

SPC Global Ltd

ABN 73 633 389 394

ANNUAL FINANCIAL REPORT 30 JUNE 2024



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Directors' report

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the period 3 July 2023 to 30 June 2024.

Directors

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

▪ Hussein Hani Rifai, Executive Chairman

| | |
|------------|---|
| Experience | <p>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.</p> <p>Leveraging over four decades of experience in business strategy, private equity and investment banking, Hussein has a talent for identifying investment and turnaround opportunities.</p> <p>Mr Rifai is the Chairman of Perpetuity Capital Pty Ltd, Perma Funds Management Pty Ltd and Nature One Dairy (Australia) Pte Ltd and is an independent director of Fairtrade International (Global NGO) Bonn, Germany.</p> <p>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.</p> |
|------------|---|

▪ Andrew Stephen Cohen, Executive Director and Joint Company Secretary

| | |
|------------|---|
| Experience | <p>Andrew Cohen is an experienced business executive with over 30 years as a chartered accountant who specialises in providing corporate advisory and investment banking services to both Australian and international companies.</p> <p>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.</p> <p>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.</p> <p>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 Chartered Accountants Australia and New Zealand.</p> |
|------------|---|

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

| | |
|------------|---|
| Experience | <p>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.</p> <p>Mr Thiru holds a B.Comm (University of Sydney) and a M.App.Fin (Macquarie University).</p> |
|------------|---|

Directors' report

(continued)

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

Experience

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.

▪ Robert Lervasi, Non-Executive Director (appointed on 15 October 2023)

Experience

Robert, previously the Group Chief Executive Officer and Board Director of Asahi Beverages, has a proven track record of success as an established leader of a diversified consumer products business with an annual revenue exceeding \$5 billion and over 5,000 employees across Australia, New Zealand, and the Pacific Islands. Before becoming the Group Chief Executive Officer, he held various positions in Asahi Beverages including Group Chief Operating Officer and Group CFO & General Counsel.

Throughout his career, Robert has demonstrated a passion for leadership and a knack for delivering revenue growth and cost synergies that drive profitability and growth across multiple categories, brands, and channels. Among his notable achievements, Robert played a pivotal role in the integration of Carlton & United Breweries in 2020. He also navigated the company through challenging times with the complex challenges posed by the COVID-19 pandemic.

▪ Murray Rutherford, Non-Executive Director (resigned on 24 July 2023)

▪ Pascal Gouel, Non-Executive Director (Alternate to Murray Rutherford – appointed on 13 July 2023 and resigned on 24 July 2023)

Company Secretary

Andrew Cohen and David Mallinson are the joint company secretaries.

David Mallinson (appointed on 21 June 2024) has replaced Gavin Hoggett as CFO and Company Secretary. Gavin Hoggett was the Company Secretary from 18 August 2022 to 21 June 2024. David is a Graduate member of the Australian Institute of Company Directors and has extensive experience as a Non-Executive Director.

Directors' report

(continued)

Directors' Meetings

The table below sets out the number of meetings held during the 2024 financial year and the number of meetings attended by each Director. During the period, 4 Board meetings were held.

| Director | Eligible to attend | Attended |
|--|--------------------|----------|
| Hussein Hani Rifai, Chairman | 4 | 4 |
| Andrew Stephen Cohen | 4 | 4 |
| Selva Nithan Thirunavukarasu (Thiru) | 4 | 4 |
| Charlie (Khalil) Shahin AO | 4 | 2 |
| Robert Lervasi | 3 | 3 |
| Murray Rutherford | 1 | - |
| Pascal Gouel (as alternate to Murray Rutherford) | 1 | 1 |

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.

Indemnification of Directors, Officers and Auditors

During the year, 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).

During or since the end of financial year, the Company has not indemnified or made a relevant agreement to indemnify the auditor against a liability incurred as auditor.

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 100% 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.

Directors' report

(continued)

Operating and Financial Review

Operating results

The period end results are for the 52-week period from 3 July 2023 to 30 June 2024. The prior period comparatives depict the financial statements for the 52-week period 04 July 2022 to 2 July 2023.

The consolidated net loss of the Group for the year after providing for income tax amounted to \$11.4 million against a net loss of \$24.1 million in the prior comparable period.

Normalised EBITDA improved by 224% to \$13.1 million for the year ended 30 June 2024 (2023: normalised EBITDA loss of (\$10.6 million)). The improvement in normalised EBITDA is due to higher Net Sales Revenue/ kg, savings in manufacturing costs and rebates and promotions, notwithstanding that sales volume dropped by 11%, and the implementation of cost control initiatives

Review of operations

| | 52 week period ended 30 Jun 2024 \$000 | 52 week period ended 2 Jul 2023 \$000 (Restated) | Variance % |
|---|---|---|---------------|
| Sales Volume (tonnes) | 59,292 | 66,256 | -11% |
| Gross revenue | 272,297 | 282,259 | -4% |
| Rebates and promotions | (37,473) | (38,461) | -3% |
| Net Sales Revenue (NSR) | 234,824 | 243,798 | -4% |
| NSR/ kg (\$) | \$3.96 | \$3.68 | 8% |
| Net loss before tax | (11,951) | (32,256) | -63% |
| Add: Depreciation and impairment | 11,656 | 11,279 | 3% |
| Add: Net finance costs | 10,923 | 8,433 | 30% |
| Reported EBITDA | 10,628 | (12,544) | -185% |
| Exceptional items: | | | |
| Legal, redundancy and other restructuring costs | 2,527 | 1,962 | 29% |
| Normalised EBITDA | 13,155 | (10,582) | -224% |

Business Strategies, Prospects and Risks for the Future Financial Years

The Business's growth strategy has three key legs, being the development of new products within its existing categories, the acquisition of new businesses that are synergistic (such as the acquisition of Natural Ingredients – see Note 20) and the ongoing development of new sales channels, including further export opportunities from its Thailand operations.

The Business remains heavily reliant on the seasonal crops grown in the Goulburn Valley. The Business is exploring alternate sourcing options to mitigate the impacts of climatic events such as the flooding and hail damage as experienced in the prior year.

Directors' report

(continued)

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.

Significant changes in the state of affairs

The Company signed Deed of Settlement with the vendors of the Kuisine Group (the Vendors) on 24 June 2024 to resolve a warranty dispute. Consequently, the Company increased its shareholding in Kuisine Company Pty Limited, The Good Meal Company Pty Limited and The Gluten Free Meal Company Pty Limited, from 73.3% to 100%. The purchase consideration was set at \$1.5 million payable through an issue of Company's shares. On 8 July 2024, the Company issued 974,729 shares at \$1.385 per share being the initial consideration which constituted 90% of the agreed consideration.

During the financial period under review, the Group commenced relocating the Kuisine Group's manufacturing facility from its current site in Emu Plains to a larger site in Auburn, New South Wales. The relocation will contribute to operational efficiencies by reducing labour intensive processes, providing in-house cold storage facilities and improving the production capacity of the Kuisine Group.

David Mallinson joined the Group replacing Gavin Hoggett as Chief Financial Officer (CFO) with effect from 17 June 2024. David is a highly experienced finance and operations executive with an exceptional track record of sustained delivery in complex organisations across multiple geographies. He brings a wealth of experience in mergers, acquisitions and divestitures, as well as significant value chain performance improvements and operational turnaround. He has held various CEO/CFO roles across multi-billion dollar turnover listed companies as well as several smaller private equity based organisations such as Fonterra, Murray Goulburn, Soulfresh, and Made 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.

Subsequent Events

The Group aims to complete the relocation from Emu Plains to Auburn by first quarter of the 2025 financial year, with production expected to begin at the Auburn site from August 2024. A lease has been secured for a term of 10 years and 6 months at the Auburn site (7-9 George Young Street, Auburn NSW 2144) and is renewable for a further term of 10 years.

The Company entered into a Share Purchase Agreement on 27 March 2024 to acquire Natural Ingredients Pty Ltd which was amended on 20 June 2024. The addition of Natural Ingredients will provide the Group with a robust global network of supply chain partners and a complementary portfolio of imported ingredients. This acquisition will also fortify the Group's capabilities in sourcing and distributing fruit and vegetable ingredients, further bolstering its commitment to innovation and customer service. Natural Ingredients offers significant value-add to the Group, particularly in the Food Services and Industrial channels. This acquisition is scheduled to be completed by 30 September 2024.

