



Health and Plant Protein Group Limited  
2021 Annual Report

2021





Health Plant Protein Group Limited  
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2021 Annual Report  
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The Company, through its Royal Hawaiian Orchards and MacFarms brands, is the largest vertically integrated orchard to retail macadamia nut processor and marketer in the USA.

Macadamia nut contains rich nutrients and beneficial plant compounds, and the Company makes its products from wholesome and unmodified ingredients. The macadamia business forms the basis of the Company's strategic ambitions in becoming a leading independent participant in health and plant based protein food categories.









From beverages to dairy alternatives and even plant-based meat alternatives, the industry is booming as vegan lifestyles become more mainstream.



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# Executive Chair's Message

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...we are very  
pleased to see  
HPP becoming  
no. 1 in branded  
macadamias in  
the Snack Nuts  
category in the  
USA from April  
2021...."

Dear Shareholders,

Since joining the business in my initial capacity as a non-executive director in 2017, together with my fellow Board members, we have been intent on creating long-term shareholder value for the business and ensuring that we set and execute against several key strategic goals. Whilst COVID-19 has continued to create volatilities, the 2021 financial year proved to be a year that realised several of those goals as well as establishing our new name as Health and Plant Protein Group Ltd ("HPP"), and associated branding, making clear our ambitions to be a global lead player in these categories.

As foreshadowed last year in this report, in line with focusing our resources to best effect, the Company secured a binding agreement to sell the Ginger division. It is entirely appropriate that the Ginger division is now under the custodianship of a Queensland private business following the smooth completion of the transaction in late September 2020. We are comforted that the brand and business will live on and prosper under their guidance. Sale of the Ginger Division is consistent with our strategy that further investments are likely to achieve materially greater returns in the Macadamia Division and its adjacent space within the health and plant protein categories.

Following completion of the transaction, our then CEO Andrew Bond stayed on with the new owners of the Ginger business and consequently I took an executive role in management of the business, welcoming Andrew to our Board as a non-executive director. Andrew had first joined our business as a CFO in January 2014 before leading transformational changes as CEO and has already provided significant contributions as a board member with his intimate understanding of the industry and our business, with his trademark attention to detail and professionalism.

Under our new name as Health and Plant Protein Group Ltd, the Company has a clear strategy to provide healthier plant-based protein products across multiple brands, categories, and touch points for consumers, anchored by our primary business in branded macadamias. The team members have taken on a significant workload during this transformational period and executed major projects seamlessly. In particular, we have further improved our balance sheet through a successful capital raising of c. \$6.2 million via rights and entitlements in November 2020, as well as changing our financier to American AgCredit, FLCA, thereby further reducing our cost of capital. As announced in late July, the strategic review of the Kapua Orchard and our interest in seeking a partner is a continuation of our strategy to ensure that the Company has a sufficient balance sheet to pursue its strategic objectives.

In December 2020, we took up a strategic opportunity for the Company to invest in Lavva®, a health and functional brand in plant-based yoghurt and beverages. This was an exciting opportunity for the Company to advance / kick start its vision of having a portfolio of brands with synergetic benefits, given the Company's strengths in its understanding of tree nuts, and its ability to have distribution footprint across over 52,000 stores in the United States of America. In addition, we saw long term benefits of co-investing with S2G Ventures, a well-regarded venture capital firm that has an aligned focus with HPP. Overall, the Company made an investment of c. USD\$3.0m (AU\$3.8m) and Julie Wurfel has been appointed as the CEO. Julie has more than 20 years of experience in finance, strategy and operations. As an

investment banker for 8 years at Goldman Sachs and Lehman Brothers, she led transactions worth over \$10 billion. As Senior VP of Food Network, Julie led the growth of non-US revenue by 6x over 3 years. Julie is a mentor/advisor to Square Roots and FoodFutureCo, both accelerator programs in New York City, as well as The Mixing Bowl Hub, based in San Francisco.

Operationally, notwithstanding the disruption/market dislocations surrounding the COVID-19 pandemic, we are very pleased to see HPP becoming no. 1 in branded macadamias in the Snack Nuts category in the USA from April 2021. This share growth was built on the Company's resilience during the pandemic, whilst maintaining gross margin at similar level as prior years for its retail products. Whilst the share growth did not translate to material sales increase, the Company was able to maintain similar sales revenue through a mixture of retail and bulk sales, where our peers saw decreases in sales. Our ability to defy further sales decline in retail contributed to our growth in market share where it counts, at the checkout.

Recognising the ongoing nature of the pandemic, and coinciding with a record harvest, the highest of the last five years, during the year the Company also took decisive action to convert excess inventory to cash through bulk ingredient sales to ensure that we are able to continue to maintain a healthy and appropriate inventory level. In addition, the Company has decided to (a) rebalance its inventory through provisions for the 2021 financial year, and (b) establish additional outlets for our crops by creating a MacFarms industrial division, whereby our team will focus on providing ingredient solutions to customers throughout the world. Since embarking on this initiative in March 2021, the Company has been able to achieve encouraging sales to new and existing accounts.

Importantly, as through this ingredient solutions initiative, the Company has also been able to deliver two consecutive quarters of operational positive cashflow since January 2021. As the Ginger Division transaction completed in the first quarter of the 2021 financial year, the financial report contains approximately three months of trading results from Ginger Division, as well as completion adjustments.



# Significant activities during the year



Successful completion of the Ginger and Tourism divestment



Business transformation to Health and Plant Protein Group Limited



Re-financing of working capital facility from Greensill Capital (UK) Limited to American AgCredit, FLCA.



Capital raising of \$6.2 million



Investment in LAWA®



Rebalancing of inventory with a non-cash adjustment of \$8.3m



Board of Director changes



Change of registered office and place of business





# Summary of Group Results from Continuing Operations

	30/06/21 \$'000	30/06/20 \$'000
Revenue (Sale of Goods)	36,230	42,115
EBITDA <sup>1</sup>	(7,789)	2,343
EBIT <sup>1</sup>	(9,054)	877
Net Loss Before Tax	(13,453)	(2,217)
Net Loss After Tax	(10,597)	(2,482)

<sup>1</sup> Refer to Shareholders Returns and Performance Measurements on Page 22 of the Directors Report for definition.

The Group recorded a Net Loss after Tax from continuing operations, of \$10.6 million compared with a \$2.5 million loss last year.

Total consolidated sale of goods to external customers for the continuing operations decreased 14 percent from \$42.1 million to \$36.2 million. Included in EBIT were a number of significant items including:

Summary of significant items included in EBIT from Continuing Operations	30/06/21 \$'000	30/06/20 \$'000
Fair value gain / (loss) derivative financial liabilities (Convertible Note related) (non-cash)	249	(932)
Fair value gain / (loss) biological assets (non-cash)	182	(37)
Finance charges gain / (loss) on convertible notes (non-cash)	319	573
Impairment charges (non-cash)	-	(248)
Reversal of impairment (non-cash)	-	41
Stock provision	(8,322)	-
Government grants	1,280	-
Loan forgiveness	1,623	-
Other one-off costs	(344)	(152)

A one-off stock provision of \$8.3 million is a major [non-cash] contributor our Net Loss after Tax of \$10.6 million and reflects a challenging year of volatility. However, together with the Board and management, I am buoyed by the foundations that have now been laid. By leveraging the stock position in creating an ingredient solutions division, maintaining, and growing retail margins, and continuing to look for new potential in the health and plant protein space, the Company now has a well-defined strategy to pursue growth and returns, and that Financial Year 2022 will provide some level of positivity for our shareholders. The strategic review outcome of Kapua Orchards in seeking investment partners is another indication of our focus on delivering improved shareholder returns.

During the Annual General Meeting, Guy Cowan indicated his intention to step down as chair following a three year term. He stepped down in May and in early August I took over as Executive Chair to continue with our strategic focus. In the four-month interim period, we welcomed Nicki Anderson to the chair role and I would like to thank her for the passion and authenticity she brought to the board during her tenure and wish her all the best.

