esteemed shareholders, regarding the performance of our Company over the past year.

The 2023 fiscal year proved to be a challenging period for SPC Global Limited (SPC or the Company). The year was a perfect storm of several global supply chain disruptions, unforeseen natural calamities, and operational setbacks.

Coming out of the pandemic in early 2022, the global supply chain suffered many global disruptions. The business was unable to secure the shipment of navy beans from Canada used to produce SPC Baked Beans. This caused the business to run out the of the Baked Beans products for the first four months of financial year. The run out was subsequently the reason for the loss of revenue and earnings generated from these products during that period. Since then, the supply chain has returned to its pre-pandemic performance and the production and sales of baked beans products have returned to normal.

In late December 2022, Shepparton and the Goulburn Valley was affected by devastating floods and hailstorms only days before harvest. The flood water level was at 1cm higher than that experienced in 1974, peaking at 12.10 meters. These floods led to substantial losses in crop yield or damaged crop in

produce such as tomatoes and various other fruit. This loss or damage of the crop had a sharp negative impact on our cost recovery and operational efficiency for the year. Fortunately, all the climate leading indicators point to a much better harvest for the 2023 – 2024 season.

Additionally, the Company acknowledges the shortcomings in the execution of the launch of our first beverage product, Hh, which resulted in adverse effects on our financial performance. Although we remain keen to enter the beverage market, we are more focused on entry through acquisition into the lucrative category.

Despite the difficulties, our team worked tirelessly to navigate through the adversity and minimise the impact on our operations. I am pleased to share that we are on our way to achieving our forecasted positive normalised outcome, demonstrating the strength and adaptability of our business model.

While these challenges tested our resilience, I am pleased to report that our Company has weathered the storm. Recognising the need for strategic changes, the Board has made changes to our senior management, by employing senior executives best suited for the Company's current stage of growth and development. The new leadership brings a wealth of experience and a fresh perspective to guide our Company through the evolving market landscape. We are confident that these changes will enhance our operational efficiency and position us for sustainable growth in the years ahead.

I am delighted to introduce to our shareholders to Neil Brimacombe who joined us as Chief Executive Officer with effect from 5 July 2023. Starting his career in the FMCG at Unilever, Neil has over 30 years of strategic and operational management experience managing branded consumer goods businesses across multiple geographies and served on the boards of many of the giants in FMCG, including Tiger Brands in South Africa and Carozzi in Chile and Peru.

I am also delighted to report that Robert Iervasi recently joined our Board as a non-executive director. As the former Group Chief Executive Officer and Board Director of Asahi Beverages, Robert led a large and diversified consumer products / FMCG business with more than \$5 billion in annual revenue and over 5,000 employees across Australia, New Zealand, and the Pacific Islands, including a significant manufacturing footprint. Robert was in this role since 2019, after serving as the Group Chief Operating Officer and the Group CFO & General Counsel for over eight years. In these roles, he managed a number of accountabilities, including Finance, Shared Business Services, Legal, Risk Strategy and Information Technology; as well Sales, Marketing, Supply Chain and Science & Innovation.

Looking forward, I am optimistic about the future of SPC. The challenges of the past year have spurred innovation, resilience, and a commitment to excellence. We are investing in research and development to bring about improvements in our product line and are exploring new market opportunities to

diversify our revenue streams. I am also delighted to report that the Company is in discussion with several potential acquisition targets that will move the Company forward towards its growth targets.

In conclusion, I want to express my gratitude to each shareholder for your unwavering support during these testing times. Your confidence in our Company is a source of motivation for all of us at SPC. Together, we will overcome challenges, capitalise on opportunities and build a prosperous future.

Thank you for your continued trust and partnership.

I wish you all a very merry Christmas and a happy and prosperous 2024.

Warm regards,



Hussein H Rifai  
Chairman





# Consolidated Financial Statements

For the period ended 2 July 2023

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For the Period Ended 2 July 2023

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# Director's Report

For the Period Ended 2 July 2023

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the period ended 2 July 2023.

## 1. General information

### Information on directors

The names and particulars of each person who has been a director during the period and to the date of this report are:

#### Hussein Hani Rifai, Executive Chairman

Hussein Rifai is a trusted board-level adviser on the topics of private equity, global food security, supply chain, investment trends and business turnarounds. He has worked with some of the world’s most recognisable brands including Proctor and Gamble, Johnson & Johnson, and Ernst and Young.

Leveraging over four decades of experience in business strategy, private equity and investment banking, Hussein has a talent for identifying investment and turnaround opportunities. He co-created one of the world’s earliest Sharia Compliant private equity funds in 2001 and under his management, these funds were rated as one of the best performing funds in the world.

Mr Rifai is the Chairman of Perpetuity Capital Pty Ltd. and Perma Funds Management Pty Ltd.

Mr Rifai has a postgraduate certification in Supply Chain Management from Stanford University, an MBA in Finance and International Business from University of Technology, Sydney, and a BSc Electrical and Computer Engineering from San Jose State University, San Jose California.

#### Andrew Stephen Cohen, Executive Director and Joint Company Secretary

Andrew Cohen is an experienced business executive with over 30 years as a chartered accountant specialising in corporate advisory and investment banking services to both Australian and international companies.

He has advised on a diverse range of transactions including initial public offerings, capital raisings (both public and private), mergers and acquisitions and corporate advisory assignments in Australia, New Zealand, USA, UK, South Africa, Asia-China and Russia.

Mr Cohen has also had extensive engagement with both public and private company boards on commercial transactions including regulatory, legal, taxation and corporate governance matters, including performing company secretarial duties.

Mr Cohen obtained his Bachelor of Commerce and Bachelor of Commerce (Honours-Taxation) at the University of Cape Town, South Africa. Mr Cohen is a member of the Chartered Accountants Australian and New Zealand.

# Director's Report

For the Period Ended 2 July 2023

### Selva Nithan Thirunavukarasu (Thiru), Non-Executive Director

Nithan Thiru has over 15 years of experience in investment banking and private equity. He commenced his career at Merrill Lynch in the Financial Institutions Group team of the Investment Banking division before moving into Venture Capital and Private Equity, cementing his skills in financial analysis, modelling and deal structuring.

Mr Thiru holds a B.Comm (University of Sydney) and a M.App.Fin (Macquarie University).

### Professor Charlie (Khalil) Shahin AO, Non-Executive Director

Charlie Shahin is the Managing Director of Peregrine Corporation, a family-owned business that owns and operates the On The Run brand of service stations and convenience stores in South Australia, as well as the Smokemart & GiftBox tobacconists vape & variety retail stores nationwide.

The Peregrine Corporation is South Australia’s largest private sector company and the state’s largest private sector employer, employing more than 6.500 employees across retail, marketing, human resources, property development, legal, business development and operations.

Professor Shahin was named an Officer of the Order of Australia (AO) in 2017. The award came for his distinguished service to business and commerce, to philanthropy as an advocate for corporate social responsibility, and for his service to the multicultural community.

### Murray Rutherford, Non-Executive Director – resigned on 24 July 2023

Murray Rutherford is the CEO and CIO of AMIST Super that primarily serves members who work in the meat and livestock industry.

Mr Rutherford holds a Bachelor of Commerce and a Diploma in Financial Planning.

### Pascal Gouel, Alternate to Murray Rutherford – appointed on 13 July 2013 and resigned on 24 July 2013

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

# Director's Report

## For the Period Ended 2 July 2023

### Principal activities

The Company is Australia’s leading fruit, tomato, baked beans and spaghetti processing, packaging, and canning company.

The Company owns several of Australia's iconic, heritage food brands including SPC, Ardmona, Goulburn Valley and Provital. The key operations of the Group are centred in the Goulburn Valley, with its principal manufacturing facility located in Shepparton. Whilst approximately 90% of ingredients used by the Company are grown in Australia, as the Company is unable to source the commercial quantity of some ingredients locally, it also imports:

- pineapples, jack fruit and mangoes from its tropical manufacturing facility in Thailand;
- berries from China, Europe, New Zealand and Chile (due to short supply in Australia); and
- beans from Canada.