On 18 July 2024, the Board resolved to cancel 2,500,000 shares in the Company (MEP Securities) that were issued under the Management Equity Plan (MEP) by way of a selective capital reduction by reducing the amount paid up on the MEP Securities by the limited recourse loan to finance the MEP Securities. Pursuant to the Plan, the amount reduced on the MEP Securities by the capital reduction will then automatically be deemed to be paid to the Company in satisfaction of the limited recourse loan. As the employee had already left this was accounted for in the 52-week period ending 30 June 2024, the Board has also signalled to the remaining MEP participant that their shares will also be cancelled in the 2025 financial year

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.

Directors' report

(continued)

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.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

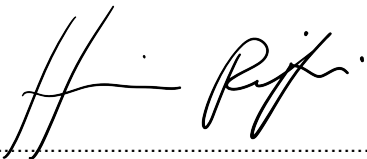
Dividends


No dividends were paid during the period ended 30 June 2024 or 02 July 2023.

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.

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

Director: 

Director: 

Dated this 28 day of August 2024

Bentleys Sydney Audit Pty Ltd

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Australia

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SPC Global Limited

ABN: 73 633 389 394

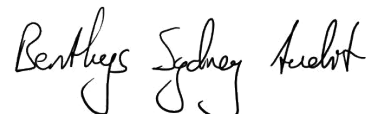
Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of SPC Global Limited and its controlled entities

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2024, 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.



DONOVAN ODENDAAL
Engagement Partner
Sydney



Bentleys Sydney Audit Pty Ltd
Chartered Accountants

Dated at Sydney on this 29 August 2024

Consolidated statement of profit or loss and other comprehensive income

For the 52 weeks ended 30 June 2024

| | Notes | 30 Jun 2024 \$000 | 52 weeks ended 02 Jul 2023 (Restated) \$000 |
|---|-------|------------------------------|--|
| Gross revenue | 5 | 272,297 | 282,259 |
| Rebates and promotions | 5 | (37,473) | (38,461) |
| Revenue net of rebates and promotions | | 234,824 | 243,798 |
| Cost of sales | | (161,808) | (187,675) |
| Gross profit | | 73,016 | 56,123 |
| Finance income | 6 | 2 | 34 |
| Other income | 5 | 1,185 | 4,697 |
| Distribution and warehousing costs | | (11,213) | (13,668) |
| Sales and marketing expenses | | (2,706) | (6,251) |
| Corporate and administrative expenses | | (49,372) | (52,735) |
| Allowance/ (write back) for credit losses | | 277 | (208) |
| Depreciation, amortisation and impairment | | (11,656) | (11,279) |
| Other expenses | | (561) | (501) |
| Finance expenses | 6 | (10,923) | (8,467) |
| Profit/ (loss) before income tax | | (11,951) | (32,255) |
| Income tax (expense)/ benefit | 7 | 539 | 8,186 |
| Profit/ (loss) for the period | | (11,412) | (24,069) |
| Profit / (Loss) for the period attributed to: | | | |
| Owners of SPC Global Ltd | | (11,412) | (23,407) |
| Non-controlling interests | | - | (662) |
| Profit / (Loss) for the period | | (11,412) | (24,069) |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive (loss)/income for the period | | (11,412) | (24,069) |
| Total comprehensive (loss)/income for the period attributed to: | | | |
| Owners of SPC Global Ltd | | (11,412) | (23,407) |
| Non-controlling interests | | - | (662) |
| Total comprehensive income/(loss) for the period | | (11,412) | (24,069) |
| | | 30 Jun 2024 Cents | 2 Jul 2023 Cents |
| Earnings per share for (loss) or profit attributable to ordinary equity holders of the parent: | | | |
| Basic earnings per share | | (0.07) | (0.14) |
| Diluted earnings per share | | (0.07) | (0.14) |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2024

| | Notes | 30 Jun 2024 \$000 | 02 July 2023 (Restated) \$000 |
|--|-------|----------------------|-------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8a | 330 | 516 |
| Trade and other receivables | 8b | 50,681 | 47,496 |
| Inventories | 8c | 133,770 | 112,169 |
| Other assets | 8d | 6,777 | 2,935 |
| Tax assets | | - | 338 |
| Total current assets | | 191,558 | 163,454 |
| Non-current assets | | | |
| Trade and other receivables | 8b | - | 143 |
| Property, plant and equipment | 9a | 32,875 | 26,964 |
| Right-of-use assets | 11 | 138,819 | 112,886 |
| Intangible assets | 9b | 8,554 | 9,088 |
| Deferred tax assets | 7 | 4,392 | 3,820 |
| Total non-current assets | | 184,640 | 152,901 |
| Total assets | | 376,198 | 316,355 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8e | 55,163 | 40,207 |
| Employee benefits | 9c | 6,458 | 6,840 |
| Borrowings | 8f | 87,644 | 56,264 |
| Lease liability | 11 | 1,945 | 2,900 |
| Total current liabilities | | 151,210 | 106,211 |
| Non-current liabilities | | | |
| Trade and other payables | 8e | 1,328 | 1,558 |
| Employee benefits | 9c | 875 | 576 |
| Borrowings | 9f | 6,728 | 9,549 |
| Lease liability | 11 | 145,527 | 114,829 |
| Deferred tax liabilities | 7 | 3,377 | 3,377 |
| Total non-current liabilities | | 157,835 | 129,889 |
| Total liabilities | | 309,045 | 236,100 |
| Net assets | | 67,153 | 80,255 |
| Equity | | | |
| Issued capital | 12 | 47,296 | 45,946 |
| Share-based payment reserve | 12 | 822 | 1,839 |
| Retained earnings | | 19,035 | 30,362 |
| Equity attributable to the owners of the parent | | 67,153 | 78,147 |
| Non-controlling interests | | - | 2,108 |
| Total equity | | 67,153 | 80,255 |

Consolidated statement of changes in equity

For the 52 weeks ended 30 June 2024

| | Ordinary shares (Restated) \$000 | Retained earnings (Restated) \$000 | Share-based payment reserve (Restated) \$000 | Non- controlled Interest \$000 | Total Equity (Restated) \$000 |
|--|---|---|--|---|--|
| Balance at 4 July 2022 | 71,163 | 55,039 | - | 2,770 | 128,972 |
| Derecognise other receivables and ordinary shares relating to non-recourse employee loans | (25,217) | - | - | - | (25,217) |
| Charge/ reversal of employee benefit expenses and corresponding share-based payment reserve pursuant to Management Equity Plan | - | (1,270) | 1,270 | - | - |
| Restated balance at 4 July 2022 | 45,946 | 53,769 | 1,270 | 2,770 | 103,755 |
| Profit/ (loss) after income tax expense for the year | - | (23,407) | - | (662) | (24,069) |
| Charge/ reversal of employee benefit expenses and corresponding share-based payment reserve pursuant to Management Equity Plan | - | - | 569 | - | 569 |
| Balance at 3 July 2023 | 45,946 | 30,362 | 1,839 | 2,108 | 80,255 |
| Restated balance at 3 July 2023 | 45,946 | 30,362 | 1,839 | 2,108 | 80,255 |
| Profit/ (loss) after income tax expense for the year | - | (11,412) | - | - | (11,412) |
| Charge/ reversal of employee benefit expenses and corresponding share-based payment reserve pursuant to Management Equity Plan | - | - | (1,539) | - | (1,539) |
| Shares issued pursuant to Kuisine Settlement based on the date of the Deed of Settlement | 1,350 | - | - | - | 1,350 |
| Non-controlling Interest Acquired through business combinations | - | - | - | (2,023) | (2,023) |
| Non-controlling Interest transferred to retained earnings | - | 85 | - | (85) | - |
| Share based payment recognised for issue of options pursuant to Kuisine settlement | - | - | 522 | - | 522 |
| Balance at 30 June 2024 | 47,296 | 19,035 | 822 | - | 67,153 |

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the 52 weeks ended 30 June 2024

| | Year ended | |
|---|-----------------|-----------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Cash flows from operating activities | | |
| Receipts from customers | 244,133 | 251,420 |
| Payments to suppliers and employees | (248,666) | (274,325) |
| Interest received | 2 | 34 |
| Finance expenses | (5,841) | (4,267) |
| Income tax refund/ (paid) | 114 | (1,000) |
| Net cash used in operating activities | (10,258) | (28,138) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (10,275) | (10,497) |
| Net cash outflow from acquisition | (500) | - |
| Net cash used in by investing activities | (10,775) | (10,497) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 28,559 | 36,239 |
| Payment of lease liabilities | (7,712) | (6,949) |
| Net cash provided by financing activities | 20,847 | 29,290 |
| Cash and cash equivalents at the beginning of the period | 516 | 9,861 |
| Net decrease in cash and cash equivalents | (186) | (9,345) |
| Cash and cash equivalents at end of the period | 330 | 516 |

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 1. Nature of operations

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 100% 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.