Finally, we have recently moved to our new global headquarters on level 3, 159 Coronation Drive in Milton, Queensland. We have designed the office to welcome customers, shareholders and business partners to share in on the new journey of the Company, and we look forward to welcoming you for a visit. Until then, I would like to thank the Board, management, and all staff for their efforts this year and to express my appreciation to shareholders for their continued support.



**Dennis Lin**  
Executive Chair







# Board of Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

<b>Dennis Lin</b>	<b>Executive Chair (appointed 4 August 2021)</b>
Qualifications	CA, Solicitor of the Supreme Court of Queensland
Experience	Mr Lin was appointed an Executive Chair on 4 August 2021, an Executive Director on 1 July 2020 and a Non-Executive Director on 3 November 2017. Mr Lin is Executive Chairman of Bubs Australia Limited and a Director of Synertec Corporation Limited. He is also co-founder and Chairman of Cortina Capital, an independent private equity fund. Mr Lin focuses on high growth branded businesses that are looking to expand globally. He speaks fluent Mandarin, Chinese and Japanese.
Interest in shares and options	100,945 ordinary shares held directly
Special responsibilities	Member of Remuneration Committee and member of the Audit, Compliance & Safety Committee
Other current directorships in listed entities	Bubs Australia Limited (ASX: BUB); Synertec Corporate Limited (ASX: SOP)
Other directorships in listed entities held in the previous three years	eCargo Holdings Limited (ASX:ECG)
<b>Qi (Christina) Chen</b>	<b>Non-executive Director</b>
Qualifications	B.A. Econ, B.Com Fin (University of Manitoba)
Experience	Ms Chen was appointed a Director on 28 July 2017. Ms Chen is a Director of ChaCha Food Co. Ltd and a Director and Vice Chairman of Hefei Huatai Group Co. Ltd. Ms Chen has relevant experience in fast moving consumer goods, Ecommerce, and equity investment. She has held a number of senior positions previously including, CEO of Hefei ChaCha Weileiyuan E-Commerce Co. Ltd, Assistant President, Vice President of Anhui Huayuan Financial Group Co. Ltd. and as an Investment Manager and a partner in Harvest Capital Co. Ltd. Ms Chen is also on the Board of the International Nut & Dried Fruit Council (INC).
Interest in shares and options	None
Special responsibilities	None
Other current directorships in listed entities	ChaCha Food Co. Ltd (SHE: 002557)
Other directorships in listed entities held in the previous three years	None



## Board of Directors cont...

<b>Peter Francis O'Keeffe</b>	<b>Non-Executive Director</b>
Experience	Mr O'Keeffe was appointed a Director on 31 October 2014. Mr O'Keeffe is an accounting professional, with both public practice and commercial accounting experience, within Australia and overseas, across the full range of small and medium to large sized business structures. Recent industry involvement includes manufacturing, wholesale and distribution within the food industry, service industries, IT services and database development and contract accounting services to a variety of enterprises.
Interest in shares and options	None
Special responsibilities	Chairman of the Audit, Compliance & Safety Committee. Member of the Remuneration Committee
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None
<b>Andrew Bond</b>	<b>Non-Executive Director (appointed 1 October 2020)</b>
Qualifications	B.BUS ACC, GAICD, CA
Experience	Mr Bond has over twenty five years of broad corporate leadership experience across a range of industries. Qualifying as a Chartered Accountant whilst with KPMG, before moving to commerce, Mr Bond has held a number of senior roles both domestically and internationally across a variety of industries, predominantly FMCG, including senior roles with Capilano Honey, Medihoney and Buderim Foods. Mr Bond acted as CEO of ASX Listed Buderim Group Limited from the 16 December 2017 to 30 September 2020 and has been critical to the execution of the Company's strategies and turnaround of the Company. After the sale of the Ginger business on 30 September 2020, the business rebranded and changed its name from Buderim Group Limited to Health and Plant Protein Group Limited on the 21 December 2020. Mr Bond became the CEO of Buderim Ginger (now owned by a private family) and a Non-Executive Director of ASX HPP (Health and Plant Protein Group Limited).
Interest in shares and options	967,444 ordinary shares held indirectly
Special responsibilities	Chair of Remuneration Committee (appointed 4 August 2021) and member of the Audit, Compliance & Safety Committee
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None

## Board of Directors cont...

<b>Guy Michael Cowan</b>	<b>Chair and Independent Non-Executive Director (resigned 14 May 2021)</b>
Qualifications	BSc(Hons)Engineering, FCA (UK) MAICD
Experience	Mr Cowan was appointed Non-Executive Chairman and Director on 28 February 2018. Mr Cowan is a senior company director based in Queensland and is the Chair of Queensland Sugar Limited and the Chair of the Audit Committee of Santos Limited. He is Director of Winson Group a former director of Beak & Johnston, and was previously Chief Financial Officer at Fonterra Co-operative Group Limited from 2005 to 2009. Mr Cowan had a 24-year career in Shell and was Chief Financial Officer of Shell Oil US from 2003 to 2005, and Chief Financial Officer and Commercial Director of Shell Nigeria from 2000 to 2003. In the 1990s, Mr Cowan served as Treasurer of Shell Australia where he was also an Alternate Director of Woodside Petroleum Limited. His previous Directorships include UGL Limited, Ludowici Limited, Coffey International Limited, Soprole S.A.I.C. of Chile and Shell Petroleum Inc.
Interest in shares and options	None
Special responsibilities	Chair of Remuneration Committee, Member of the Audit, Compliance & Safety Committee
Other current directorships in listed entities	Santos Limited (ASX: STO)
Other directorships in listed entities held in the previous three years	None
<b>Nicki (Nicole) Elizabeth Anderson</b>	<b>Chair and Non-Executive Director (appointed 17 May 2021, resigned 4 August 2021)</b>
Qualifications	BBUS (MARKETING), EMBA, GAICD
Experience	Ms Anderson has held key leadership positions at numerous Australian consumer goods businesses within the food and beverage sector. She is a true global citizen having lived in Denmark, Canada and the United States, where she was Vice President Innovation for Cadbury Schweppes Americas Beverages based in New York. Ms Anderson has strong links to Australia's e commerce, manufacturing and agricultural sectors and is a Director of a number of ASX, private family and not for profit companies. She is currently Deputy Chair of the Australian Made Campaign Limited and a Non-Executive Director for Mrs Mac's, Select Harvests, Funtastic and Prostate Cancer Foundation of Australia.
Interest in shares and options	37,000 ordinary shares held directly
Special responsibilities	Chair of Remuneration Committee and member of the Audit, Compliance & Safety Committee
Other current directorships in listed entities	Select Harvests (ASX: SHV), Funtastic (ASX:FUN)
Other directorships in listed entities held in the previous three years	None

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

## Company Secretary

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



# Corporate Information

## Corporate Structure

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

## Nature of Operations and Principal Activities

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

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

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

On 30 September 2020 the Group completed the divestment of the Ginger and Tourism divisions. As reported at 30 June 2020, these segments have been accounted for as discontinued operations.

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

## Employees

The Group employed 176 employees as at 30 June 2021 (2020: 366). Of the total 366 employees reported at 30 June 2020, 192 employees related to the divested Ginger segment. The number of employees will vary from year to year, and during each year, due to seasonal factors.