The Company operates in large, growing markets and its products are sold into both the domestic and international retail, food service and industrial markets.

The Company’s strategic goals include growing revenue by way of developing and/or launching new products, entering new categories, extending its presence in non-retail channels, as well as implementing cost reduction initiatives aimed at improving profitability.

The Group owns 73.3% of the issued share capital of the group of companies collectively known as The Kuisine Group. The Kuisine Group is a leading Australian producer of high quality frozen prepared meals and is based in Sydney.

## 2. Operating results and review of operations for the year

### Operating results

The current year financial statements are for the 52-week period from 4 July 2022 to 2 July 2023. The prior year comparatives depict the financial statements for the 53-week period 28 June 2021 to 3 July 2022. The consolidated loss of the Group for the year after providing for income tax amounted to \$23.5 million (2022: Profit after tax of \$24.3 million).

# Director's Report

## For the Period Ended 2 July 2023

### Review of operations

The after-tax loss for the period ended 2 July 2023 was adversely impacted by several key issues or events that were non-recurring in nature. The following table provides a reconciliation of the statutory profit and loss to the normalised trading results:

	Period Ended 2 July 2023 (000)	NSR / kg	Period Ended 3 July 2022 (000)	NSR / kg
<b>Sales Volume (tonnes)</b>	<b>66,256</b>		<b>72,738</b>	
<b>Gross revenue</b>	<b>282,259</b>		<b>276,096</b>	
Rebates and promotions	(38,461)		(36,319)	
<b>Net Sales Revenue</b>	<b>243,798</b>	\$3.68	<b>239,777</b>	\$3.30
<b>Net Profit Before Tax</b>	<b>(31,686)</b>		<b>32,067</b>	
Depreciation	11,279		7,260	
Net Finance Costs	8,433		6,891	
Significant Items	1,962		(33,119)	
<b>EBITDA – reported</b>	<b>(10,012)</b>		<b>13,099</b>	
<b>Normalised adjustments</b>				
Environmental Impacts	9,553		-	
Execution Impacts	10,817		-	
<b>Normalised EBITDA</b>	<b>10,358</b>		<b>13,099</b>	

# Director's Report

For the Period Ended 2 July 2023

The key issues or events which impacted the period ended 2 July 2023 and which are shown as normalised adjustments in the table above, were as follows:

- Significant Items: As part of the operations, the Group incurred \$0.5 million of consulting costs in relation to driving productivity improvements, \$1.0 million of restructure costs related to cost reduction initiatives and \$0.5 million of legal costs in relation to activities outside of ordinary operations. The prior period’s significant items included the profit on sale of the Shepparton property, settlement of a legal dispute and restructuring costs.
- Environmental - Weather Impacts: During the period, the Goulburn Valley region experienced unprecedented floods and multiple hailstorms. The effects of these events were felt across the crops of the Group’s growers from a volume and quality perspective, together with the flow on effect on the Group’s production efficiencies, reduced overhead recoveries and lost sales due to rationalising the reduced stock. The estimated adverse financial impact was \$4.9 million.
- Environmental - Supply Chain Issues: Supply chain issues impacted supplier reliability, disruptions impacted the import of raw materials and sourcing of labour, which led to loss of product, out of stocks and premiums paid for labour hire. The estimated adverse financial impact was \$4.6 million.
- Execution - Increases in manufacturing costs and delays in passing these increases on to customers: Gross profit margins were adversely impacted by one-off costs, significant cost increases and delays in recovering these increases from customers due to long notice periods and fixed price contracts. The estimated adverse financial impact was \$5.9 million.
- Execution – Cost Reduction Savings: As part of a cost reduction program, costs were incurred in the current year, but the full year benefit of those savings was not achieved. The incremental financial impact of those savings will be \$2.1 million.
- Execution - Launch of Helping Humans products: The launch of the Helping Humans products did not achieve their internal financial targets and the strategy to re-launch these products is currently being reassessed. This adversely impacted the Group’s profitability by \$4.8 million, and comprised trading losses and the write off of pre-launch costs of \$2.8 million, and an impairment of the goodwill associated with the brand of \$2.0 million which is shown as an increase in depreciation in the table above.

### 3. Other items

#### Significant changes in state of affairs

During the financial period under review, the Group:

- Implemented various cost-cutting measures, efficiency improvements, and revenue enhancement strategies to address the business issues faced during the financial period.

# Director's Report

For the Period Ended 2 July 2023

- Established a sales office in Singapore to lead the expansion of the business into international markets, including securing new customers with operations in Korea and the USA.
- Completed the first stage of a Capital Program at the Shepparton facility which focused on simplifying the manufacturing processes by rationalising production lines. This will improve the throughput rates and reduce operating costs.
- Implemented a Demand Planning and Trade Spend Management System, which will allow the Group to optimise trade spend strategies, improve the accuracy of demand forecasting and reduce inventory levels.
- Commenced the implementation of a fully integrated Product Lifecycle Management solution to support the end- to-end life cycle of all products that SPC manufacture. This will improve data integrity, reduce manual processes, and improve control over master data and artwork.
- Transitioned to a major Australian bank enabling the refinancing of all the working capital and equipment finance facilities aimed at reducing the cost of capital employed by the Group.

Other than the above or as stated in the notes to the financial statements, there have been no significant changes in the state of affairs of entities in the Group during the period.

#### Matters or circumstances arising after the end of the year

The Board is pleased to report the following appointments:

- Neil Brimacombe joined the Group as Chief Executive Officer with effect from 5 July 2023, replacing Robert Giles. Mr Brimacombe has over 30 years of strategic and operational management experience managing branded consumer goods entities across multiple geographies and served on the boards of many of the continents giants in FMCG, including Tiger Brands in South Africa, Chococam in Cameroon, Deli Foods and UAC foods in Nigeria, Carozzi in Chile and Peru, EATBI in Ethiopia, Haco in Kenya, and National Foods in Zimbabwe.
- Robert Iervasi has agreed to join the Group as a non-executive director effective 15 October 2023. Mr Iervasi was the former Group Chief Executive Officer and a Board Director of Asahi Beverages, where he led a diversified consumer products business with more than \$5 billion in annual revenue and over 5,000 employees across Australia, New Zealand, and the Pacific Islands. Mr Iervasi held this role since 2019, after serving as Asahi Group Chief Operating Officer and Asahi Group CFO & General Counsel for over eight years.



# Director's Report

For the Period Ended 2 July 2023

Pursuant to the Business Purchase Agreement (BPA) entered between the Company and CCA Amatil Ltd (CCA), the Company had an obligation to pay CCA an amount equal to the EBITDA for the period ended 2 July 2023 multiplied by 4 times, limited to \$15 million. There are several income and expense items that are specifically excluded from this calculation. Due to the financial performance of the Company in the period under review, no payment was required to be made. Accordingly, as the final deferred payment was nil, the Company has no further obligations to CCA under the BPA.

Except as stated in the notes to the financial statements, no other matters or circumstances have arisen since the end of the financial period 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.

**Future developments and results**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

**Environmental matters**

The Group is committed to ensuring that its business continues to develop sustainability by reducing its impact on the natural environment with a specific focus on environmental compliance, responsible and ethical sourcing, product stewardship, resource efficiency, climate change, and ensuring a positive social impact.

The Group’s business is subject to Federal and State Environmental Acts and Regulations. The Group complied with all statutory and voluntary reporting requirements during the financial period.

**Dividends**

No dividends were declared or paid during the financial period (2022: \$nil).

**Company secretary**

Andrew Cohen and Gavin Hoggett (appointed on 18 August 2022) are the joint company secretaries.