Note 2. General information and basis of preparation

Introduction

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 28 August 2024.

The current period financials are for the 52 weeks from 3 July 2023 to 30 June 2024. The prior year comparatives depict the financial statements for the 52 week period from 4 July 2022 to 2 July 2023.

Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of SPC Global Limited ('Company' or the 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the 52 week period then ended. SPC Global Limited and its subsidiaries together are referred to in this financial report as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

New standards adopted

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 April 2021 including the following:

- **AASB 17 Insurance contracts**
Measurement of insurance liabilities
- **AASB 2021–2 Amendments to Australian Accounting Standards**
Disclosure of Accounting Policies and Definition of Accounting Estimates
- **AASB 2020–3 Amendments to Australian Accounting Standards**
Annual Improvements 2018–2020 and Other Amendments
- **AASB 2021–5 Amendments to Australian Accounting Standards**
Deferred tax related to assets and liabilities arising from a single transaction
- **AASB 2021–6 Amendments to Australian Accounting Standards**
Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards
- **AASB 2021–7 Amendments to Australian Accounting Standards**
Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- **AASB 2022–1 Amendments to Australian Accounting Standards**
Initial application of AASB 17 and AASB 9 – comparative information
- **AASB 2022–6 Amendments to Australian Accounting Standards**
Non-current Liabilities with Covenants
- **AASB 2022–8 Amendments to Australian Accounting Standards**
Insurance Contracts – Consequential Amendments
- **AASB 2023–2 Amendments to AASB 112**
International Tax Reform Pillar Two Model Rules

None of these standards have had a material impact on the Group in the current period and are not expected to have a material impact in future reporting periods or on foreseeable future transactions.

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following new accounting standards, amendments and interpretations have been published that are not mandatory and have not yet been applied by the Group within this financial report:

- **AASB 2014-10 Consolidated Financial Statements and AASB 128 Investments in Associates (amendments)**
Sale or contribution of assets between an investor and its associate or joint venture

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

- **AASB 2020-1 Amendments to Australian Accounting Standards**
Classification of liabilities as current or non-current
- **AASB 2020-5 Amendments to Australian Accounting Standards**
Lease Liability in a Sale and Leaseback
- **AASB 2023-1 Amendments to Australian Accounting Standards**
Amendments to AASB 107 and AASB 7 – Disclosures of Supplier Finance Arrangements
- **AASB 2023-3 Amendments to Australian Accounting Standards**
Disclosure of Non-current Liabilities with Covenants: Tier 2

The Group does not believe these new accounting standards, amendments and interpretations will have a material impact on the financial statements of the Group in future periods.

Critical accounting judgements, estimates and assumptions

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

In the process of applying the Group's accounting policies, the Group is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial report, except from those involving estimate and as follows:

- **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.

- **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 collectable. 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.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

- **Goodwill impairment**

The Group tests annually whether goodwill has suffered any impairment. For the 2024 and 2023 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.

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

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

the current reporting period may differ from the assumptions in the next reporting period as internal and external circumstances and expectations change.

- *Determination of functional currency of the entities in the Group*

The effects of changes in foreign exchange rates requires the Company and the entities in the Group to determine its functional currency to prepare the financial statements. When determining its functional currency, the Company and the entities in the Group consider the primary economic environment in which it operates, i.e., the one in which it primarily generates and expends cash. The Company and the entities in the Group may also consider the funding sources. Management applied its judgment and determined that the functional currency of the company is Australian dollars.

- *Discount rate used to determine the carrying amount of the group's defined benefit obligation*

The determination of the group's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the group's financial statements within the next year.

The Group believes that there are no key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, except as disclosed within the notes to the financial statements.

Note 3. Material accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

- a. **Going Concern**

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 consolidated loss of the Group for the period ended 30 June 2024 after providing for income tax amounted to \$11.4 million (2023: loss of \$24.1 million). The Group also had net operating cash outflows of \$10.3 million for the year ended 30 June 2024 (2023: \$28.1 million) and had drawn down current working capital finance facilities of \$80.7 million of a total of \$83.0 million (2023: \$53.6 million of a total of \$65.0 million). The Group also has bank guarantees to cover leases of \$10.35 million. At 30 June 2024, the Group had an excess of current assets over current liabilities of \$40.3 million (2023: \$57.2 million) and net assets of \$67.2 million (2023: \$80.2 million).

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 Directors have considered the following factors in their assessment:

- **Cash Flow Projections:** The Directors have prepared cash flow projections for 2025 financial period and considered the Group's historical performance and anticipated changes in economic conditions. These projections indicate that the Group will generate positive cash flows over the forecast period.
- **Available Resources:** The Group has access to sufficient financial resources which are expected to provide the necessary liquidity to fund its operations and obligations.
- **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.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

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 forecast 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.

b. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

c. Fair value measurement

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

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

d. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following two categories:

1. Financial assets at amortised cost
2. Financial assets at fair value through profit or loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented separately.

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.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

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:

- 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 and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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.

Classification and measurement of financial liabilities

Financial liabilities

The Group's financial liabilities include borrowings, leases, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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For the 52 weeks ended 30 June 2024

e. Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the asset transferred, equity instruments issued, all liabilities incurred by the acquirer to former owners of the acquiree and the amounts of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss. Payment of acquisition-related transaction costs to be classified under the cash flows used in investing activities in the consolidated statement of cash flows. The Group has been previously presenting these costs under operating cash flows. The comparative period balances have been reclassified to conform with the current period presentation.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where a business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

f. Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

g. Foreign currency translation

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss.

The results and financial position of all the Group entities are translated into Australian dollars (AUD) as follows:

- Assets and liabilities are translated at the closing rates at the date of the statement of financial position.
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

h. 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.

Note 4. Segment reporting

- a) An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Company resources and assess performance.
- b) The Group has 4 reportable segments: Retail, Food Services & Industrial, SPC Care and International. In identifying its operating segments, management follows the geographical and revenue lines generated under each segment. Each segment performs the following main revenue activities:

- Retail: The retail division supplies both branded and private label products to national supermarkets, club stores and grocery chains which have consistently contributed over 60% of domestic sales. The Group has built long-term relationships with all major supermarkets including Woolworths, Coles, ALDI and IGA who provide the Group with nationwide coverage through over 3,000 points of sale. The Group has further built on these relationships by entering into private label contracts with Woolworths, Coles and ALDI.

Products sold through this channel include:

- processed fruit such as multi serve fruit and snack fruit under the Goulburn Valley, SPC and Ardmona brands;
- baked beans and spaghetti (BBS) under the SPC brand; and
- tomato products under the SPC and Ardmona brands.

The Group's strategy is to leverage its market-leading position to drive growth through innovative formats and Australian-grown status.

- Food Service and Industrial (FSI): Products sold into Food Service channel are similar to the Grocery product range but are in different packaging formats. ProVital is sold exclusively in this channel. The Group's Food Service products are purchased by a wide range of end users including restaurants, cafes, caterers, pubs & clubs, cruise lines, schools, hospitals, aged care facilities as well as meal kit providers such as Lite n' Easy. In most instances, the Group's products are sold to end users via the specialist Food Service Distributors such as Bidfood, PFD, Countrywide and NAFDA.