## Meeting of Directors

During the financial year, 16 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Compliance & Safety Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Lin <sup>(1)</sup>	16	16	5	5	3	3
Q Chen	14	12	3	3	-	-
P O'Keeffe	15	15	5	5	3	3
A Bond <sup>(2)</sup>	11	11	5	5	2	2
G Cowan <sup>(3)</sup>	14	13	5	5	2	2
N Anderson <sup>(4)</sup>	2	2	1	1	1	1

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

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

(3) G Cowan resigned on 14 May 2021

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

# Operating results and review

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

	2021	2021	2020	2020
	Revenues \$'000	Results* \$'000	Revenues \$'000	Results* \$'000
Business segments				
<i>Macadamia operations</i>	38,087	(6,268)	42,446	1,090
Other	95	(333)	463	414
<b>Total</b>	<b>38,182</b>	<b>(6,601)</b>	<b>42,909</b>	<b>1,504</b>
Fair value gain/(loss) on derivative	-	249	-	(932)
Finance costs	-	(4,079)	-	(1,585)
Corporate overhead expenses	-	(3,022)	-	(1,204)
<b>Group revenues and other income</b>	<b>38,182</b>	<b>-</b>	<b>42,909</b>	<b>-</b>
<b>Group loss before income tax</b>	<b>-</b>	<b>(13,453)</b>	<b>-</b>	<b>(2,217)</b>
Income tax (expense)/benefit	-	2,856	-	(265)
<b>Net loss after tax</b>	<b>-</b>	<b>(10,597)</b>	<b>-</b>	<b>(2,482)</b>

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







## Walter Hill Macadamia Tree Planted in 1858

"This tree, a *Macadamia integrifolia* seedling, was planted by Walter Hill, the Superintendent of the Brisbane Botanical Gardens in 1858. It originated from a wild macadamia tree in south-east Queensland rainforest and is believed to be the first macadamia tree planted by Caucasians. It represents the birth of the world macadamia industry".



Dedicated to a better Brisbane



# Operating results and review cont...

## In Summary

The Group recorded a net loss after tax of \$10.6 million from continuing operations for the year ended 30 June 2021 compared to a net loss of \$2.5 million after tax last year. The Group's total consolidated sale of goods to external customers for continuing operations decreased 14 percent from \$42.1 million to \$36.2 million as a result of the adverse impacts of COVID-19 on the year's trading results.

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

- A non-cash favourable Fair Value Adjustment (FVA) of \$0.2 million related to the change in fair value of the derivative component of the convertible notes pursuant to AASB 9 Financial Instruments as at 30 June 2021, compared to a unfavourable \$0.9 million adjustment in the prior year.
- Non-cash Interest on Convertible Notes of \$1.2 million being the amount of non-coupon finance costs in relation to the convertible notes.
- A non-cash favourable adjustment of \$0.3 million to the convertible note debt host liability as a result of the extension of the maturity date of \$5 million to 30 September 2021 and \$5 million to 30 September 2022 as well as due to the deferral of interest payable on the anniversary date of 14 February 2021 to 30 September 2021.
- A non-cash unfavourable inventory adjustment of \$8.3 million (US\$6.4 million) for kernel outside of product specification, together with elevated levels of low grade kernel principally due to adverse harvesting conditions and net realisable value adjustments for inventory due to COVID-19.

Other factors affecting the result for this year included:

As a result of the adverse impacts of COVID-19 during the year weighing heavily on sales, Macadamia Segment Operating Profit of \$3.2 million decreased 24% percent from \$4.2 million the prior year before impairments, inventory write-downs and provisions.

Despite COVID-19 impacting retail sales in 2021, significant uplift has been seen in the industrial sales/bulk areas. Contributing to this has been the successful hire of an experienced Industrial Senior Sales Manager who has been focusing predominantly in the industrial space, as well as expansion in the Costco retail area.

Growing conditions remained favourable, however, above average rainfall adversely impacted on orchard operations with nut-in-shell lying on the orchard floor for extended periods. This resulted in a range of quality issues and lower production levels of saleable macadamia kernel. The crop harvested from the orchard increased to 10.86 million pounds from 9.77 million pounds from the previous year which was the highest intake in 5 years. Nut-in-shell intake from independent growers also increased to 3.21 million pounds from 2.68 million pounds in the prior year.

The net segment result after impairments, inventory write downs, provisions, depreciation and amortisation was a loss of \$6.6 million compared to \$1.5 million profit for the prior year.

## Operating results and review cont...

### Shareholder returns and performance measurements for continuing operations

For the year ended		2021	2020	2019	2018	2017
Earnings/(loss) before interest and tax	(a)	(9,054)	877	3,585	(11,050)	(3,634)
<b>EBITDA</b>	(a)	(7,789)	2,343	4,488	(9,060)	(1,758)
Basic earnings/(losses) per share (cents)		(9.90)	(2.89)	(0.46)	(21.40)	(16.61)
Dividend per share (cents)	(b)	-	-	-	-	-
Dividend payout ratio (%)	(b)	-	-	-	-	-
Return on assets (%)	(c)	(21.22)	(3.37)	(0.49)	(24.71)	(11.61)
Return on equity (%)	(d)	(50.64)	(9.41)	(1.10)	(52.21)	(21.43)
Debt/equity (%)	(e)	94.11	109.55	68.46	48.42	33.39
Financial leverage ratio (%)	(f)	43.18	47.99	37.07	23.30	15.26
Current ratio (%)	(g)	82	153	174	191	214
Shares on issues (millions)		122.82	86.02	86.02	86.02	74.80
Net tangible asset backing per share (cents)	(h)	15	28	48	40	60

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

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

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

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

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

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

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

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



# Review of Financial Condition

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

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

## Liquidity and capital resources

The Consolidated Statement of Cash Flows shows an increase in cash and cash equivalents for the year ended 30 June 2021 of \$0.05 million.

During the year cash outflows included \$2.6 million from net operating activities. Net outflows from financing activities of \$2.9 million included the repayment of Greensill Capital UK Limited ("Greensill") facilities, offset by the drawdown of the new American AGCredit, FLCA facility. Net investing activity inflows of \$5.8 million included plant and equipment acquisitions, proceeds from the divestment of the Ginger and Tourism businesses and the co-investment in EVR Foods, Inc. (holding entity of the LAVVA® brand and its associated assets).

As at 30 June 2021 the Group had \$2.7 million cash and cash equivalents available, unused working capital facilities of \$3.6 million (US\$2.7 million) in relation to the American AGCredit, FLCA facility and others as set out in note 21 to the Financial Statements.

## Asset and capital structure

	Consolidated	
	2021	2020
	\$'000	\$'000
NET GEARING		
Debt		
Interest-bearing liabilities	18,630	27,027
Cash and cash equivalents	(2,725)	(2,673)
Net debt	15,905	24,354
Total equity	20,925	26,389
Total capital employed	36,830	50,743
	43.18%	47.99%
DEBT/EQUITY		
Total equity	20,925	26,389
Intangibles	(1,130)	(1,720)
	19,795	24,669
Interest-bearing liabilities	18,630	27,027
	94.11 %	109.56 %

On 27 April 2021, the Group advised its wholly subsidiary, MacFarms, LLC, had entered into a \$10.6 million (US\$8.0 million) secured revolving line of credit with American AGCredit, FLCA. The facility operates as a traditional working capital facility, where funds can be drawn and repaid during the normal course of business. Amounts owing to American AGCredit, FLCA are secured by first ranking mortgage over the Group's property assets in Hawaii. Approximately \$4.0 million (US\$3.0 million) was initially drawn to refinance and fully discharge the outstanding working capital finance facility with Greensill Capital (UK) Limited. At 30 June 2021, the total balance drawn down is \$7.0 million (US\$5.3 million).

The Group has 12,500,000 convertible notes (issued in February 2017) that are treated as debt for accounting purposes as at 30 June 2021. On 15 December 2020, the Group entered into an agreement with Asia Mark Development Limited (AMD) to modify the terms of the Convertible Notes. Under the amendment, a partial repayment of the host debt liability in the amount of \$5.0 million is due at 30 September 2021, with the remaining balance of the host debt liability of \$5.0 million

extended for 12 months to 30 September 2022. At 30 June 2021, the convertible note is valued at \$11.2 million, consisting of the debt host facility of \$10.2 million and the derivative liability of \$1.0 million.