Mr Hoggett is the Chief Financial Officer of the Group with extensive experience in management and business leadership gained across many different functions and ownership structures. Mr Hoggett is a member of Chartered Accountants Australia and New Zealand.

**Meetings of directors**

During the period, 3 meetings of directors were held. Attendances by each director during the period were as follows:

# Director's Report

For the Period Ended 2 July 2023

Directors' Meetings		
	Number eligible to attend	Number attended
Hussein Hani Rifai, Chairman	3	3
Andrew Stephen Cohen	3	3
Selva Nithan Thirunavukarasu (Thiru)	3	2
Charlie (Khalil) Shahin AO	3	0
Murray Rutherford	3	3
Pascal Gouel (as alternate to Murray Rutherford)	0	0

Where a director is unable to attend a meeting, that director is required to notify the Chairman of his reasons for his unavailability. The Chairman will then obtain input from that director on any important matters that are scheduled to be tabled at a board meeting to ensure that input from all directors is obtained on those matters.

During the period, the Company paid a premium in respect of a contract ensuring the Directors and all executive officers of the Company and any related body corporate against a liability incurred as such by Director or executive officer, not exceeding the extent permitted by law. The contracts of insurance prohibit disclosure of the nature of the liabilities and the amount of the premiums. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any related body corporate against a liability incurred as such by an officer.

The Company has agreed to indemnify each Director for losses incurred as a Director or officer of the Company (including all subsidiaries) and places an obligation on the Company to maintain a current Directors’ and Officers’ policy with a reputable insurer and a contractual right of the Director to access Company records for the period of the Directors’ tenure and for a seven year tail period (or longer if there is an unresolved outstanding claim against the Director).

**Rounding of amounts**

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191.

# Director's Report

For the Period Ended 2 July 2023

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the period ended 2 July 2023 has been received and can be found on page 15 of the consolidated financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:   
Hussein Rifai

Director:   
Andrew Cohen

Dated this 13 day of October 2023

# Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001



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SPC Global Limited (Formerly Shepparton Partners Collective Ltd)  
ABN: 73 633 389 394

## Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of SPC Global Limited and its controlled entities

I declare that, to the best of my knowledge and belief, during the period ended 2 July 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KEVIN CRANFIELD  
Director  
Sydney



Bentleys Sydney Audit Pty Ltd  
Chartered Accountants

Dated at Sydney on this ...13... day of .....October..... 2023



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- Advisors
- Accountants
- Auditors



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 2 July 2023

	Note	2023 \$000	2022 \$000
<b>Gross revenue</b>	4	282,259	276,096
Rebates and promotions	4	(38,461)	(36,319)
<b>Revenue net of rebates and promotions</b>	4	<b>243,798</b>	<b>239,777</b>
Cost of sales		(178,668)	(157,847)
<b>Gross profit</b>		<b>65,130</b>	<b>81,930</b>
Finance income	5	34	10
Other income	4	4,697	42,033
Distribution and warehousing costs		(18,963)	(17,995)
Sales and marketing expenses		(6,251)	(3,767)
Corporate and administrative expenses		(55,878)	(54,030)
Doubtful debts off written back/(off)		(208)	177
Depreciation, amortisation and impairment		(11,279)	(7,259)
Other expenses		(501)	(2,131)
Finance expenses	5	(8,467)	(6,901)
<b>Profit / (Loss) before income tax</b>		<b>(31,686)</b>	<b>32,067</b>
Income tax (expense) / benefit	6	8,186	(7,759)
<b>Profit / (Loss) for the period</b>		<b>(23,500)</b>	<b>24,308</b>
<b>Profit / (Loss) for the year attributed to:</b>			
Owners of SPC Global Ltd		(22,838)	24,431
Non-controlling interests		(662)	(123)
<b>Profit / (Loss) for the period</b>		<b>(23,500)</b>	<b>24,308</b>
Other comprehensive income for the period			
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(23,500)</b>	<b>24,308</b>
<b>Total comprehensive income attributed to</b>			
Owners of SPC Global Ltd		<b>(22,838)</b>	<b>24,431</b>
Non-controlling interests		<b>(662)</b>	<b>(123)</b>
<b>Total comprehensive income for the period</b>		<b>(23,500)</b>	<b>24,308</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

As at 2 July 2023

	Note	2023 \$000	2022 \$000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	516	9,861
Trade and other receivables	9	47,496	36,770
Inventories	10	112,169	109,467
Other assets	11	2,935	3,929
Tax assets	7	338	-
<b>TOTAL CURRENT ASSETS</b>		<b>163,454</b>	<b>160,027</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	10,143	25,338
Property, plant and equipment	12	26,964	18,838
Right-of-use assets	13	112,886	114,119
Intangible assets	14	9,088	11,667
Deferred tax assets	7	3,820	4,457
<b>TOTAL NON-CURRENT ASSETS</b>		<b>162,901</b>	<b>174,419</b>
<b>TOTAL ASSETS</b>		<b>326,355</b>	<b>334,446</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	40,207	38,456
Employee benefits	17	6,840	7,024
Borrowings	16	56,264	19,673
Lease liability	13	2,900	2,920
Tax liabilities	7	-	11,537
<b>TOTAL CURRENT LIABILITIES</b>		<b>106,211</b>	<b>79,610</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position (continued)

As at 2 July 2023

	Note	2023 \$000	2022 \$000
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	1,558	1,787
Employee benefits	17	576	347
Borrowings	16	9,549	9,902
Lease liability	13	114,829	112,576
Deferred tax liabilities	7	3,377	1,252
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>129,889</b>	<b>125,864</b>
<b>TOTAL LIABILITIES</b>		<b>236,100</b>	<b>205,474</b>
<b>NET ASSETS</b>		<b>90,255</b>	<b>128,972</b>
<b>EQUITY</b>			
Issued capital	18	55,946	71,163
Reserves	19	-	-
Retained earnings		32,201	55,039
<b>Equity attributable to the owners of the parent</b>		<b>88,147</b>	<b>126,202</b>
Non-controlling interests		2,108	2,770
<b>TOTAL EQUITY</b>		<b>90,255</b>	<b>128,972</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the Period Ended 2 July 2023

## 2022

	Note	Ordinary Shares \$000	Retained Earnings \$000	Asset Revaluation Reserve \$000	Non Controlled Interest \$000	Total \$000
<b>Balance at 27 June 2021</b>		<b>10,080</b>	<b>16,850</b>	<b>13,758</b>	<b>4,356</b>	<b>45,044</b>
Profit/(loss) for the period		-	24,431	-	(123)	24,308
Shares issued		61,083	-	-	-	61,083
Acquired through business combinations		-	-	-	(1,463)	(1,463)
Realisation of previous Asset Revaluation		-	13,758	(13,758)	-	-
<b>Balance at 3 July 2022</b>		<b>71,163</b>	<b>55,039</b>	<b>-</b>	<b>2,770</b>	<b>128,972</b>

## 2023

	Note	Ordinary Shares \$000	Retained Earnings \$000	Asset Revaluation Reserve \$000	Non Controlled Interest \$000	Total \$000
<b>Balance at 3 July 2022</b>		<b>71,163</b>	<b>55,039</b>	<b>-</b>	<b>2,770</b>	<b>128,972</b>
Profit/(loss) for the period		-	(22,838)	-	(662)	(23,500)
Shares cancelled		(1,674)	-	-	-	(1,674)
Shares to be cancelled		(13,543)	-	-	-	(13,543)
<b>Balance at 3 July 2023</b>		<b>55,946</b>	<b>32,201</b>	<b>-</b>	<b>2,108</b>	<b>90,255</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

For the Period Ended 2 July 2023

	Note	2023 \$000	2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		251,420	272,284
Payments to suppliers and employees		(274,325)	(298,449)
Interest received		34	10
Finance expenses		(4,267)	(5,257)
Income tax paid		(1,000)	(5,790)
<b>Net cash used in operating activities</b>	27	<b>(28,138)</b>	<b>(37,202)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(10,497)	(2,497)
Purchase of intangibles		-	(2,570)
Proceeds from sale of non-current assets		-	64,184
Payments through business combinations		-	(1,121)
<b>Net cash used in)/provided by investing activities</b>		<b>(10,497)</b>	<b>57,996</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		-	42,752
Repayment of loans to related party		-	934
Proceeds from borrowings		36,239	-
Payment of borrowings		-	(50,191)
Payment of lease liabilities		(6,949)	(4,893)
<b>Net cash used in)/provided by investing activities</b>		<b>29,290</b>	<b>(11,398)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>9,861</b>	<b>465</b>
Net increase in cash and cash equivalents held		(9,345)	9,396
<b>Cash and cash equivalents at end of the period</b>	8	<b>516</b>	<b>9,861</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

The consolidated financial report covers SPC Global Ltd and its controlled entities (the Group) which are for-profit companies limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

The financial report was authorised for issue by the Directors on 13 October 2023.