Customers in Industrial channel comprise other food manufacturers including global FMCG brands, Lion, Kellogg, Kraft Heinz, Bellamy's, Cerebos and Chobani who purchase juice and paste concentrates to be used in the manufacture of their own products.

- SPC Care provides better care through nutrition. The Group believes that high quality, enjoyable nutrition and meal provision is fundamental to better care for vulnerable individuals. Improving their quality of life, their mental and social wellbeing, and satisfying their specific nutritional and physical needs is at the heart of the Company's business plan. The vision is to innovate and lead the development and provision of enjoyable food with the right nutrition for the vulnerable in care. Ensuring vulnerable individuals can wherever possible choose an enjoyable meal that meets their unique physiological, cultural and taste preferences and so help their quality of life through independence, social connectedness and optimal health.
- **International:** The Group exports to over 15 countries worldwide including major markets such as China, the US, New Zealand, Southeast Asia, Japan and the Middle East.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

c) Reportable segments:

| 52 week period ended 30 June 2024 | Retail \$000 | FSI \$000 | Care \$000 | International \$000 | Total \$000 |
|---|-----------------|--------------|---------------|------------------------|-----------------|
| Revenue | 161,352 | 39,481 | 25,638 | 8,353 | 234,824 |
| EBITDA | 5,692 | 1,264 | 2,733 | (604) | 9,085 |
| Depreciation, amortisation and impairment | | | | | (11,656) |
| EBIT | | | | | (2,571) |
| Share based payments | | | | | 1,540 |
| Interest income | | | | | 3 |
| Interest expense | | | | | (10,923) |
| Loss before income tax | | | | | (11,951) |
| Income tax benefit | | | | | 539 |
| Profit/ (loss) after tax | | | | | (11,412) |

| 52 week period ended 2 July 2023 | Retail \$000 | FSI \$000 | Care \$000 | International \$000 | Total \$000 |
|---|-----------------|--------------|---------------|------------------------|-----------------|
| Revenue | 158,369 | 45,607 | 27,795 | 12,027 | 243,798 |
| EBITDA | (13,414) | (802) | 2,751 | (1,079) | (12,543) |
| Depreciation, amortisation and impairment | | | | | (11,279) |
| EBIT | | | | | (23,822) |
| Interest income | | | | | 35 |
| Interest expense | | | | | (8,468) |
| Loss before income tax | | | | | (32,255) |
| Income tax benefit | | | | | 8,186 |
| Profit/ (loss) after tax | | | | | (24,069) |

d) Geographical information:

Revenue from customers is attributed to geographic location based on the location of customers. The revenue from customers and non-current assets by geographical location for the period ended 30 June 2024 and 02 July 2023 is set out below;

| | 2024 Revenue (\$000) | 2023 Revenue (\$000) | 2024 Non-current assets (\$000) | 2023 Non-current assets (\$000) |
|---------------------------|----------------------------|----------------------------|---------------------------------------|---------------------------------------|
| Australia and New Zealand | 227,026 | 232,226 | 184,640 | 152,901 |
| USA | 7,369 | 10,290 | 0 | 0 |
| Canada | 121 | 732 | 0 | 0 |
| Asia | 308 | 550 | 0 | 0 |
| Total | 234,824 | 243,798 | 184,640 | 152,901 |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 5. 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:

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.

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.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Revenue from continuing operations

| | 52 weeks ended | |
|--|----------------|----------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Revenue from continuing operations (point-in-time): | | |
| Sale of goods | 272,297 | 282,259 |
| Rebates and promotions | (37,473) | (38,461) |
| Revenue net of rebates and promotions | 234,824 | 243,798 |
| Other income: | | |
| Rebates and other income | 789 | 4,128 |
| Rental income | 396 | 617 |
| Net gain/(loss) on disposal of property, plant and equipment | - | (48) |
| Total other income | 1,185 | 4,697 |

Note 6. Finance income and expenses

| | 52 weeks ended | |
|--|----------------|--------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Finance income: | | |
| Interest income | 2 | 34 |
| Total finance income | 2 | 34 |
| Finance expenses: | | |
| Interest expense | 8,472 | 6,359 |
| Foreign currency (gain)/loss on financial assets and liabilities | (17) | (13) |
| Other finance expenses | 2,468 | 2,121 |
| Total finance expenses | 10,923 | 8,467 |

Note 7. Income Tax

Recognition and measurement

The income tax expense for the period comprises current tax expense and deferred tax expense.

Current tax

Current tax assets/liabilities are measured at the amounts expected to be recovered/to be paid to/from the relevant taxation authority.

SPC Global Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Notes to the consolidated financial statements

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Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Offsetting balances

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Income tax expense

The major components of tax expense (income) comprise:

| | 52 weeks ended | |
|--------------|----------------|----------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Current tax | (1,084) | (10,951) |
| Deferred tax | 545 | 2,765 |
| | (539) | (8,186) |

Reconciliation of income tax expense to prima facie tax payable

| | 52 weeks ended | |
|--|----------------|----------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Loss from continuing operations before income tax expense | (11,951) | (32,256) |
| Tax at the Australian tax rate of 30% (2023: 30%) | (3,585) | (9,677) |
| <i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i> | | |
| Other non-deductible expenses | 64 | 636 |
| Non-refundable tax offset | (1,095) | - |
| Non assessable income | (162) | 250 |
| Tax losses not recognised | 4,578 | 1,001 |
| (Over)/under-provision of tax in prior year | (339) | (396) |
| Income tax (benefit)/expense | (539) | (8,186) |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Deferred tax asset/ (liability) balances

The balance comprises temporary difference attributable to:

| 2023 | Opening balance \$000 | Charged to income \$000 | Charged directly to equity \$000 | Closing balance \$000 |
|------------------------------|--------------------------|----------------------------|--|--------------------------|
| <i>Deferred tax assets:</i> | | | | |
| Provisions employee benefits | 2,404 | (2) | - | 2,402 |
| Tax losses carried forward | 71 | 599 | - | 670 |
| Other | 1,982 | (1,234) | - | 748 |
| Balance 2 July 2023 | 4,457 | (637) | - | 3,820 |

Deferred tax liabilities:

| | | | | |
|--|--------------|--------------|----------|--------------|
| Property, plant and equipment impairment | 1,252 | 2,125 | - | 3,377 |
| Balance 2 July 2023 | 1,252 | 2,125 | - | 3,377 |

| 2024 | Opening balance \$000 | Charged to income \$000 | Charged directly to equity \$000 | Closing balance \$000 |
|--------------------------------|--------------------------|----------------------------|--|--------------------------|
| <i>Deferred tax assets:</i> | | | | |
| Provisions - employee benefits | 2,402 | (44) | - | 2,358 |
| Tax losses carried forward | 670 | 400 | - | 1,070 |
| Other | 748 | 216 | - | 964 |
| Balance 30 June 2024 | 3,820 | 572 | - | 4,392 |

Deferred tax liabilities:

| | | | | |
|--|--------------|----------|----------|--------------|
| Property, plant and equipment impairment | 3,377 | - | - | 3,377 |
| Balance 30 June 2024 | 3,377 | - | - | 3,377 |

Franking credits

| | 52 weeks ended | |
|-------------------|----------------|------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Franked dividends | - | - |
| | - | - |

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

Key estimate and judgment: Taxation

The Group has exposure to income taxes in the countries where it operates. A significant judgment is involved in determining the Group provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which the determination is made.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 8. Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group's exposure to various risks associated with financial instruments is discussed in note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

(a) Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

| | 30 Jun 2024 | 2 July 2023 |
|--|-------------|-------------|
| | \$000 | \$000 |
| Cash at bank and in hand | 330 | 516 |
| Total Cash and cash equivalents | 330 | 516 |

(b) Trade and other receivables

Recognition and measurement

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months after the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are recognised when the Group becomes party to a contractual provision. They are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any loss allowance.