#### Profile of debts

The profile of the Group's debt finance below reflects the classification of the bank facilities as at 30 June 2021 as current on the basis of terms of the facility agreement in place at 30 June 2021. The carrying amount of the convertible notes are split between interest-bearing liabilities for the host debt liability and other financial liabilities for the derivative component. Refer to note 14 and note 15 for further information.

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>CURRENT</b>		
Working capital financing facilities	7,030	9,281
Bank loans	1,147	2,073
Convertible notes	10,228	5,423
	<b>18,405</b>	<b>16,777</b>
<b>NON-CURRENT</b>		
Bank loans	225	1,248
Convertible notes	-	9,002
	<b>225</b>	<b>10,250</b>
	<b>18,630</b>	<b>27,027</b>

The American AGCredit, FLCA facility and the Convertible Notes held by Asia Mark Development Limited (AMD) were classified as a current liability as covenants were breached as at 30 June 2021. The Group received waivers of the covenant breaches from American AGCredit, FLCA on the 26 August 2021 and from Asia Mark Development Limited (AMD) on the 17 August 2021.









## Dividends Paid or Proposed

No dividends have been paid during the year ended 30 June 2021.  
No dividend has been declared for the year ended 30 June 2021.

## Significant changes in state of affairs

As announced to the market, the Group completed the divestment of the Ginger and Tourism divisions on the 30 September 2020, and subsequently changed its name from Buderim Group Limited to Health and Plant Protein Group (HPP), on the 21 December 2020. The Group also announced on the 11 January, it had agreed to co-invest in EVR Foods, Inc (holding entity of the LAVVA® brand and its associated assets) with s2G Ventures.

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

## Significant events after the balance date

On 28 July 2021, the Group provided an update on the Kapua Orchard strategic review to consider strategic orchard operating partnership options by quarter three of financial year 2022.

On the 17 and 26 August 2021, waivers were received from Asia Mark developments (AMD) an American AGCredit FLCA respectively.

Other than those events separately described above, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## Likely developments and expected results

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

With continued increasing consumer demand for healthier and plant-based protein products, macadamias are well positioned to benefit from these market trends. The Group remains focused on ensuring the necessary resources are in place in its supply chain and sales and marketing functions to support anticipated growth. This includes ensuring access to sufficient macadamia kernel by investing in improving the MacFarms orchard, working with independent growers and investing in processing capabilities. Broadening distribution channels and increasing consumer marketing through both online and offline initiatives will assist with increasing brand and product awareness.

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

## Environmental regulation and performance

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

## Climate related risks

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

## Corporate Governance

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

The Corporate Governance Statement is provided on the corporate website [www.hppgroup.com](http://www.hppgroup.com) under the Corporate Governance tab to inform shareholders and other stakeholders of the governance arrangements in the Group.

## Rounding

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





## Employment details of members of key management personnel

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

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

Directors	Position held
Q Chen	Non-Executive Director
P O'Keeffe	Non-Executive Director
A Bond <sup>(1)</sup>	Non-Executive Director
G Cowan <sup>(2)</sup>	Chair (Independent Non-Executive Director)
N Anderson <sup>(3)</sup>	Chair (Independent Non-Executive Director)

### Senior executives

D Lin <sup>(4)</sup>	Executive Chair
A Cunningham <sup>(5)</sup>	Chief Operating Officer
L Davis <sup>(6)</sup>	Chief Financial Officer
A Bond <sup>(1)</sup>	Chief Executive Officer
J Wood <sup>(7)</sup>	Group Operations Manager

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

(2) G Cowan resigned on 14 May 2021

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

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

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

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

(7) J Wood resigned effective 31 August 2020

## Remuneration philosophy

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

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

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

## Remuneration committee

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

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

## Voting and comments made at the last AGM

The remuneration report resolution in regards to the remuneration report for the 2020 financial year was carried at the 2020 AGM. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## Link between remuneration and the Group's performance

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

	2021	2020	2019	2018	2017
Earnings/(losses) (\$'000)	(10,112)	(7,566)	(235)	(16,720)	(8,971)
Basic earnings/(losses) per share (cents)	(9.45)	(8.80)	0.27	(21.40)	(16.61)
Dividend paid per share (cents)	-	-	-	-	-
Net asset value (\$'000)	20,925	26,389	36,259	32,025	41,862
Net tangible asset backing per share (cents)	15	28	48	40	60
Share price (cents)	27	22	17	31	31
KMP remuneration (\$)	1,032,797	916,840	1,550,298	1,704,785	1,268,401
KMP remuneration excluding long-term incentive and share-based payments (\$)	1,032,797	916,840	1,094,298	1,405,344	1,260,401

# Remuneration Report

## Audited Cont...

### Non-Executive Director remuneration

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

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 October 2015 when shareholders approved an aggregate remuneration of \$300,000 per year. Actual fees paid to Non-Executive Directors during the year totalled \$191,518 (2020: 204,087).

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

The annualised fees for the year end 30 June 2021, as compared with the year end 30 June 2020, are outlined below:

	2021	2020
	\$	\$
Chair	108,179	108,179
Non-Executive Director	47,954	47,954

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

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

### Executive remuneration

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

- Reward executives for the Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

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

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

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

#### Fixed Remuneration

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

#### Variable Remuneration

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

Short-term incentives payable for executives are capped at a maximum, depending on seniority, of their fixed component of salary. No STI payments were made in the year 30 June 2021.

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

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

LTI's payable to the Executive Director/CEO are capped at a maximum. No LTI payments were made in the year ended 30 June 2021.

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

# Remuneration Report Audited Cont...

## Service agreements

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

Executive	Position held	Term	Notice period (required by the KMP)	Notice period (required by the Group)
D Lin <sup>(1)</sup>	Executive Director	12 Months	1 month	1 month
A Cunningham <sup>(2)</sup>	Chief Operating Officer	On-going	1 month	1 month
L Davis <sup>(3)</sup>	Chief Financial Officer	On-going	3 months	3 months
A Bond <sup>(4)</sup>	Chief Executive Officer	On-going	6 months	6 months
J Wood <sup>(5)</sup>	Group Operations Manager	On-going	3 months	3 months / 6 months

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

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

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

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

(5) J Wood resigned effective 31 August 2020

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

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

## Remuneration details for the Year ended 30 June 2021

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

2021	Short Term Benefits			Post Employment Benefits	Long Term Benefits			
	Salary and fees <sup>(1)</sup>	Short-term incentives	Non monetary benefits <sup>(2)</sup>	Superannuation	Long service leave	Long-term incentives	Total	Proportion of remuneration that is performance based
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
P O'Keeffe	43,794	-	-	4,160	-	-	47,954	-
A Bond <sup>(3)</sup>	32,846	-	-	3,120	-	-	35,966	-
Q Chen	-	-	-	-	-	-	-	-
G Cowan <sup>(4)</sup>	86,047	-	-	8,174	-	-	94,221	-
N Anderson <sup>(5)</sup>	12,216	-	-	1,161	-	-	13,377	-
<b>Total Directors</b>	<b>174,903</b>	<b>-</b>	<b>-</b>	<b>16,615</b>	<b>-</b>	<b>-</b>	<b>191,518</b>	<b>-</b>
<b>Executives</b>								
D Lin <sup>(6)</sup>	250,000	-	-	23,750	208	-	273,958	-
A Cunningham <sup>(7)</sup>	188,617	-	655	17,427	7,148	-	213,847	-
L Davis <sup>(8)</sup>	183,257	-	685	17,409	645	-	201,996	-
A Bond <sup>(3)</sup>	110,397	-	-	7,208	-	-	117,605	-
J Wood <sup>(9)</sup>	30,934	-	-	2,939	-	-	33,873	-
<b>Total executives</b>	<b>763,205</b>	<b>-</b>	<b>1,340</b>	<b>68,733</b>	<b>8,001</b>	<b>-</b>	<b>841,279</b>	<b>-</b>
<b>Total Remuneration</b>	<b>938,108</b>	<b>-</b>	<b>1,340</b>	<b>85,348</b>	<b>8,001</b>	<b>-</b>	<b>1,032,797</b>	<b>-</b>