The current period financials are for the 52 weeks from 4 July 2022 to 2 July 2023. The prior year comparatives depict the financial statements for the 53 week period 28 June 2021 to 3 July 2022.

## 1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Australian Accounting Standards – Simplified Disclosures* and the *Corporations Act 2001*.

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue its operations for the foreseeable future. The Directors have assessed the Group’s ability to continue as a going concern and have considered all relevant available information, including financial forecasts, budgets, and operational plans. Based on their assessment, the Directors believe that the going concern assumption is appropriate, and that the Group has adequate resources to meet its obligations as they fall due.

The consolidated loss of the Group for the period ended 2 July 2023 after providing for income tax amounted to \$23.5 million (2022: profit of \$24.3 million). The Group also had net operating cash outflows of \$26.1 million for the period ended 2 July 2023 (2022: \$37.202 million), and had drawn down current working capital finance facilities of \$53.6 million of a total of \$65.0 million (2022: \$17.294 million out of a total current working capital finance facilities of \$53.0 million). At 2 July 2023, the Group had an excess of current assets over current liabilities of \$57.2 million (2022: \$80.4 million) and net assets of \$90.2 million (2022: \$128.9 million).

This consolidated loss was primarily due to:

- Weather Impacts: During the period, the Goulburn Valley region experienced unprecedented floods and multiple hailstorms. The effects of these events were felt across the crops of the Group’s growers from a volume and quality perspective, together with the flow on effect on the Group’s production efficiencies, reduced overhead recoveries and lost sales due to rationalising the reduced stock.
- Supply Chain Issues: Supply chain disruptions impacted the import of raw materials and sourcing of labour, which led to out of stocks and premiums paid for labour hire.
- Increase in Manufacturing costs and delays in passing these increases on to customers: Gross profit margins were adversely impacted by significant cost increases and delays in recovering these increases from customers due to long notice periods and fixed price contracts.



# Notes to the Financial Statements

For the Period Ended 2 July 2023

- Launch of Helping Humans products: The launch of the Helping Human products did not achieve their internal targets and the strategy to re-launch these products is currently being reassessed. This adversely impacted the Group's results due to trading losses, the write off of pre-launch costs and an impairment of the goodwill of the brand.

The Group's ability to continue as a going concern is contingent upon several factors, including the successful implementation of its business plans and the ability to generate sufficient cash flows to meet its financial commitments. The Directors have considered the following factors in their assessment:

**a) Cash Flow Projections:**

The Directors have prepared cash flow projections for 2024 financial period and considered the Group's historical performance, anticipated changes in economic conditions, and the impact of management's strategies to address the loss incurred in the 2023 financial period. These projections indicate that the Group will generate positive cash flows over the forecast period.

**b) Available Resources:**

The Group has access to sufficient financial resources which are expected to provide the necessary liquidity to fund its operations and obligations.

**c) Operational Plans:**

Management has implemented and continues to execute various cost-cutting measures, efficiency improvements and revenue enhancement strategies.

Based on the assessment by the Directors and the measures taken to address the financial loss incurred in the period under review, the Group remains well-positioned to continue its operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

However, it is important to note that the Group's ability to continue as a going concern is subject to various inherent uncertainties, and there can be no assurance that the Group will achieve its forecasted results or meet its financial commitments. The Directors will continue to closely monitor the Group's financial performance and take appropriate actions as necessary to ensure its viability.

## 2. Summary of Significant Accounting Policies

**(a) Basis for consolidation**

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance, and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end. A list of controlled entities is contained in Note 24 to the financial statements.

*Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

**(b) Business combinations**

Business combinations are accounted for by applying the acquisition method. This requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity. The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date. This is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and the settlement is accounted for within equity. Otherwise, subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

**(c) Revenue and other income**

**Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

# Notes to the Financial Statements

For the Period Ended 2 July 2023

1. Identify the contract with the customer.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue as and when control of the performance obligations is transferred.

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations. However, where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

The revenue recognition policies for the principal revenue streams of the Group are:

### Wholesale Revenue

Revenue from sales made to wholesale customers is recognised when control of the goods has transferred, being the point in time when 1) the goods have been shipped to the wholesaler and 2) the wholesaler has full discretion over the subsequent distribution of the goods and the price at which the goods are sold. Based on the terms of the contract, at the time the goods are shipped, the wholesaler is deemed to have accepted the products and therefore assumes any related inventory risk (e.g., obsolescence or other loss).

Goods are often sold to wholesale customers with rebates based on minimum sales quantities over a 12-month period. Revenue from these sales is measured at the price specified in the contract, net of any estimated rebates. The Group uses its cumulative knowledge and experience in estimating expected rebates and applies the expected value method. Revenue is only recognised where it is highly probable that a significant reversal of revenue will not occur. The Group recognises a liability for any rebates it expects to pay in a future reporting period.

The Group's sales are accompanied by an obligation that the Group will provide a refund where the goods are deemed to be faulty. This obligation is accounted for in accordance with the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The Group does not provide service type warranties.

The Group typically offers credit terms of 30 days following the end of the month of sale, with some of customers receiving extended terms. Given that the highly concentrated debtor profile is comprised of large, mature buyers, the business has not historically required material bad debt provisions, and risk of debtor default is low.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

On delivery of the goods to the wholesaler (i.e., when they are shipped), the Group recognises a receivable as this represents the point in time at which the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

### (d) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- temporary differences related to investment in subsidiaries, associates, and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

**(e) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**(f) 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 is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

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.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the standard costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

**(h) Property, plant and equipment**

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

**Land and buildings**

Land and buildings are measured at cost (2022: at cost).

**Property, plant and equipment**

Property, plant and equipment are measured at cost (2022: at cost).

**Capital Works in Progress**

Capital works in progress represent expenditure which is not yet complete but once complete will be capitalised as part of the cost of plant and equipment.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

**Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset’s useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Annual depreciation rate
Capital Works in Progress	0%
Buildings	2.5% - 4%
Plant and Equipment	8.3%
Motor Vehicles	12.5%
Computer Equipment	20%

At the end of each annual reporting period, the depreciation method, useful life, and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

**(i) Financial instruments**

**Initial recognition and measurement**

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification*

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost; and
- fair value through profit or loss - FVTPL.



# Notes to the Financial Statements

For the Period Ended 2 July 2023

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

*Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairments are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

*Financial assets through profit or loss*

All financial assets not classified as measured at amortised cost are measured at FVTPL. Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments.)

*Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

# Notes to the Financial Statements

For the Period Ended 2 July 2023

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

*Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

*Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

**Financial liabilities**

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

**(j) Impairment of non-financial assets**

At the end of each reporting period, the Group determines whether there is evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of

# Notes to the Financial Statements

For the Period Ended 2 July 2023

disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

**(k) Intangibles**

Intangibles consists of goodwill, brands, trademarks and intellectual property, product development costs and software that were acquired and are measured at cost. Goodwill has an indefinite life and is subject to impairment testing on an annual basis. Brands, trademarks and intellectual property have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Software is depreciated at a rate of 14%.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(m) AASB 16 – Leases**

At inception of a contract, the Group assesses whether a lease exists - i.e., does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- the contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right, then there is no identified asset;
- the Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset i.e., decision making rights in relation to changing how and for what purpose the asset is used.