The Group makes use of a simplified approach in accounting for trade and other receivables and records a loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Key estimate and judgment: Trade receivable loss allowance

The Group evaluates whether there is any objective evidence in relation to historical experience, external indicators and forward-looking indicators that indicate a loss allowance is required and determines an appropriate loss allowance. If the financial condition of the customers were to deteriorate over and above the objective evidence obtained, actual write offs would be higher than estimated.

| | 30 Jun 2024 \$000 | 2 July 2023 \$000 (Restated) |
|--|----------------------|------------------------------------|
| CURRENT | | |
| Trade receivables | 48,715 | 46,422 |
| Less: allowance for credit losses | (188) | (514) |
| | 48,527 | 45,908 |
| GST receivable | 1,115 | 1,114 |
| Other receivables | 1,039 | 474 |
| Total current trade and other receivables | 50,681 | 47,496 |
| NON-CURRENT | | |
| Security deposits | - | 143 |
| Total non-current trade and other receivables | - | 143 |

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.

(c) 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.

| | 30 Jun 2024 \$000 | 2 July 2023 \$000 |
|-------------------------------|----------------------|----------------------|
| Raw materials and consumables | 13,862 | 19,794 |
| Work in progress | 2 | 186 |
| Finished goods | 119,906 | 92,189 |
| | 133,770 | 112,169 |

(d) Other assets

| | 30 Jun 2024 \$000 | 2 July 2023 \$000 |
|------------------------|----------------------|----------------------|
| Other financial assets | - | 63 |
| Prepayments | 6,777 | 2,872 |
| | 6,777 | 2,935 |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

(e) Trade and other payables

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature

| | 30 Jun 2024 \$000 | 2 July 2023 \$000 |
|--|----------------------|----------------------|
| CURRENT | | |
| Trade payables | 31,689 | 18,269 |
| Sundry payables and accrued expenses | 23,244 | 21,709 |
| Other payables – incentive rebate | 230 | 229 |
| Total current trade and other payable | 55,163 | 40,207 |
| NON-CURRENT | | |
| Other payables – incentive rebate | 1,328 | 1,558 |
| Total non-current trade and other payable | 1,328 | 1,558 |

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.

(f) Borrowings

Recognition and measurement

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.

| | 30 Jun 2024 \$000 | 2 July 2023 \$000 |
|---|----------------------|----------------------|
| CURRENT | | |
| Borrowings - secured over plant & equipment | 2,819 | 2,647 |
| Borrowings - secured over inventory & trade debtors | 48,013 | 22,976 |
| Borrowings - secured over trade debtors | 36,812 | 30,641 |
| Total current borrowings | 87,644 | 56,264 |
| NON-CURRENT | | |
| Borrowings secured over plant & equipment | 6,728 | 9,549 |
| Total non-current borrowings | 6,728 | 9,549 |
| Total borrowings | 94,372 | 65,813 |

Maturities of borrowings

| Facility | Term | Rate | 30 Jun 2024 \$000 |
|-----------------------------|-------------|--------------|----------------------|
| Debtor finance | >5 years | 7.11% | 36,812 |
| Trade finance | >5 years | 5.81% | 28,443 |
| Working capital facility | 0-12 months | BBSY + 1.15% | 19,570 |
| Equipment loans | 2-5 years | 6.81% | 8,088 |
| Equipment loans | >5 years | 7.11% | 1,459 |
| Balance 30 June 2024 | | | 94,372 |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 9. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - property, plant and equipment (note 8(a))
 - intangible asset (note 8(b))
 - deferred tax balances (note 8(c))
 - provisions and employee benefit obligations (note 8(d))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Property, plant and equipment

Recognition and measurement

Property, plant & equipment are stated at cost, less accumulated depreciation and provision for impairments. 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.

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% |

Fully depreciated plant & equipment are retained in the financial statements until they are no longer in use. The residual values and useful lives of plant & equipment are reviewed at the end of each financial year end and adjusted prospectively, if appropriate. Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Impairment of assets

Plant and equipment are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e., the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

The impairment loss is recognised in the statement of profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of profit or loss.

Key estimation uncertainty: Depreciation

Plant and equipment are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. Any changes in the economic useful lives or residual values could impact the depreciation charges and consequently affect the Group's results.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Key estimation uncertainty: Impairment of non-financial assets

Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amount of these assets and, where applicable, cash generating units, have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit (or group of cash generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

| Cost: | Freehold Land and Buildings \$000 | Plant and Equipment \$000 | Leasehold Improvement \$000 | Capital work-in- progress \$000 | Total \$000 |
|---|---|---------------------------------|-----------------------------------|--|----------------|
| Balance 4 July 2022 | 147 | 16,433 | 551 | 4,956 | 22,087 |
| Additions/ transfer from capital work-in-progress | - | 12,758 | 270 | (2,596) | 10,432 |
| Disposal | - | (15) | - | - | (15) |
| Balance 2 July 2023 | 147 | 29,176 | 821 | 2,360 | 32,504 |
| Additions/ transfer from capital work-in-progress | - | 1,698 | 1,091 | 7,398 | 10,187 |
| Impairment | - | (1,640) | (600) | - | (2,240) |
| Balance 30 June 2024 | 147 | 29,234 | 1,312 | 9,758 | 40,451 |
| Accumulated depreciation: | | | | | |
| Balance 4 July 2022 | - | (3,152) | (99) | - | (3,251) |
| Charge for the year | - | (2,216) | (73) | - | (2,289) |
| Disposals | - | - | - | - | - |
| Balance 2 July 2023 | - | (5,368) | (172) | - | (5,540) |
| Charge for the period | - | (2,940) | (160) | - | (3,100) |
| Impairment | - | 839 | 225 | - | 1,064 |
| Balance 30 June 2024 | - | (7,469) | (107) | - | (7,576) |
| Net Book Value: | | | | | |
| Balance 2 July 2023 | 147 | 23,808 | 649 | 2,360 | 26,964 |
| Balance 30 June 2024 | 147 | 21,765 | 1,205 | 9,758 | 32,875 |

(b) Intangible assets

Recognition and measurement

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% per annum.

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.

Intangible assets with indefinite useful lives are not amortised and are measured at cost less impairment losses.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Goodwill

Goodwill on acquisition of subsidiaries or businesses is included in intangible assets.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and are allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment of assets

Intangibles are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e., the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

The impairment loss is recognised in the statement of profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of profit or loss.

Critical accounting estimates: Capitalisation of intangibles

Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judges that the technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the cost can be measured reliably. Such costs include purchases of materials and services and payroll related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

Key estimation uncertainty: Amortisation

Intangibles are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Changes in the expected level of use and technological developments could impact the economic useful lives and the residual values of these asset, therefore future amortisation charges could be revised.

Key estimation uncertainty: Impairment of non-financial assets

Intangibles are tested for impairment whenever there is any objective evidence or indication that these assets maybe impaired.

The recoverable amount of these assets and, where applicable, cash generating units, have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit (or group of cash generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

| Cost: | Goodwill \$000 | Product development cost \$000 | Brands, trademarks and IP \$000 | Software \$000 | Total \$000 |
|----------------------------------|-------------------|---|--|-------------------|----------------|
| Balance 4 July 2022 | 7,222 | 1,444 | 78 | 3,692 | 12,436 |
| Impairment | (600) | (1,444) | - | - | (2,044) |
| Balance 2 July 2023 | 6,622 | - | 78 | 3,692 | 10,392 |
| Additions | - | - | - | - | - |
| Balance 30 June 2024 | 6,622 | - | 78 | 3,692 | 10,392 |
| Accumulated amortisation: | | | | | |
| Balance 4 July 2022 | - | - | - | (769) | (769) |
| Charge for the year | - | - | - | (535) | (535) |
| Balance 2 July 2023 | - | - | - | (1,304) | (1,304) |
| Charge for the period | - | - | - | (534) | (534) |
| Balance 30 June 2024 | - | - | - | (1,838) | (1,838) |
| Net Book Value: | | | | | |
| Balance 2 July 2023 | 6,622 | - | 78 | 2,388 | 9,088 |
| Balance 30 June 2024 | 6,622 | - | 78 | 1,854 | 8,554 |

(c) Provisions

Recognition and measurement

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

As at the reporting date, there were no material claims or disputes of a contingent nature against the Group and its subsidiaries.