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

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

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

(4) G Cowan resigned on 14 May 2021

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

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

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

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

(9) J Wood resigned effective 31 August 2020



# Remuneration Report Audited Cont...

Short Term Benefits				Post Employment Benefits	Long Term Benefits			
2020	Salary and fees (1)	Short-term incentives	Non monetary benefits (2)	Superannuation	Long service leave	Long-term incentives	Total	Proportion of remuneration that is performance based
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
G Cowan	98,794	-	-	9,385	-	-	108,179	-
P O'Keeffe	43,794	-	-	4,160	-	-	47,954	-
D Lin (3)	43,794	-	-	4,160	-	-	47,954	-
<b>Total Directors</b>	<b>186,382</b>	<b>-</b>	<b>-</b>	<b>17,705</b>	<b>-</b>	<b>-</b>	<b>204,087</b>	<b>-</b>
<b>Executives</b>								
A Bond	314,993	-	695	25,000	5,494	-	346,182	-
L Davis (4)	151,080	-	695	13,402	2,995	-	168,172	-
J Wood (5)	174,826	-	-	19,341	4,232	-	198,399	-
<b>Total executives</b>	<b>640,899</b>	<b>-</b>	<b>1,390</b>	<b>57,743</b>	<b>12,721</b>	<b>-</b>	<b>712,753</b>	<b>-</b>
<b>Total Remuneration</b>	<b>827,281</b>	<b>-</b>	<b>1,390</b>	<b>75,448</b>	<b>12,721</b>	<b>-</b>	<b>916,840</b>	<b>-</b>

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

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

(3) D Lin was appointed Executive Director from 1 July 2020

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

(5) J Wood resigned effective 31 August 2020

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

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

Executive	Fixed remuneration		At risk STI		STI forfeited		LTI forfeited	
	2021	2020	2021	2020	2012	2020	2020	
D Lin <sup>(1)</sup>	100%	-	-	-	-	-	-	-
A Cunningham <sup>(2)</sup>	100%	-	-	-	-	-	-	-
L Davis <sup>(3)</sup>	100%	84%	-	16%	-	100%	-	-
A Bond <sup>(4)</sup>	25%	72%	-	28%	-	100%	-	100%
J Wood <sup>(5)</sup>	17%	84%	-	16%	-	100%	-	-

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

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

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

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

(5) J Wood resigned effective 31 August 2020

# Remuneration Report Audited Cont...

## Share-based payments

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

## Options

In October 2018 the Group agreed to a Long-Term Incentive Scheme with the CEO for 3 million options at an exercise price of \$0.40 per share. The options consisted of three tranches of one million options each subject to the satisfaction of EBIT related performance targets. The vesting conditions relating to the first two tranches were met during the year ending 30 June 2019. On 30 September 2020, the CEO stepped down as CEO as a condition of the sale of the Ginger Division and was appointed as a Non-executive Director of the Group. The Group agreed to allow the CEO to continue holding his vested options and the third tranche of non-vested options were cancelled. There were no options exercised in the current year. Options are able to be exercised up to 31 December 2022.

## Shareholding

The number of ordinary shares held in Health and Plant Protein Group Limited during the financial year held by each Director and other members of key management personnel of the Group at 30 June 2021 is set out below:

30 June 2021	Interest	Balance at beginning of year	Received as part of remuneration	Market acquisition/ (sale)	Other changes during the year	Balance at end of year
<b>Directors</b>						
D Lin <sup>(1)</sup>	Direct	79,000	-	21,945	-	100,945
G Cowan <sup>(2)</sup>	Direct	212,052	-	58,903	(270,955)	-
A Bond <sup>(3)</sup>	Indirect	800,000	-	167,444	-	967,444
N Anderson <sup>(4)</sup>	Direct	-	-	37,000	-	37,000

30 June 2020	Interest	Balance at beginning of year	Received as part of remuneration	Market acquisition/ (sale)	Other changes during the year	Balance at end of year
<b>Directors</b>						
D Lin <sup>(1)</sup>	Direct	79,000	-	-	-	79,000
G Cowan <sup>(2)</sup>	Direct	165,831	-	46,221	-	212,052
<b>Executives</b>						
A Bond <sup>(3)</sup>	Indirect	800,000	-	-	-	800,000

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

(2) G Cowan resigned on 14 May 2021

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

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

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

## Other transactions and balances with directors and executives

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

### The Karand Family Trust

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

## Loans made to KMP

There were no loans made to key management personnel during the year or prior year and there were no loans outstanding as at 30 June 2021.

## END OF AUDITED REMUNERATION REPORT

## Indemnification and insurance of directors, officers and auditors

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

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

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

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

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

## Options

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

## Auditor Independence

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2021 can be found on page 37 of the consolidated financial report.

## Non-Audit Services

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

Ernst & Young Australia received or are due to receive \$125,000 for the provision of non-audit services

## Proceedings on behalf of company

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

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

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



**D Lin**  
**Executive Chair**  
**Brisbane, 30 August 2021**





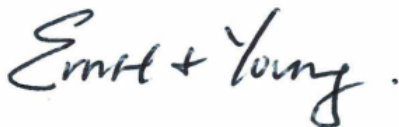


## Auditor's Independence Declaration to the Directors of Health and Plant Protein Group Limited

As lead auditor for the audit of the financial report of Health and Plant Protein Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Susie Kuo  
Partner  
Brisbane  
30 August 2021

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation





# Consolidated Statement of Profit or Loss and Other Comprehensive Income

As At 30 June 2021

As At 30 June 2021		CONSOLIDATED	
		2021	2020
	Note	\$'000	\$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	2,725	2,673
Trade and other receivables	8	1,734	803
Inventories	10	13,004	22,103
Current tax assets		-	22
Prepayments		1,488	866
Biological assets	11	657	1,641
Assets held for sale	27	-	16,491
<b>TOTAL CURRENT ASSETS</b>		<b>19,608</b>	<b>44,599</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	25,858	27,279
Intangible assets	13	1,130	1,720
Investments in associates	24	3,350	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,338</b>	<b>28,999</b>
<b>TOTAL ASSETS</b>		<b>49,946</b>	<b>73,598</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	3,447	4,824
Interest-bearing liabilities	14	18,405	16,777
Other financial liabilities	15	174	430
Current tax liabilities		219	-
Lease liabilities	16	487	449
Employee entitlements	17	943	669
Short-term provisions		113	-
Liabilities directly associated with assets classified as held for sale	27	-	6,059
<b>TOTAL CURRENT LIABILITIES</b>		<b>23,788</b>	<b>29,208</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	14	225	10,250
Other financial liabilities	15	867	860
Deferred tax liabilities	6	3,005	6,580
Lease liabilities	16	1,103	311
Employee entitlements	17	33	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,233</b>	<b>18,001</b>
<b>TOTAL LIABILITIES</b>		<b>29,021</b>	<b>47,209</b>
<b>NET ASSETS</b>		<b>20,925</b>	<b>26,389</b>
<b>EQUITY</b>			
Contributed equity	18		
Reserves	19	60,613	54,824
Accumulated losses		12,441	15,210
		(52,129)	(43,645)
<b>TOTAL EQUITY</b>		<b>20,925</b>	<b>26,389</b>

The effect of the assets and liabilities held for sale are presented as a single line item in the financial statements, refer to breakdown in note 27.