**Lessee accounting**

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

**(i) Right-of-use asset**

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

**(ii) Lease liability**

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g., CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Exceptions to lease accounting*

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**(n) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of

# Notes to the Financial Statements

For the Period Ended 2 July 2023

cashflows. Changes in the measurement of the liability are recognised in profit or loss.

**(o) Foreign currency transactions and balances**

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

**(p) Adoption of new and revised accounting standards**

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are effective for annual reporting periods beginning on or after 3 July 2022. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period.

**(q) Rounding of amounts**

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

### 3. Critical Accounting Estimates and Judgments

The directors have made estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - impairment of property, plant and equipment**

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key estimates – trade and other receivables**

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

**Inventory**

Inventories are stated at the lower of cost and net realisable value. Cost comprises the cost of materials, variable labour overheads and fixed manufacturing overheads. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

**Deferred tax**

Deferred income tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the income year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

**Goodwill impairment**

The Group tests annually whether goodwill has suffered any impairment. For the 2023 and 2022 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period.



# Notes to the Financial Statements

For the Period Ended 2 July 2023

Cash flows beyond the five-year period are extrapolated using the long-term growth rates which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The assumptions used for the current reporting period may differ from the assumptions in the next reporting period as internal and external circumstances and expectations change.

### Recoverability of limited recourse loans

The directors have assessed the recoverability of the limited-recourse loans and have determined these to be recoverable as at the reporting date.

### 4. Revenue and Other Income

#### Revenue from continuing operations

	2023 \$000	2022 \$000
<b>Revenue from contracts with customers</b>		
Sale of goods	282,259	276,096
Rebates and promotions	(38,461)	(36,319)
<b>Total Revenue</b>	<b>243,798</b>	<b>239,777</b>
<b>Other Income</b>		
Rebates and other income	4,128	2,684
Rental income	617	822
Net gain/(loss) on disposal of property, plant and equipment	(48)	29,963
Net gain/(loss) on settlement of legal dispute	-	8,564
<b>Total other income</b>	<b>4,697</b>	<b>42,033</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

### 5. Finance Income and Expenses

<b>Finance income</b>		
Interest income	34	10
<b>Finance expenses</b>		
Interest expense	6,359	4,729
Foreign currency (gain)/loss on financial assets and liabilities	(13)	194
Other finance expenses	2,121	1,978
<b>Total finance expenses</b>	<b>8,467</b>	<b>6,901</b>

### 6. Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2023 \$000	2022 \$000
Current tax	(10,951)	11,627
Deferred tax	2,765	(3,868)
<b>Total income tax expense</b>	<b>(8,186)</b>	<b>7,759</b>

(b) Reconciliation of income tax to accounting profit:

	2023 \$000	2022 \$000
Profit / (Loss)	(31,686)	32,067
Tax at the Australian tax rate of 30% (2022: 30%)	<b>(9,506)</b>	<b>9,620</b>
Add Tax effect of:		
- non-deductible research and development expenses	-	600
- non-deductible other expenses	636	30
	<b>(8,870)</b>	<b>10,250</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

Less Tax effect of:		(770)
- non-refundable tax offset	-	-
- non-assessable income	250	-
- utilisation of tax losses	-	(59)
- tax losses not recognised	1,001	-
- adjustments recognised in the current year in relation to the current tax of prior years	(567)	(1,662)
<b>Income tax expense</b>	<b>(8,186)</b>	<b>7,759</b>
Weighted average effective tax rate	26%	24%

## 7. Tax assets and liabilities

	2023 \$000	2022 \$000
Current tax liabilities	9,661	11,626
PAYG instalments and income taxes paid	(48)	(89)
Utilisation of loss carry back tax offset	(9,951)	-
<b>Total income tax payable</b>	<b>(338)</b>	<b>11,537</b>

2022	Opening Balance \$000	Charged to Income \$000	Business combinations \$000	Charged directly to Equity \$000	Closing Balance \$000
<b>Deferred tax assets</b>					
Provisions - employee benefits	2,351	53	-	-	2,404
Tax losses carried forward	2,362	(2,291)	-	-	71
Other	1,405	(233)	-	810	1,982
<b>Balance at 3 July 2022</b>	<b>6,118</b>	<b>(2,471)</b>	<b>-</b>	<b>810</b>	<b>4,457</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment					
- impairment	1,696	(444)	-	-	1,252
- asset revaluation	5,896	(5,896)	-	-	-
<b>Balance at 3 July 2022</b>	<b>7,592</b>	<b>(6,340)</b>	<b>-</b>	<b>-</b>	<b>1,252</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 7. Tax assets and liabilities (continued)

2023	Opening Balance \$000	Charged to Income \$000	Business combinations \$000	Charged directly to Equity \$000	Closing Balance \$000
<b>Deferred tax assets</b>					
Provisions employee benefits	2,404	(2)	-	-	2,402
Tax losses carried forward	71	599	-	-	670
Other	1,982	(1,234)	-	-	748
<b>Balance at 3 July 2022</b>	<b>4,457</b>	<b>(637)</b>	<b>-</b>	<b>-</b>	<b>3,820</b>

### Deferred tax liabilities

Property, plant and equipment					
- impairment	1,252	2,125	-	-	3,377
<b>Balance at 3 July 2022</b>	<b>1,252</b>	<b>2,125</b>	<b>-</b>	<b>-</b>	<b>3,377</b>

### Franking credits

	2023 \$000	2022 \$000
Value of the dividend franking account	-	20,489

The value of the dividend franking account represents the balance of the franking account as at the end of the year, adjusted for estimated franking credits that will arise from the settlement of liabilities for income tax.

## 8. Cash and Cash Equivalents

CURRENT	2023 \$000	2022 \$000
Cash at bank and in hand	516	861
Security deposits	-	9,000
	<b>516</b>	<b>9,861</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 9. Trade and Other Receivables

CURRENT	2023 \$000	2022 \$000
Trade receivables	46,422	35,398
Provision for impairment	(514)	(300)
	<b>45,908</b>	<b>35,098</b>
GST receivable	1,114	1,233
Other receivables	474	439
<b>Total current trade and other receivables</b>	<b>47,496</b>	<b>36,770</b>
<b>NON-CURRENT</b>		
Security deposits	143	121
Loan to related parties 26	10,000	25,217
<b>Total non-current trade and other receivables</b>	<b>10,143</b>	<b>25,338</b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

## 10. Inventories

	2023 \$000	2022 \$000
<b>Lower of cost and net realisable value:</b>		
Raw materials and consumables	19,794	19,574
Work in progress	186	127
Finished goods	92,189	89,766
	<b>112,169</b>	<b>109,467</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 11. Other assets

	2023 \$000	2022 \$000
Other financial assets	63	130
Prepayments	2,872	3,799
	<b>2,935</b>	<b>3,929</b>

## 12. Property, plant and equipment

	2023 \$000	2022 \$000
<b>LAND</b>		
Freehold land at cost	147	147
<b>Total land and buildings</b>	<b>147</b>	<b>147</b>
<b>PLANT AND EQUIPMENT</b>		
Capital works in progress at cost	2,361	4,957
<b>Total capital works in progress</b>	<b>2,361</b>	<b>4,957</b>
Plant and equipment at cost	29,175	16,433
Accumulated depreciation	(5,368)	(3,151)
<b>Total plant and equipment</b>	<b>23,807</b>	<b>13,282</b>
Leasehold improvement at cost	821	551
Accumulated amortisation	(172)	(99)
<b>Total leasehold improvement</b>	<b>649</b>	<b>452</b>
<b>Total capital works in progress, plant and equipment and leasehold improvement</b>	<b>26,817</b>	<b>18,691</b>
<b>Total property, plant and equipment</b>	<b>26,964</b>	<b>18,838</b>



# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 12. Property, plant and equipment (continued)

2023	Freehold Land and Buildings	Plant and Equipment	Leasehold Improvement	Total
<b>Cost Opening Balance</b>	<b>147</b>	<b>21,389</b>	<b>551</b>	<b>22,087</b>
Additions	-	10,161	270	<b>10,431</b>
Disposals	-	(14)	-	<b>(14)</b>
<b>Cost Closing Balance</b>	<b>147</b>	<b>31,536</b>	<b>821</b>	<b>32,504</b>
<b>Accumulated Depreciation Opening Balance</b>	-	<b>(3,152)</b>	<b>(99)</b>	<b>(3,251)</b>
Additions	-	(2,216)	(73)	<b>(2,289)</b>
Disposals	-	-	-	-
<b>Accumulated Depreciation Closing Balance</b>	-	<b>(5,368)</b>	<b>(172)</b>	<b>(5,540)</b>
<b>Net Closing Balance as at 3 July 2023</b>	<b>147</b>	<b>26,168</b>	<b>649</b>	<b>26,964</b>

## 13. Leases

### The Group as a lessee

The Group has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment.

### Terms and conditions of leases

### Building

The Group leases land and buildings for their corporate office in Essendon Fields, VIC. The Essendon Fields lease is for a term of 5 years that expires on 15 April 2026 and includes two renewal options to allow the Group to renew for a further term of 5 years per option. The Group leases offices in Sydney, NSW, that expires on 31 March 2025.

Following the sale of the Shepparton property in January 2022, the Group leased back the premises. The Shepparton lease is for a term of 30 years that expires January 2052 and includes five renewal options to allow the Group to renew for a further term of 10 years per option.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 13. Leases (continued)

The Group leases land and buildings for the Kuisine business in Emu Plains, NSW. There are two leases; one for a term of 5 years that expires on 14 June 2024 and includes one renewal option to allow the Group to renew for a further term of 4 years, and another lease for a term of 4 years that expires on 30 June 2024 without a renewal option.

### Vehicles, machinery, and IT equipment

The Group leases machinery and IT equipment with lease terms varying from 2-5 years. The lease payments are fixed during the lease term. Leases for IT equipment are generally considered to be for low value assets.

### Right of use asset

	2023 \$000	2022 \$000
Right of use asset at cost	126,481	121,583
Right of use accumulated depreciation	(13,595)	(7,464)
<b>Total right of use asset, net book value</b>	<b>112,886</b>	<b>114,119</b>

Movement of right of use assets	Property	Equipment	Total
<b>Opening balance as at 4 July 2022</b>	<b>109,308</b>	<b>4,811</b>	<b>114,119</b>
Additions, modifications and other reassessment of leases	5,143	-	<b>5,143</b>
Depreciation	(4,365)	(2,011)	(6,376)
Impairment Charge	-	-	-
Disposals	-	-	-
<b>Closing balance as at 2 July 2023</b>	<b>110,086</b>	<b>2,800</b>	<b>112,886</b>

### Lease liabilities secured

	2023 \$000	2022 \$000
Current	2,900	2,920
Non-Current	114,829	112,576
<b>Total lease liabilities</b>	<b>117,729</b>	<b>115,496</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 13. Leases (continued)

Movement of lease liabilities	Property	Equipment	Total
Opening balance as at 4 July 2022	109,444	6,052	115,496
New and modified Leases	5,145	-	5,145
Cash Payments	(4,817)	(2,132)	(6,949)
Interest Charge	3,946	91	4,037
Closing balance as at 2 July 2023	113,718	4,011	117,729

### Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement Of Financial Position
	\$000	\$000	\$000	\$000	\$000
2023 Lease liabilities	6,976	25,358	165,070	197,404	117,728
2022 Lease liabilities	6,899	21,475	166,946	195,320	115,497

### Extension options

The Essendon Fields lease contains extension options for 2 further terms which allow the Group to extend the lease by 5 years for each term. The Shepparton lease contains extension options for 5 further terms which allows the Group to extend the lease term by 10 years for each term.

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses whether it is reasonably certain that the extension options will be exercised.

There are \$215.7 million in potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the option is not reasonably certain.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 14. Intangible Assets

	2023 \$000	2022 \$000
Brands, trademarks and intellectual property at cost	78	78
Product development costs at cost	-	1,444
Goodwill at cost	6,622	7,222
Software at cost	3,692	3,692
Software accumulated amortisation	(1,304)	(769)
Total intangible assets	9,088	11,667

2023	Goodwill	Product development cost	Brands, trademarks and IP	Software	Total
Cost Opening Balance	7,222	1,444	78	3,692	12,436
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	(600)	(1,444)	-	-	(2,044)
Cost Closing Balance	6,622	-	78	3,692	10,392
Accumulated Amortisation Opening Balance	-	-	-	(769)	(769)
Additions	-	-	-	(535)	(535)
Disposals	-	-	-	-	-
Accumulated Amortisation Closing Balance	-	-	-	(1,304)	(1,304)
Net Closing Balance as at 2 July 2023	6,622	-	78	2,388	9,088

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 15. Trade and Other Payables

	2023 \$000	2022 \$000
<b>CURRENT</b>		
Trade payables	18,269	16,294
Sundry payables and accrued expenses	21,709	21,933
Other payables incentive rebate	229	229
<b>Total current trade and other payable</b>	<b>40,207</b>	<b>38,456</b>

Trade and other payables are unsecured and non-interest bearing. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

	2023 \$000	2022 \$000
<b>NON-CURRENT</b>		
Other payables - incentive rebate	1,558	1,787

## 16. Borrowings

	2023 \$000	2022 \$000
<b>CURRENT</b>		
<i>Secured liabilities:</i>		
Borrowings - secured over plant & equipment	2,647	2,379
Borrowings - secured over inventory & trade debtors	22,976	9,652
Borrowings - secured over trade debtors	30,641	7,642
<b>Total current borrowings</b>	<b>56,264</b>	<b>19,673</b>
<b>NON-CURRENT</b>		
<i>Secured liabilities:</i>		
Borrowings secured over plant & equipment	9,549	9,902
<b>Total non-current borrowings</b>	<b>9,549</b>	<b>9,902</b>
<b>Total borrowings</b>	<b>65,813</b>	<b>29,575</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 17. Employee Benefits

	2023 \$000	2022 \$000
<b>Current liabilities</b>		
Provision for employee benefits	6,840	7,024
<b>Non-current liabilities</b>		
Provision for employee benefits	576	347

## 18. Issued Capital

	2023 \$000	2022 \$000
176,082,819 Ordinary shares	55,946	71,163

### (a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

### (b) Movements in Ordinary share capital

Date	Details	Number of Shares 000	\$000
04/07/22	Opening Balance	187,468	71,163
	Ordinary shares issued during the year	-	-
	Ordinary shares issued under the Management Equity Plan cancelled during the year	(877)	(1,674)
	Ordinary shares issued under the Management Equity Plan to former employees that will be cancelled	(10,509)	(13,543)
02/07/23	Closing Balance	176,082	55,946

# Notes to the Financial Statements

For the Period Ended 2 July 2023

As at 2 July 2023, 16.759 million ordinary shares had been issued under Management Equity Plan (MEP), of which 12.837 million ordinary shares had not vested and were subject to achievement of key performance targets.

Several former employees who participated in the MEP were no longer employed by the Group at 2 July 2023. Subsequent to the end of the financial period, the Company will exercise its rights under the MEP to call the loans which will result in the shares issued to those former employees being cancelled and the loans made to those former employees offset against those shares issued as full repayment. The financial impact of these share cancellations have been recognised in the closing balance of issued capital, and have had the following impact on the shares on issue, paid up capital and net asset position of the Group at the end of the period:

- the number of shares on issue has been reduced by 10.509 million;
- the amount of paid-up capital has been reduced by \$13.542 million; and
- the loans made to the former employees which were used to subscribe for the ordinary shares has been reduced by \$13.542 million.