Employee benefit obligations

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

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

| | 30 Jun 2024 | 2 July 2023 |
|----------------------------------|--------------|--------------|
| | \$000 | \$000 |
| CURRENT | | |
| Provision for long service leave | 2,632 | 2,546 |
| Provision for employee benefits | 3,826 | 4,294 |
| | 6,458 | 6,840 |
| NON-CURRENT | | |
| Provision for long service leave | 875 | 576 |
| | 875 | 576 |

Note 10: Goodwill

In accordance with the accounting standard AASB 136 Impairment of Assets, the Group has conducted a review of indicators of impairment during the period for each of the cash generating units (CGUs) to which goodwill has been allocated.

Goodwill is tested for impairment annually or more frequently whenever indicators of impairment are identified. In testing for impairment, the carrying amount of each Cash Generating Unit (CGU) is compared against the recoverable amount.

For each CGU tested, the recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses pre-tax cash flow projections that are based on the most recent forecast of 5 years updated for current performance and is discounted at an appropriate pre-tax discount rate taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF are based on estimates of long-term Industry growth in the country in which the CGU primarily operates.

The allocation of goodwill to each cash generating unit and assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

| | Allocated Goodwill | Pre-tax discount rate | Long term growth rate |
|---------|--------------------|-----------------------|-----------------------|
| | 30 Jun 2024 | 30 Jun 2024 | 30 Jun 2024 |
| | \$000 | % | % |
| Kuisine | 6,622 | 13.2% | 2% |

Other significant assumptions in the forecast are noted in the table below:

| | Y1 | Y2 to Y5 |
|----------------|--------|----------|
| Revenue growth | 9.8% | 3% |
| Cost growth | (0.4%) | 3% |

No impairment of goodwill is recognised in the period to 30 June 2024 (2023: nil).

Management notes that goodwill is not sensitive to changes in any of the above noted assumptions and will yield a similar result if these assumptions are changed adversely by up to 5%.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Significant estimates made

The continued profitability and growth of the CGUs are dependent on retaining existing customer revenue. Loss of existing customer revenue would result in reduced headroom or impairment of the goodwill allocated to the CGUs.

Note 11. Leases

Recognition and measurement

The leases recognised by the Group under AASB 16 predominantly relate to property leases. The Group recognises all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or less) and low value leases, on the balance sheet. Lease liabilities are recorded at the present value of fixed payments, variable lease payments that depend on an index or rate, amounts payable under residual value guarantees and extension options expected to be exercised. Where a lease contains an extension option which the Group can exercise without negotiation, lease payments for the extension period are included in the liability if the Group is reasonably certain that it will exercise the option. Variable lease payments not dependent on an index or rate are excluded from the liability. Lease payments are discounted at the incremental borrowing rate of the lessee, unless the rate implicit in the lease can be readily determined. The right of use asset at initial recognition reflects the lease liability adjusted for any lease payments made before the commencement date plus any make good obligations and initial direct costs incurred.

Lease liabilities are remeasured when there is a change in future lease payments resulting from a change in an index or rate, or a change in the assessed lease term. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount has been reduced to zero.

The Group applied judgement to determine the incremental borrowing rates as well as the lease term for some lease contracts that include extension or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

The Group recognises depreciation of the right of use assets and interest on the lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the cash flow statement.

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.

The Group leases land and buildings for the Kuisine business in Auburn, NSW which commenced on 31 August 2023. This lease is for a term of 10 years and 6 months with an option to renew for a further 10 years. The lease for the Emu Plains premises expired on 14 June 2024 and 30 June 2024 respectively and were not renewed.

Machinery, and IT equipment

The Group leases machinery and IT equipment with lease terms varying from 2 to 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 assets

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.

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For the 52 weeks ended 30 June 2024

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. The right of use assets have been measured at the initial lease liability amount, as if the AASB 16 had been applied from the commencement date of the leases.

The recognised ROU assets relate to the following assets:

| | Property \$000 | Equipment \$000 | Total \$000 |
|---|-------------------|--------------------|----------------|
| Balance 4 July 2022 | 109,308 | 4,811 | 114,119 |
| Additions, modifications and other reassessment of leases | 5,143 | - | 5,143 |
| Depreciation | (4,365) | (2,011) | (6,376) |
| Balance 02 July 2023 | 110,086 | 2,800 | 112,886 |
| Additions, modifications and other reassessment of leases | 32,692 | - | 32,692 |
| Depreciation | (4,905) | (1,854) | (6,759) |
| Balance 30 June 2024 | 137,873 | 946 | 138,819 |

Lease liabilities

The movement in lease liabilities from 3 July 2022 to the year ended 30 June 2024 is presented below:

| | Property \$000 | Equipment \$000 | Total \$000 |
|---|-------------------|--------------------|----------------|
| Balance 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 |
| Balance 02 July 2023 | 113,718 | 4,011 | 117,729 |
| New and modified Leases | 32,692 | - | 32,692 |
| Cash Payments | (5,699) | (2,013) | (7,712) |
| Interest Charge | 4,695 | 68 | 4,763 |
| Balance 30 June 2024 | 145,406 | 2,066 | 147,472 |
| Lease liabilities – current balance 30 June 2024 | 942 | 1,003 | 1,945 |
| Lease liabilities – non-current balance 30 June 2024 | 144,464 | 1,063 | 145,527 |
| Lease liabilities – current balance 2 July 2023 | 955 | 1,945 | 2,900 |
| Lease liabilities – non-current balance 2 July 2023 | 112,763 | 2,066 | 114,829 |

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 Auburn lease has a 10 years extension option.

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce the 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 \$227.7 million in potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the options are not reasonably certain.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 12. Issued Capital

Recognition and measurement

Issued Capital

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.

The Company signed a Deed of Settlement with the vendors of the Kuisine Group (the Vendors) on 24 June 2024 to resolve a warranty dispute that required the issue of 974,729 shares at \$1.385 to the Vendors. These shares were allotted on 8 July 2024. As a binding legal agreement was reached with the Vendors prior to 30 June 2024, the issue of these shares were treated as having been issued by 30 June 2024.

Share-based payment reserve

The share-based payment reserve is used to recognise:

- the fair value of options issued to Directors and employees which have not been exercised;
- the fair value of shares issued to Directors and employees; and
- other share-based payment transactions.

The share-based payment reserve balance is as follows:

| | 30 Jun 2024 | 2 July 2023 (Restated) |
|--|-------------|------------------------|
| | \$000 | \$000 |
| | 822 | 1,839 |

Equity settled share-based compensation benefits are provided to employees and directors.

Equity settled transactions are awards of shares, or employee loan share plans, that are provided to employees and directors in exchange for the rendering of services.

The cost of equity settled transactions are measured at fair value on grant date.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The issued capital balance is as follows:

| | Date | 30 Jun 2024 | | 2 July 2023 (Restated) | |
|-------------------------------|--------------|-------------|--------|---------------------------|--------|
| | | Shares | \$000 | Shares | \$000 |
| Opening balance | | 169,832,819 | 45,946 | 169,832,819 | 45,946 |
| Shares issued during the year | 24 June 2024 | 974,729 | 1,350 | - | - |
| Closing balance | | 170,807,548 | 47,296 | 169,832,819 | 45,946 |

The movement in share capital represents 974,729 shares issued pursuant to the Deed of Settlement as described above.