# Consolidated Statement of Financial Position

For the Year Ended 30 June 2021

	Note	CONSOLIDATED	
		2021 \$'000	2020 \$'000
<b>INCOME</b>			
Sales of goods from continuing operations	4	36,230	42,115
Change in fair value of biological assets	11	6,079	6,193
Cost of sales Cost of sales	5	(40,922)	(38,424)
<b>Gross profit</b>		<b>1,387</b>	<b>9,884</b>
Rental revenue		21	3
Finance income	4	569	1,064
Other income	4	1,931	304
		<b>3,908</b>	<b>11,255</b>
Administration expenses		(6,844)	(5,284)
Selling and distribution expenses		(3,984)	(4,220)
Marketing expenses		(1,610)	(628)
Impairment expense	5	-	(207)
Share of net profit/(loss) of an associate	24	(489)	-
Other expenses	5	(35)	(39)
<b>PROFIT/(LOSS) BEFORE INCOME TAX AND FINANCE COSTS</b>		<b>(9,054)</b>	<b>877</b>
Finance costs	5	(4,399)	(3,094)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(13,453)</b>	<b>(2,217)</b>
Income tax (expense)/benefit	6	2,856	(265)
<b>NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>(10,597)</b>	<b>(2,482)</b>
Gain/(loss) from discontinued operations	27	485	(5,084)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(10,112)</b>	<b>(7,566)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Changes in fair value of land for continuing operations, net of tax		(216)	439
Changes in fair value of land for discontinued operations, net of tax		-	(2,938)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange difference on translation of foreign operations, net of tax		(925)	226
Exchange difference on translation of discontinued operations, net of tax		-	31
Total other comprehensive income for the year, net of tax		(1,141)	(2,304)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>(11,253)</b>	<b>(9,870)</b>
<b>Total net loss is attributable to:</b>			
Equity holders of Health and Plant Protein Group Limited		(10,112)	(7,566)
		<b>(10,112)</b>	<b>(7,566)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of Health and Plant Protein Group Limited		(11,253)	(9,870)
		<b>(11,253)</b>	<b>(9,870)</b>
Basic and diluted profit/ (loss) per share from continuing operations (cents)	3	(9.90)	(2.89)
Basic and diluted profit/ (loss) per share attributable to the ordinary equity holders of the Group (cents)	3	(9.45)	(8.80)

The accompanying notes form part of these financial statements.

\*Comparative figures have been restated to present the impacts of the current year discontinued operations (as outlined in note 27).

# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

		CONSOLIDATED	
		2021	2020
	Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers (inclusive of GST)		44,129	75,770
Payments to suppliers and employees (inclusive of GST)		(45,214)	(74,551)
Other receipts		1,326	1,289
Finance costs		(3,403)	(1,827)
Income taxes (paid)/received		584	179
<b>NET CASH PROVIDED FROM/(USED) IN OPERATING ACTIVITIES</b>	7	<b>(2,578)</b>	<b>860</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(925)	(1,152)
Consideration paid for business combination less cash receipts		-	(247)
Proceeds from sale of plant and equipment		57	5
Acquisition of associate		(3,838)	-
Proceeds from sale of business		10,646	-
<b>NET CASH PROVIDED FROM/(USED) IN INVESTING ACTIVITIES</b>		<b>5,940</b>	<b>(1,394)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		6,256	-
Payment of transaction costs		(467)	-
Proceeds from borrowings		20,236	24,517
Repayment of borrowings		(28,722)	(22,151)
Principal elements of lease payments		(460)	(627)
<b>NET CASH PROVIDED FROM/(USED) IN FINANCING ACTIVITIES</b>		<b>(3,157)</b>	<b>1,739</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>205</b>	<b>1,205</b>
Cash and cash equivalents at beginning of year		2,673	1,512
Foreign exchange difference on cash holdings		(153)	(175)
Cash and cash equivalents classified as held for sale (overdraft)		-	131
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR</b>		<b>2,725</b>	<b>2,673</b>

The accompanying notes form part of these financial statements.

\*Cash flows from discontinued operations have been included above, refer to note 27 for breakdown.



# Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2021

	CONSOLIDATED				
	Contributed Equity	Asset Revaluation Reserve	Foreign Currency Translation	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2020</b>	54,824	13,972	1,238	(43,645)	26,389
Total comprehensive income/(loss) for the year					
Net profit/(loss) for the year	-	-	-	(10,112)	(10,112)
Other comprehensive income/(loss) for the year	-	(216)	(925)	-	(1,141)
<b>Total comprehensive income/(loss) for the year</b>	-	(216)	(925)	(10,112)	(11,253)
<b>Transactions with owners in their capacity as owners</b>					
Contribution of equity, net of transaction costs	5,789	-	-	-	5,789
Transfer to retained earnings from asset revaluation reserve	-	(1,628)	-	1,628	-
<b>Balance at 30 June 2021</b>	<b>60,613</b>	<b>12,128</b>	<b>313</b>	<b>(52,129)</b>	<b>20,925</b>
<b>Balance at 1 July 2019</b>	54,824	16,471	1,043	(36,079)	36,259
<b>Total comprehensive income/(loss) for the year</b>					
Net profit/(loss) for the year	-	-	-	(7,566)	(7,566)
Other comprehensive income/(loss) for the year	-	439	226	-	665
Changes in fair value of land for discontinued operations	-	(2,938)	(31)	-	(2,969)
<b>Total comprehensive income/(loss) for the year</b>	-	(2,499)	195	(7,566)	(9,870)
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year, net of transaction costs	-	-	-	-	-
<b>Balance at 30 June 2020</b>	54,824	13,972	1,238	(43,645)	26,389

The accompanying notes form part of these financial statements.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2021

The consolidated financial statements of Health and Plant Protein Group Limited for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 August 2021. Health and Plant Protein Group Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements covers the consolidated group of Health and Plant Protein Group Limited and its controlled entities (the "Group").

### 1 BASIS OF PREPARATION

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

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

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

### GOING CONCERN

For the year ended 30 June 2021, the Group incurred a net loss after tax of \$10,112,000 (2020: loss of \$7,566,000). As at 30 June 2021 the Group had a net current asset deficiency of \$4,180,000 (2020: net current asset surplus \$15,391,000) and net assets of \$20,925,000 (2020: \$26,389,000).

During the year, the Group secured a \$10,589,000 (US\$8,000,000) working capital facility through new financier American AGCredit, FLCA, enabling the Group to refinance and fully discharged the working capital finance facility held with Greensill Capital (UK) Limited. As at 30 June 2021 the Group had drawn down an amount of \$7,030,000 (US\$5,311,000) of the American Ag, FLCA facility, leaving available unused facilities of \$3,559,000 (US\$2,689,000). The Group also has Convertible Notes held by Asia Mark Development Limited (AMD) of \$10,000,000 of which \$5,000,000 is due for payment by 30 September 2021 and the remaining balance of \$5,000,000 is due on 30 September 2022.

Both loans were classified as a current liability as covenants were breached as at 30 June 2021. The Group has since received waivers of the covenant breaches from American AGCredit, FLCA and Asia Mark Development Limited (AMD).

As disclosed in Note 14 and above, the Group has Convertible Notes held by AMD of \$10,000,000, \$5,000,000 maturing in September 2021 with the final \$5,000,000 maturing in September 2022. The forecast cashflow for the Group may not be sufficient to cover the settlement of convertible notes and the short-term financial facility, and as such the Group is dependent on the support of its financiers. As a result there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern to pay its debts as and when due and to realise its assets and discharge its liabilities in the normal course of business.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 1 BASIS OF PREPARATION Continued

### BASIS OF CONSOLIDATION

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

### OTHER ACCOUNTING POLICIES

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

### KEY JUDGEMENTS AND ESTIMATES

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

	PAGE
Note 1	Going Concern
Note 11	Biological Assets
Note 12	Impairment of Non-Current Assets
Note 15	Derivative Financial Liabilities

In addition, significant judgements, estimates and assumptions for the year ended 30 June 2021 include consideration to the COVID-19 pandemic. The carrying value of certain assets and liabilities have been measured with revised assumption resulting from the effects of the COVID-19 pandemic on the Group's operations with specific consideration given to estimates and judgements applied in the following key areas:

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

In 2020 the Group implemented financial measures appropriate to the business environment to ensure that the Group continued to remain viable and sustainable, under COVID-19 economic conditions.