## 19. Reserves

### Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model. As the Shepparton property was sold during the 2022 financial period the previous asset revaluation reserve was realised and transferred to retained earnings in that period.

	2023 \$000	2022 \$000
<b>Asset revaluation reserve</b>		
Transfers in, net of provision for deferred tax	-	-

## 20. Business combinations

There were no business combinations during the period (2022: \$nil).

## 21. Key Management Personnel Remuneration

	2023 \$000	2022 \$000
The total remuneration paid to key management personnel of the Group	2,731	2,698

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 22. Auditors' Remuneration

	2023 \$000	2022 \$000
Remuneration of the auditor Bentleys Sydney Audit for:		
- auditing the financial statements	119	116
- other services provided	135	68
<b>Total remuneration of Bentleys Sydney Audit</b>	<b>254</b>	<b>184</b>

## 23. Valuation of Assets

### (a) Plant & Equipment

The Company acquired plant and equipment for \$3.85 million on 29 June 2019 from the former owner of the business that had an original cost of more than \$300 million. These assets were not revalued to their market values at the date of acquisition and the cost model outlined in AASB 116 was adopted.

In addition, the Group owns plant and equipment located at Emu Plains (Kuisine) and in Thailand that are recorded at their respective costs of \$2.7 million and \$1.8 million.

Based on an independent valuation prepared by O'Maras in February 2023 for insurance purposes, these assets have an insured replacement value of \$298.2 million. The valuation follows the Uniform Standards of Professional Appraisal Practice (USPAP).

The valuation by O'Maras considered three approaches to determine value, being the Cost Approach, the Sales Comparison Approach and the Income Approach. O'Maras determined the most appropriate approach to reflect the appropriate insurance replacement values was the Sales Comparison Approach. Under this approach, the appraiser adjusts the prices that had been paid for assets to the asset being appraised.

The insured values are used for the purpose of determining the adequacy of insurance coverage and not the carrying values of \$26.9 million disclosed in the financial statements as at 2 July 2023.

### (b) Brand names

The SPC, Ardmona, Goulburn Valley and Provital brands owned by the Group are recorded in the balance sheet at a combined value of \$1. As AASB 138 precludes the inclusion of the revaluation of brands on the balance sheet, the directors have undertaken a valuation of these brands to provide an assessment of the fair value of these assets.

These brands have been valued using an income-based approach (Price Premium Method),



# Notes to the Financial Statements

For the Period Ended 2 July 2023

specifically the discounted cash flow (DCF) method. The DCF method considers the estimated future cash flows generated by the brands, discounted to present value using an appropriate discount rate. The valuation considers factors such as brand recognition, customer loyalty, market position, and growth prospects.

Key assumptions used in the valuation include projected revenue growth rates, expected operating margins, and the discount rate. These assumptions are based on historical performance, market trends, and management's judgment.

The discount rate applied to the projected cash flows reflects the time value of money and the risks associated with the brands. The rate used is based on a weighted average cost of capital (WACC) that considers the Company's specific risk profile and industry benchmarks.

The directors' valuation of the SPC, Ardmona, Goulburn Valley and Provital brands as of 2 July 2023 resulted in an aggregate value of \$45 million to \$50 million. It should be noted that the valuation is subjective in nature and involves significant management judgment. Changes in key assumptions or market conditions could result in different valuations in the future.

The directors engaged Lonergan Edwards & Associates Limited to review the directors' valuation. In their report dated 8 September 2023, Lonergan Edwards & Associates Limited concluded that the assumptions used by the directors are reasonable in the circumstances, and that the conclusion as to fair value reached by the directors is consistent with the assumptions adopted.

The Company will review the valuation of its brands to assess their ongoing value and potential impairment. Any significant changes in the valuation methodology or key assumptions will be disclosed in future financial statements.

The directors believe that the valuation of brands provides a reasonable estimate of their fair value as of 2 July 2023 and that the brands continue to be a significant intangible asset contributing to the Company's overall value.

## 24. Interests in Subsidiaries

### (a) Composition of the Group

Subsidiaries	Principal place of business/Country of Incorporation	Percentage Owned (%)* 2022
SPC Operations Pty Ltd <sup>1</sup>	Australia	100
SPC SP Pty Ltd <sup>1</sup>	Australia	100
SPC KP Pty Ltd <sup>1</sup>	Australia	100
SPC CP Pty Ltd <sup>1</sup>	Australia	100
SPC IP Pty Ltd <sup>1</sup>	Australia	100
SPCX Pty Ltd <sup>2</sup>	Australia	100
SPC Care Pty Ltd <sup>7</sup>	Australia	100
SPC Corporate Pty Ltd <sup>8</sup>	Australia	100

# Notes to the Financial Statements

For the Period Ended 2 July 2023

SPC Staff Pty Limited <sup>8</sup>	Australia	100
Shepparton Partners Collective Singapore Pte. Ltd. <sup>9</sup>	Singapore	100
Frozen Ready Meals Pty Ltd <sup>3</sup>	Australia	100
The Kuisine Company Pty Ltd <sup>4</sup>	Australia	73.3
The Good Meal Co Pty Ltd <sup>4</sup>	Australia	73.3
The Gluten Free Meal Company Pty Ltd <sup>4</sup>	Australia	73.3
Helping Humans Pty Ltd <sup>5</sup>	Australia	100
Gourmet Ingredients Pty Ltd <sup>6</sup>	Australia	50

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

1. Name changed during 2021 financial period replacing "Shepparton Partners Collective" with "SPC".
2. Incorporated 13 September 2021.
3. Incorporated 31 August 2020 for the purpose of acquiring The Kuisine Group.
4. 60% acquired by Frozen Ready Meals effective 2 November 2020, and a further 13.3% acquired by Frozen Ready Meals effective December 2021.
5. Acquired by SPC Global Ltd effective 22 January 2021.
6. In joint venture with Doehler Australia Holdings Pty Ltd.
7. Incorporated 15 March 2021.
8. Incorporated 3 June 2022.

## 25. Contingent Liabilities

The following contingent liabilities existed at the Reporting Date:

### (a) Acquisition of The Kuisine Group

In accordance with the Share Sale Agreement entered between the Company and the vendors of the Kuisine Group (the Vendors), the Company will increase its shareholding in Kuisine Company Pty Limited, The Good Meal Company Pty Limited and The Gluten Free Meal Company Pty Limited, from the current 73.3% to 100% for a minimum consideration of \$3.1 million. Due to a warranty dispute between the Company and the Vendors, the impact on any future consideration is presently unknown.

Pursuant to the Share Sale Agreement, the Company granted the Vendors the ability to put the SPC shares issued to the Vendors as part consideration of the purchase price (the Put Option) and owned by the Vendors at the time of exercising the Put Option, to the Company based on a multiple of 4 times the EBITDA of the Company reduced to reflect the actual shareholding of the Company in any subsidiary or associate not wholly-owned by the Company for the year immediately prior to the exercise of the Put Option. The exercise period of this Put Option is any time from 1 July 2024 to 30 June 2025. As it is not possible to

# Notes to the Financial Statements

For the Period Ended 2 July 2023

calculate this contingent liability, no amount is reflected in the Statement of Financial Position as at 2 July 2023.

**(b) Share Sale Agreement (SSA) – Helping Humans Business**

The Share Sale Agreement (SSA) provides that by February 2026 (latest Earn-Out Payment Date), the Company is to pay the former owners of the Helping Human’s business an amount equal to 25% of the market value of the Business as at the Earn-Out Valuation Date (one month prior to Earn-Out Payment Date), as determined by an independent valuer appointed by the parties by mutual consent. As it is not possible to calculate this contingent liability, no amount is reflected in the Statement of Financial Position as at 2 July 2023.