Restatement in relation to Management Equity plans:

During the years ended 27 June 2021 and 3 July 2022, shares were issued pursuant to the Company's Management Equity Plan to qualifying employees. A limited recourse loan was provided to allow the qualifying employees to purchase the shares issued under the Management Equity Plan.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

The movement in shares issued pursuant to Company's Management Equity Plan and the Offering price as listed in the table below:

| | Shares | Issue price | Amount (\$) |
|--|-------------------|-------------|------------------|
| Shares issued under Management Equity Plan | 10,049,020 | \$0.80 | 8,039,216 |
| Balance 27 June 2021 | 10,049,020 | | 8,039,216 |

| | | | |
|---|-------------------|--------|-------------------|
| Balance at 28 June 2021 | 10,049,020 | | 8,039,216 |
| Unvested Shares issued under the Management Equity Plan to former employees to be cancelled | (4,166,667) | \$0.80 | (3,333,333) |
| Shares issued under Management Equity Plan | 6,250,000 | \$1.60 | 10,000,000 |
| Shares issued under Management Equity Plan | 5,503,332 | \$1.91 | 10,511,364 |
| Balance 3 July 2022 | 17,635,685 | | 25,217,247 |

| | | | |
|--|------------------|--------|-------------------|
| Balance at 4 July 2022 | 17,635,685 | | 25,217,247 |
| Unvested Shares issued under the Management Equity Plan to former employees to be cancelled | (5,882,353) | \$0.80 | (4,705,883) |
| Unvested Shares issued under the Management Equity Plan to former employees to be cancelled Plan | (5,503,332) | \$1.91 | (10,511,364) |
| Balance 2 July 2023 | 6,250,000 | | 10,000,000 |

The Company has previously recorded the shares issued under the Management Equity Plan through recognition of the limited recourse loan as non-current receivables. It was noted that the accounting treatment previously adopted is not in line with the treatment per AASB 2 (Share-based payments) which requires shares issued to employees under the Management Equity Plan financed via limited-recourse loan to be treated in the same way as options and fair valued accordingly at issue date. Therefore, the prior balances related to the Management Equity Plan were restated.

The fair value of the Management Equity Plan was calculated using the Black-Scholes option pricing model. The value of the shares has been expensed on proportionate basis from grant date to vesting date. The proportional vested value was recognised as employee benefit expenses and recorded under the share-based payment reserve.

The above fair value calculation was based upon the following inputs:

| | |
|---------------------------|----------------------|
| Share price at grant date | \$0.80 |
| Exercise price | Based on issue price |
| Time to maturity | 5 years |
| Annual risk free rate | 3% |
| Annualised Volatility | 30% |

Based on the corrections made, the prior year balances were restated as follows:

| | Other Receivables (non-current) \$000 | Ordinary shares \$000 | Retained earnings \$000 | Share-based payment reserve \$000 |
|---|--|-----------------------------|-------------------------------|--|
| Balance at 3 July 2022 | 25,217 | 71,163 | 55,039 | - |
| Correction to derecognise other receivables and ordinary shares | (25,217) | (25,217) | - | - |
| Correction to recognise employee benefit expenses and corresponding share-based payment reserve | | | (1,270) | 1,270 |
| Restated balance at 3 July 2022 | - | 45,946 | 53,769 | 1,270 |
| Balance at 2 July 2023 | 10,000 | 55,946 | 32,201 | - |
| Correction to derecognise other receivables and ordinary shares | (10,000) | (10,000) | - | - |
| Correction to recognise employee benefit expenses and corresponding share-based payment reserve | - | - | (1,839) | 1,839 |
| Restated balance at 2 July 2023 | - | 45,946 | 30,362 | 1,839 |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

| | Non-Current Assets \$000 | Total Assets \$000 | Net Assets \$000 |
|---|--------------------------------|--------------------------|------------------------|
| Balance at 2 July 2023 | 162,901 | 326,355 | 90,255 |
| Correction to derecognise other receivables and ordinary shares | (10,000) | (10,000) | (10,000) |
| Restated balance at 2 July 2023 | 152,901 | 316,355 | 80,255 |

| | Loss before income tax \$000 | Loss for the period \$000 |
|---|--|------------------------------------|
| Balance at 2 July 2023 | (31,686) | (23,500) |
| Correction to recognise employee benefit expenses and corresponding share-based payment reserve | (569) | (569) |
| Restated balance at 2 July 2023 | (32,255) | (24,069) |

Note 13. Earnings per share

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SPC Global Limited, excluding any cost of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Earnings per share

Reconciliation of earnings used and the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

| | 30 June 2024 | 2 July 2023 |
|--|--------------|--------------|
| | \$ | \$ |
| Profit (Loss) after income tax (basic) | (11,412,419) | (24,069,638) |
| Profit (Loss) after income tax (diluted) | (11,412,419) | (24,069,638) |
| Weighted average number of shares used in basic earnings per share | 169,848,930 | 169,832,819 |
| Weighted average number of shares used in diluted earnings per share | 169,872,799 | 169,832,819 |
| Basic earnings / (loss) per share (cents per share) | (0.07) | (0.14) |
| Diluted earnings / (loss) per share (cents per share) | (0.07) | (0.14) |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 14. Financial instrument risk

Capital and Risk management objectives and policies

The Group's objective when managing capital is to:

- safeguard their ability to continue as a going concern, so that they can provide returns to shareholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For the purpose of analysis, the Group defines capital as fully paid ordinary shares

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

(a) Market risk analysis

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

(b) Credit risk analysis

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including receivables and committed transactions.

Trade receivables

Collectability of trade receivables is reviewed on an ongoing basis through regular review of ageing analysis. Trade receivables are written off when there is no reasonable expectation of recovery. Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis as they possess shared credit characteristics. They have been grouped based on days past due. Refer to Note 8 (b) for further information of impairment and risk exposure.

(c) Liquidity risk analysis

Prudent liquidity risk management requires the Group to maintain sufficient liquid assets and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Amounts presented below represent the future undiscounted principal and interest cash flows.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Maturity analysis

| | 1 year or less \$000 | Between 1 and 5 years \$000 | Over 5 years \$000 | Remaining contractual maturities \$000 |
|-----------------------------|-------------------------|-----------------------------------|--------------------------|--|
| <i>Non-interest bearing</i> | | | | |
| Trade payables | 18,269 | - | - | 18,269 |
| Other payables | 230 | - | - | 230 |
| Accrued expenses | 21,708 | - | - | 21,708 |
| Lease liabilities | 6,977 | 25,358 | 165,070 | 197,405 |
| Balance 02 July 2023 | 47,184 | 25,358 | 165,070 | 237,612 |
| <i>Non-interest bearing</i> | | | | |
| Trade and other payables | 31,689 | - | - | 31,689 |
| Other payables | 230 | - | - | 230 |
| Accrued expenses | 23,244 | - | - | 23,244 |
| Lease liabilities | 7,967 | 29,247 | 214,292 | 251,506 |
| Balance 30 June 2024 | 63,130 | 29,247 | 214,292 | 306,669 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 15. Related parties

The Group's main related parties are its subsidiaries, key management personnel and 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.

(a) Composition of the Group

| Name | Percentage Owned (%)* | Country of incorporation and business |
|--|--------------------------|--|
| SPC Operations Pty Ltd ¹ | 100% | Australia |
| SPC SP Pty Ltd ¹ | 100% | Australia |
| SPC KP Pty Ltd ¹ | 100% | Australia |
| SPC CP Pty Ltd ¹ | 100% | Australia |
| SPC IP Pty Ltd ¹ | 100% | Australia |
| SPCX Pty Ltd | 100% | Australia |
| SPC Care Pty Ltd ⁷ | 100% | Australia |
| SPC Corporate Pty Ltd ⁸ | 100% | Australia |
| SPC Staff Pty Limited ⁸ | 100% | Australia |
| Shepparton Partners Collective Singapore Pte. Ltd ² | 100% | Singapore |
| Frozen Ready Meals Pty Ltd ³ | 100% | Australia |
| The Kuisine Company Pty Ltd ⁴ | 100% | Australia |
| The Good Meal Co Pty Ltd ⁴ | 100% | Australia |
| The Gluten Free Meal Company Pty Ltd ⁴ | 100% | Australia |
| Helping Humans Pty Ltd ⁵ | 100% | Australia |
| Gourmet Ingredients Pty Ltd ⁶ | 50% | Australia |
| SPC Ardmona Co Ltd | 82% | Thailand |

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, a further 13.3% acquired by Frozen Ready Meals effective December 2021. The remaining 26.7% acquired in June 2024.
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.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

(b) Key management personnel remuneration

| | 52 weeks ended | |
|--|----------------|--------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Remuneration paid to key management personnel of the Group | 2,860 | 2,731 |
| Payment of costs and reimbursement of expenses to entities related to directors and former directors during the period | 376 | 123 |
| Receipt of sales to entities related to a director during the period | - | 20 |
| | 3,236 | 2,874 |

There were no transactions conducted between the Group and KMP or their related parties, apart from those disclosed above and those relating to equity compensation, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