In 2021 the Group continued to benefit from government COVID-19 assistance programs in the US and Australia. On the 6 May 2020, the Small Business Administration provided MacFarms LLC \$1.7 million (US\$1.3 million) as an un-secured loan at one percent interest to support the macadamia operations under the SBA Paycheck Protection Program. This loan was officially forgiven on the 28 June 2021 and recognised as income in the year ending 30 June 2021. In Australia, the Australian Government JobKeeper program and other COVID-19 related assistance provided \$1.3 million of support. This is included in the discontinued operations outlined in note 27.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## KEY JUDGEMENTS AND ESTIMATES Continued

These government grants and support packages coupled with the Group's strong inventory position is ensuring that the Group is well-positioned to manage any potential supply chain disruptions and is ready to leverage growth opportunities when business conditions improve.

## 2 SEGMENT INFORMATION

### Accounting Policy

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

### (A) Description of segments

The operating businesses are recognised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets, and thus form the basis of the reports reviewed by the Board and the executive management committee.

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

The reportable segments for the year ended 30 June 2021 were as follow:

- **Macadamias** - production and processing in Hawaii of macadamia products and marketing to wholesale and retail customers in the North America Market;
- **Corporate** - Australian Head Office, foreign exchange gains, investment in associates, leases recognised during the year ended 30 June 2021.

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

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

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

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

The segment information as provided to the CODM for the years ended 30 June 2021 and 30 June 2020 is as follow:



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 2 SEGMENT INFORMATION Continued

### (B) Reportable Segment Information as presented for the CODM Continued

	Macadamias		Other		Total	
	2021	2020	2021	2020	2021	2020
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income</b>						
Sales of goods to external customers	36,230	42,115	-	-	36,230	42,115
Other revenue/ income	1,857	331	95	463	1,952	794
<b>Total segment revenue</b>	<b>38,087</b>	<b>42,446</b>	<b>95</b>	<b>463</b>	<b>38,182</b>	<b>42,909</b>
<b>Results</b>						
Operating profit	3,189	4,245	(312)	463	2,877	4,708
Impairment expense	-	(248)	-	41	-	(207)
Inventory write-downs and provisions	(8,322)	(1,532)	-	-	(8,322)	(1,532)
<b>Segment EBITDA</b>	<b>(5,133)</b>	<b>2,465</b>	<b>(312)</b>	<b>504</b>	<b>(5,445)</b>	<b>2,969</b>
Depreciation and amortisation	(1,135)	(1,375)	(21)	(90)	(1,156)	(1,465)
<b>Segment result</b>	<b>(6,268)</b>	<b>1,090</b>	<b>(333)</b>	<b>414</b>	<b>(6,601)</b>	<b>1,504</b>
Fair value gain/(loss) on derivative	-	-	-	-	249	(932)
Corporate overheads	-	-	-	-	(3,022)	(1,204)
<b>EBIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,374)</b>	<b>(632)</b>
Net finance costs	-	-	-	-	(4,079)	(1,585)
<b>Loss before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,453)</b>	<b>(2,217)</b>
Income tax (expense)/benefit	-	-	-	-	2,856	(265)
<b>Net loss income tax from continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,597)</b>	<b>(2,482)</b>

### (C) Other Geographical Information

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

	Australia		USA		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales of goods to external customers	-	-	35,193	41,345	1,037	770	36,230	42,115
Other revenue/income	95	463	1,857	331	-	-	1,952	794
<b>Total geographical revenue</b>	<b>95</b>	<b>463</b>	<b>37,050</b>	<b>41,676</b>	<b>1,037</b>	<b>770</b>	<b>38,182</b>	<b>42,909</b>
<b>Total income from continuing operations</b>	<b>95</b>	<b>463</b>	<b>37,050</b>	<b>41,676</b>	<b>1,037</b>	<b>770</b>	<b>38,182</b>	<b>42,909</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 2 SEGMENT INFORMATION Continued

	Australia		USA		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
REPORTABLE SEGMENTS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total geographical assets	25,415	34,959	24,531	35,060	-	3,578	49,946	73,597
Total geographical liabilities	8,709	23,462	20,312	23,626	-	120	29,021	47,208

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

During the period ended 30 June 2021, revenues of approximately \$12,393,000 (2020: 18,798,000) were derived from sales to from one customer through the macadamia segment. In total the 2021 revenue recorded through sales to one customer amounted to 35% (2020: 25%) of the Group's revenue from external customers.

## 3 EARNINGS PER SHARE

### Accounting Policy

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

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

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

	CONSOLIDATED	
	2021	2020
Net profit/(loss) after tax attributable to ordinary shareholders of Health and Plant Protein Group Limited from continuing operations, used in the calculation of basic and diluted earnings per share (\$'000)	(10,597)	(2,482)
Net profit/(loss) from discontinued operations (\$'000)	485	(5,084)
Weighted average number of ordinary shares on issue used in calculation of basic and diluted earnings/(losses) per share	107,054,883	86,021,860
Basic and diluted earnings/(losses) per share from continuing operations (cents per share)	(9.90)	(2.89)
Basic and diluted earnings/(losses) per share from discontinued operations (cents per share)	0.45	(5.91)
Total basic and diluted earnings/(losses) per share attributable to ordinary shareholders of Health and Plant Protein Group Limited (cents per share)	(9.45)	(8.80)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 3 EARNINGS PER SHARE Continued

	Consolidated	
	2021	2020
	Number of Notes	Number of Notes
	Consolidated	
	2021	2020
	Number of Notes	Number of Notes
CEO options issued on 29 October 2018	2,000,000	3,000,000
Convertible notes issued on 15 February 2017	38,895,152	38,895,152
	40,895,152	41,895,152

## 4 REVENUE AND OTHER INCOME

### Accounting Policy

#### *Sale of goods*

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

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

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

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

No contract assets and liabilities existed at 30 June 2021 or 30 June 2020.

#### *Interest income*

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

#### *Rental income*

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

#### *Other income*

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 4 REVENUE AND OTHER INCOME Continued

### Revenue from continuing operations

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Sale of goods from continuing operations</b>		
- At a point in time	36,230	42,115
<b>Total sale of goods from continuing operations</b>	<b>36,230</b>	<b>42,115</b>
<b>Finance income</b>		
Foreign exchange gains	-	490
Gain on modification adjustment of host liability	319	574
Fair value gain on derivative financial liabilities	250	-
<b>Total finance income</b>	<b>569</b>	<b>1,064</b>
<b>Other income</b>		
Profit on disposal of property, plant and equipment	-	19
Grant income	1,670	-
Sundry income	261	285
<b>Total other income</b>	<b>1,931</b>	<b>304</b>

## 5 RESULT FOR THE YEAR

The result for the year includes the following specific expenses:

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>(a) Other expenses</b>		
Sundry expenses	35	39
<b>Total other expenses</b>	<b>35</b>	<b>39</b>
<b>(b) Depreciation and Amortisation</b>		
Buildings	54	55
Bearer plant	175	194
Property, plant and equipment	341	331
Right-of-use assets	250	253
<b>Total depreciation</b>	<b>820</b>	<b>833</b>
Relationships	242	425
Trade marks	203	208
<b>Total amortisation</b>	<b>445</b>	<b>633</b>
<b>Total depreciation and amortisation</b>	<b>1,265</b>	<b>1,466</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 5 RESULT FOR THE YEAR Continued

		CONSOLIDATED	
		2021	2020
		\$'000	\$'000
<b>(c) Impairment</b>			
Impairment of goodwill	13	-	248
Reversal of impairment assets	13	-	(41)
<b>Total impairment</b>		<b>-</b>	<b>207</b>
<b>(d) Finance costs</b>			
Foreign exchange losses		<b>2,460</b>	3
Convertible notes	14	<b>1,181</b>	1,571
Bank loans and overdraft		<b>385</b>	171
Working capital financial facilities		<b>339</b>	356
Interest on lease liabilities		<b>34</b>	61
Fair value loss on derivative financial liabilities		-	932
<b>Total finance costs</b>		<b>4,399</b>	3,094
<b>(e) Employee benefit expenses</b>			
Employee benefit expensed (excluding 401k profit sharing plan expenses)		<b>11,731</b>	12,215
401k Profit sharing plan expenses		<b>370</b>	311
<b>Total employee benefit expenses</b>		<b>12,101</b>	12,526
<b>(f) Inventory write-downs and provisions *</b>			
		<b>8,322</b>	1,532

\* Cost of sales include the inventory write-downs and provisions recorded in the period.