**26. Related Parties**

**(a) The Group’s main related parties are as follows:**

Key management personnel - refer to Note 21.

Subsidiaries - refer to Note 24.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

**(b) Transactions with related parties**

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

The following transactions occurred with related parties:

	2023 \$000	2022 \$000
<b>Directors’ related parties</b>		
Payment of costs and reimbursement of expenses to entities related to directors and former directors during the year	123	973
Receipt of sales to entities related to a director during the period	20	-

# Notes to the Financial Statements

For the Period Ended 2 July 2023

**(c) Related party balances**

2023	Opening balance \$000	Closing balance \$000	Interest paid/ payable \$000
Management Equity Plan - loans repayable to the Company	25,217	10,000	-
<b>Total loan repayable to the Company</b>	<b>25,217</b>	<b>10,000</b>	<b>-</b>

Several former employees who participated in the Management Equity Plan (MEP) were no longer employed by the Group at 2 July 2023. Subsequent to the end of the financial period, the Company will exercise its rights under the MEP to call the loans which will result in the shares issued to those former employees being cancelled and the loans made to those former employees offset against those shares issued as full repayment. The financial impact of these share cancellations have been recognised in the closing balance of issued capital and related party loans, and have had the following effect at the end of the financial period :

- the number of shares on issue has been reduced by 10.509 million;
- the amount of paid-up capital has been reduced by \$13.542 million; and
- the loans made to the former employees which were used to subscribe for the ordinary shares has been reduced by \$13.542 million.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 27. Cash Flow Information

**(a) Reconciliation of result for the year to cashflows from operating activities**

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

	2023 \$000	2022 \$000
<b>Profit / (Loss) for the period attributed to the parent</b>	<b>(23,500)</b>	<b>24,308</b>
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation, amortisation and impairment	11,279	7,259
- interest expense on right-of-use assets	4,036	1,533
- provision for doubtful debt	248	128
- net loss/(gain) on disposal of property, plant and equipment	49	(29,963)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(10,992)	8,675
- (increase)/decrease in other assets	994	7
- (increase)/decrease in inventories	(2,702)	(16,223)
- (increase)/decrease in deferred tax asset	636	2,310
- increase/(decrease) in trade and other payables	1,520	(34,965)
- increase/(decrease) in income taxes payable	(11,876)	5,999
- increase/(decrease) in deferred tax liability	2,125	(6,340)
- increase/(decrease) in employee benefits	45	70
<b>Cashflows used in operating activities</b>	<b>(28,138)</b>	<b>(37,202)</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

## 28. Events Occurring After the Reporting Date

- (a) In accordance with the terms of the Management Equity Plan established by the Company and subject to the Corporations Law, the Company has called the limited recourse loans to qualifying employees who are no longer employed by the Company, which will result in those loans being offset against those shares issued under the Management Equity Plan that will be cancelled as full repayment of those loans. This is further described in notes 18 and 26(c).
- (b) Pursuant to the Business Purchase Agreement (BPA) entered between the Company and CCA Amatil Ltd (CCA), the Company had an obligation to pay CCA an amount equal to the EBITDA for the year ended 2 July 2023 multiplied by 4 times, limited to \$15 million. There are several income and expense items that are specifically excluded from this calculation. Due to the financial performance of the Company in the period under review, no payment was required to be made. Accordingly, as the final deferred payment was nil, the Company has no further obligations to CCA under the BPA.

Except for the above, no other matters or circumstances have arisen since the end of the financial period 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.

## 29. Parent entity

The following information has been extracted from the books and records of the parent, SPC Global Ltd, and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, SPC Global Ltd, has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

# Notes to the Financial Statements

For the Period Ended 2 July 2023

*Tax consolidation legislation*

SPC Global Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the ‘stand-alone taxpayer’ approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

	2023 \$000	2022 \$000
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	-	1
Non-current assets	90,595	75,454
<b>Total Assets</b>	<b>90,595</b>	<b>75,455</b>
<b>Liabilities</b>		
Current liabilities	15,128	740
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>15,128</b>	<b>740</b>
<b>Equity</b>		
Issued capital	69,489	71,163
Accumulated profit / (losses)	5,978	3,552
<b>Total Equity</b>	<b>75,467</b>	<b>74,715</b>
<b>Statement of Profit or Loss</b>		
Finance income	50	1
Other income	-	10,000
Finance expenses	(21)	(169)
Other expenses	(38)	(2,530)
<b>Profit / (loss) for the period</b>	<b>(9)</b>	<b>7,302</b>

# Notes to the Financial Statements

For the Period Ended 2 July 2023

**30. Statutory Information**

The registered office of the Company is: SPC Global Ltd

Suite 4  
Level 1  
3 Bristol Street  
Essendon Fields VIC 3041

The principal place of business of the consolidated entity is:

Andrew Fairley Avenue  
Shepparton VIC 3630




# Director's Declaration

For the Period Ended 2 July 2023

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 21 to 55, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards Simplified Disclosures; and
  - b. give a true and fair view of the financial position as at 3 July 2022 and of the performance for the period ended on that date of the Company and consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:   
Hussein Rifai

Director:   
Andrew Cohen

Dated this 13 day of October 2023

# Independent Audit Report



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**SPC Global Limited (Formerly Shepparton Partners Collective Ltd)**  
**ABN: 73 633 389 394**

## Independent Audit Report to the members of SPC Global Limited and its controlled entities

### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report, being a general purpose financial report of SPC Global Limited and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 2 July 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 4 July 2022 to 2 July 2023, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 2 July 2023 and of its financial performance for the period 4 July 2022 to 2 July 2023; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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



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- Advisors
- Accountants
- Auditors

# Independent Audit Report



**Emphasis of matter –Going Concern**

We draw attention to Note 1 of the financial report, which states that the consolidated loss of the Group for the period ended 2 July 2023 after providing for income tax amounted to \$23.5 million (2022: profit of \$24.3 million). The Group also had net operating cash outflows of \$26.1 million for the period ended 2 July 2023 (2022: \$37.202 million), and had drawn down current working capital finance facilities of \$53.6 million of a total of \$65.0 million (2022: \$17.294 million out of total current working capital finance facilities of \$53.0 million). At 2 July 2023, the Group had an excess of current assets over current liabilities of \$57.2 million (2022: \$80.4 million) and net assets of \$90.2 million (2022: \$128 million). The Directors have prepared a cash flow forecast which shows that the Group will have sufficient cash flows to meet all working capital requirements for the next 12 month period. However, it is important to note that the Group's ability to continue as a going concern is subject to various inherent uncertainties, and there can be no assurance that the Group will achieve its forecasted results or meet its financial commitments. Our opinion is not modified in respect of this matter.

**Emphasis of matter – Limited Recourse Management loans**

We draw attention to Note 18 and 26 (c) of the financial report, which states that several former employees who participated in the Management Equity Plan were no longer employed by the Group at 2 July 2023. Accordingly, the shares issued and associated loans made to these former employees will be cancelled in accordance with the Management Equity Plan and the Corporations Act, the impact of which was included in the consolidated statement of financial position at 2 July 2023 as if they had been cancelled at that date. The impact of this transaction is as follows:

- the number of shares on issue was reduced by 10.509 million;
- the amount of paid-up capital was reduced by \$13.542 million; and
- the loans made to the former employees which were used to subscribe for the ordinary shares was reduced by \$13.542 million.

Our opinion is not modified in respect of this matter.

**Responsibilities of 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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 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 the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Independent Audit Report



- 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.
- 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, related safeguards.

*Kevin Cranfield*

KEVIN CRANFIELD  
Director  
Sydney

Dated at Sydney on this ...13... day of .....October..... 2023

*Bentleys Sydney Audit P/L*

Bentleys Sydney Audit Pty Ltd  
Chartered Accountants