Note 16. Remuneration of auditors

| | 52 weeks ended | |
|---|----------------|------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| <i>Remuneration of the auditor Bentleys Sydney Audit for:</i> | | |
| Auditing the financial statements | 133 | 119 |
| Non-audit related services provided by a related entity | 155 | 135 |
| Total auditor's remuneration | 288 | 254 |

Note 17. Reconciliation of cash flows

Reconciliation of cash flow from operating activities

| | 52 weeks ended | |
|---|-----------------|-----------------|
| | 30 Jun 2024 | 2 Jul 2023 |
| | \$000 | \$000 |
| Cash flows from operating activities: | | |
| Profit / (Loss) for the period | (11,412) | (24,069) |
| Adjustments for non-cash items: | | |
| Depreciation, amortisation and impairment | 11,656 | 11,279 |
| Interest expense on right-of-use assets | 4,764 | 4,036 |
| Employee benefit expenses reversed pursuant to Management Equity Plan | (1,539) | 569 |
| Provision for doubtful debt | 258 | 248 |
| Net loss/ (gain) on disposal of property, plant and equipment | - | 49 |
| Net change in working capital | | |
| (increase)/decrease in trade and other receivables | (3,290) | (10,992) |
| (increase)/decrease in other assets | (3,843) | 994 |
| (increase)/decrease in inventories | (21,260) | (2,702) |
| (increase)/decrease in deferred tax asset | (572) | 636 |
| increase/(decrease) in trade and other payables | 14,726 | 1,520 |
| increase/(decrease) in income taxes payable | 338 | (11,876) |
| increase/(decrease) in deferred tax liability | - | 2,125 |
| increase/(decrease) in employee benefits | (84) | 45 |
| Net cash used in operating activities | (10,258) | (28,138) |

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 18. Parent Entity information

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.

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.

Information relating to SPC Global Limited (the parent entity):

| | 30 Jun 2024 \$000 | 2 Jul 2023 \$000 |
|--|----------------------|---------------------|
| Statement of financial position | | |
| Current assets | - | - |
| Non-current assets | 53,175 | 67,051 |
| Total assets | 53,175 | 67,051 |
| Current liabilities | - | 15,128 |
| Non-Current liabilities | - | - |
| Total liabilities | - | 15,128 |
| Issued capital | 47,295 | 45,945 |
| Share-based payment reserve | 300 | 1,839 |
| Accumulated profit / (losses) | 5,580 | 4,139 |
| Total equity | 53,175 | 51,923 |
| Profit / (Loss) for the year | 1,186 | (579) |

Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities as at 30 June 2024 or 2 July 2023, except as disclosed in note 19.

Guarantees entered into by the parent entity

The parent entity did not provide any guarantees as at 30 June 2024 or 2 July 2023 other than provided to the Group's bankers.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 19. 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 value 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), 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.

Notes to the consolidated financial statements

For the 52 weeks ended 30 June 2024

Note 20. Contingent liabilities

The following contingent liabilities existed at the Reporting Date:

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 30 June 2024.

Share Purchase Agreement – Natural Ingredients

The Company entered into a Share Purchase Agreement on 27 March 2024 which was amended on 20 June 2024 to acquire Natural Ingredients Pty Ltd. This acquisition is scheduled to be completed by 30 September 2024.

Note 21. Events after the reporting period

- a) The Group aims to complete the relocation from Emu Plains to Auburn by first quarter of the 2025 financial year, with production expected to begin at Auburn site from August 2024. Production is expected to begin at Auburn site from August 2024. A lease has been secured for a term of 10 years and 6 months at the Auburn site (7-9 George Young Street, Auburn NSW 2144) and is renewable for a further term of 10 years.
- b) The Company entered into a Share Purchase Agreement on 27 March 2024 to acquire Natural Ingredients Pty Ltd which was amended on 20 June 2024. The addition of Natural Ingredients will provide the Group with a robust global network of supply chain partners and a complementary portfolio of imported ingredients. This acquisition will also fortify the Group's capabilities in sourcing and distributing fruit and vegetable ingredients, further bolstering its commitment to innovation and customer service. Natural Ingredients offers significant value-add to the Group, particularly in the Food Services and Industrial channels. This acquisition is scheduled to be completed by 30 September 2024.
- c) On 18 July 2024, the Board resolved to cancel 2,500,000 shares in the Company (MEP Securities) that were issued under the Management Equity Plan (MEP) by way of a selective capital reduction by reducing the amount paid up on the MEP Securities by the limited recourse loan to finance the MEP Securities. Pursuant to the Plan, the amount reduced on the MEP Securities by the capital reduction will then automatically be deemed to be paid to the Company in satisfaction of the limited recourse loan. As the employee had already left this was accounted for in the 52-week period ending 30 June 2024, the Board has also signalled to the remaining MEP participant that their shares will also be cancelled in the 2025 financial year.

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.

Consolidated entity disclosure statement

As at 30 June 2024

| Entity name | Entity type | Country of incorporation | % share capital held | Tax residency |
|---|----------------|--------------------------|----------------------|---------------|
| SPC Global Limited | Body corporate | Australia | 100% | Australia |
| SPC Operations Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC SP Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC KP Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC CP Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC IP Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPCX Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC Care Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC Corporate Pty Ltd | Body corporate | Australia | 100% | Australia |
| SPC Staff Pty Limited | Body corporate | Australia | 100% | Australia |
| Shepparton Partners Collective Singapore Pte. Ltd | Body corporate | Singapore | 100% | Singapore |
| Frozen Ready Meals Pty Ltd | Body corporate | Australia | 100% | Australia |
| The Kuisine Company Pty Ltd | Body corporate | Australia | 100% | Australia |
| The Good Meal Co Pty Ltd | Body corporate | Australia | 100% | Australia |
| The Gluten Free Meal Company Pty Ltd | Body corporate | Australia | 100% | Australia |
| Helping Humans Pty Ltd | Body corporate | Australia | 100% | Australia |
| Gourmet Ingredients Pty Ltd | Body corporate | Australia | 50% | Australia |
| SPC Ardmona Co Ltd | Body corporate | Thailand | 82% | Thailand |

Basis of preparation

The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act 2001*. The entities listed in the statement are SPC Global Limited and all the entities it controls in accordance with AASB 10 *Consolidated Financial Statements*.

The percentage of share capital disclosed for bodies corporate included in the statement represents the economic interest consolidated in the consolidated financial statements / voting interest controlled by SPC Global Limited either directly or indirectly.

In relation to the tax residency information included in the statement, judgement may be required in the determination of the residency of the entities listed. In developing the disclosures in the statement, the directors have reviewed section 6(1) of the *Income Tax Assessment Act 1936*.

Directors' declaration

For the year ended 30 June 2024

In the directors' opinion

- The attached financial statements and notes comply with the Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- as stated in note 2, the financial statements also comply with International Financial Reporting Standards;
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- The Consolidated Entity Disclosure Statement is true and correct.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Director


Director


Dated this 28 day of August 2024

SPC Global Limited
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 30 June 2024, 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 3 July 2023 to 30 June 2024, and notes to the financial statements, including a summary of material 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 30 June 2024 and of its financial performance for the period 3 July 2023 to 30 June 2024; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We 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.

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 30 June 2024 after providing for income tax amounted to \$11.4 million (2023: loss of \$24.0 million). The Group also had net operating cash outflows of \$10.3 million for the period ended 30 June 2024 (2023: \$28.1 million), and had drawn down current working capital finance facilities of \$80.7 million of a total of \$83.0 million (2023: \$53.6 million out of total current working capital finance facilities of \$65.0 million). At 30 June 2024, the Group had an excess of current assets over current liabilities of \$40.3 million (2023: \$57.2 million) and net assets of \$67.2 million (2023: \$80.2 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.

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.
- 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.

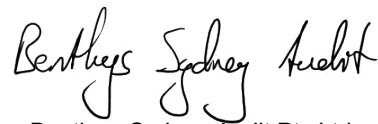
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible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



Donovan Odendaal
Director
Sydney



Bentleys Sydney Audit Pty Ltd
Chartered Accountants

Dated at Sydney on this 29th day of August 2024