## 6 INCOME TAX

### Accounting Policy

#### Current tax assets and liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 6 INCOME TAX Continued

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences are associated with investments in subsidiaries, associates and interest in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### *Deferred tax assets and liabilities*

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

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

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

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

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

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

### Tax consolidation

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 6 INCOME TAX Continued

Major components of income tax expense/(benefit) for the years ended 30 June 2020 and 30 June 2021 are:

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Current income tax</b>		
Current income tax (expense)/benefit	1,704	21
<b>Deferred income tax</b>		
Deferred income tax (expense)/benefit	1,317	50
Adjustments in respect of deferred income tax of previous years	(117)	168
<b>Tax (expense)/benefit</b>	<b>2,904</b>	<b>239</b>
<b>Income tax (expense)/benefit is attributable to:</b>		
Profit/(loss) from continuing operations	2,856	(265)
Profit/(loss) from discontinued operations	48	504
	<b>2,904</b>	<b>239</b>

A reconciliation of income tax expense/(benefit) to accounting loss before income tax at the statutory rate for the years ended 30 June 2020 and 30 June 2021 is as follow:

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Accounting profit/(loss) before tax continuing operations	(13,453)	(2,217)
Accounting profit/(loss) before tax from discontinued operations	1,637	(5,588)
	<b>(11,816)</b>	<b>(7,805)</b>
<i>At the statutory income tax rate of 30%</i>	<b>3,545</b>	2,341
Australia (under)/over provision	343	(245)
USA (under)/over provision	114	10
Tax adjustments due to tax in foreign jurisdictions	(202)	(17)
Australian deferred tax assets not brought to account for the year	199	(1,958)
Tax effect of non-deductible amounts for taxation	(1,095)	108
<b>Tax (expense)/benefit</b>	<b>2,904</b>	<b>239</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## Tax on other comprehensive income

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Income tax on other comprehensive income	(93)	788

Movement in deferred tax balances for the years ended 30 June 2021 and 30 June 2020:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

	CONSOLIDATED					
	Revaluation of Land \$'000	Accelated Depreciation \$'000	Employment Benefits \$'000	Accruals and Provisions \$'000	Tax Losses to Offset/ Other \$'000	Total \$'000
<b>Deferred tax assets</b>						
<b>As at 1 July 2019</b>	-	-	157	-	1,069	<b>1,226</b>
Recognised in profit/(loss)	-	-	35	-	328	<b>363</b>
Transferred to assets held for sale	-	-	-	-	(124)	(124)
<b>As at 30 June 2020</b>	-	-	192	-	1,273	<b>1,465</b>
<b>Deferred tax liabilities</b>						
<b>As at 1 July 2019</b>	(8,145)	(644)	-	-	(21)	<b>(8,810)</b>
Recognised in equity	1,089	-	-	-	-	<b>1,089</b>
Recognised in profit/(loss)	-	(83)	-	-	(320)	<b>(403)</b>
Transferred to assets held for sale	-	79	-	-	-	<b>79</b>
<b>As at 30 June 2020</b>	(7,056)	(648)	-	-	(341)	<b>(8,045)</b>
Set-off deferred tax assets pursuant to set-off provisions	-	-	-	-	-	<b>1,465</b>
<b>Net deferred tax liabilities at 30 June 2020</b>	-	-	-	-	-	<b>(6,580)</b>

## Unrecognised deferred tax assets

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

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Tax losses</b>		
Temporary differences from operating losses	<b>40,073</b>	38,164
Temporary differences from capital losses	-	2,115

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 7 CASH AND CASH EQUIVALENTS

### Accounting Policy

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

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

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Cash balance comprises</b>		
Cash at bank and in hand (i)	2,725	2,673
<b>Total cash and cash equivalents</b>	<b>2,725</b>	<b>2,673</b>

(i) Included in this balance is \$79,000 relating to a bank guarantee the Group provides in support of its tenancy agreement for the Corporate Office at Level 3, 159 Coronation Drive, Milton Queensland.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2021

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Net loss	(10,112)	(7,566)
- Depreciation and amortisation	1,265	1,945
- Impairment expenses	-	6,302
- Change in fair value of biological assets	(6,079)	(64)
- Fair value (gain)/loss on derivative financial liabilities	(249)	932
- (Profit)/loss on disposal	57	44
- Net exchange differences	(162)	(635)
- Inventory write-downs and provisions	8,322	1,888
- Interest expense on convertible notes debt-host liability	1,181	1,571
- Government grants	-	(36)
- Modification gain on convertible note debt-host liability	(319)	(573)
- Interest expense on lease liabilities	40	56
- Make good provision	113	-
- Loss on investments	489	-
- Loan forgiveness	(1,667)	-
- Expenses paid by a third party as part of divestment	153	-
- Reclassification of foreign exchange reserve to the P&L	1,201	-
<i>Changes in assets and liabilities:</i>		
- (Increase)/decrease in trade and other receivables	(1,489)	3,692
- (Increase)/decrease in inventories	9,839	(3,043)
- (Increase)/decrease in prepayments	273	108
- (Increase)/decrease in current tax asset	23	-
- (Increase)/decrease in biological assets	984	108
- Increase/(decrease) in income tax provisions	219	(4)
- Increase/(decrease) in trade and other payables	(3,229)	(2,995)
- Increase/(decrease) in employee benefits	142	178
- Increase/(decrease) in deferred tax liability	(3,573)	(1,048)
<b>Net cashflows from operating activities</b>	<b>(2,578)</b>	<b>860</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## Changes in liabilities arising from financing activities

	CONSOLIDATED			
	Other assets	Liabilities from financing activities		Total
	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	\$'000
Net debt as at 1 July 2020	2,673	(16,777)	(10,250)	(24,354)
Cash flows	205	3,233	5,064	8,502
Foreign exchange adjustments	(153)	578	-	425
Other non-cash movements	-	(434)	(44)	(478)
<b>Net debt as at 30 June 2021</b>	<b>2,725</b>	<b>(13,400)</b>	<b>(5,230)</b>	<b>(15,905)</b>

	CONSOLIDATED			
	Other assets	Liabilities from financing activities		Total
	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	\$'000
Net debt as at 1 July 2019	1,512	(9,444)	(13,428)	(21,360)
Cash flows	1,205	212	(1,297)	120
Foreign exchange adjustments	(175)	82	49	(44)
Other non-cash movements	131	(7,627)	4,426	(3,070)
<b>Net debt as at 30 June 2020</b>	<b>2,673</b>	<b>(16,777)</b>	<b>(10,250)</b>	<b>(24,354)</b>

## 8 TRADE AND OTHER RECEIVABLES

### Accounting Policy

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 8 TRADE AND OTHER RECEIVABLES Continued

### Accounting Policy Continued

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

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

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

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Trade receivables	1,461	757
Deposits and other loans	155	25
Other receivables	126	39
Less: Allowance for expected credit losses	(8)	(18)
<b>Total trade and other receivables</b>	<b>1,734</b>	<b>803</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 8 TRADE AND OTHER RECEIVABLES Continued

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables:

30 June 2021	Current \$'000	> 30 days overdue \$'000	> 60 days overdue \$'000	> 90 days overdue \$'000	Total \$'000
	0.04 %	0.40 %	0.70 %	9.50 %	
Gross carrying amount (\$'000)	1,331	51	7	72	1,461
<b>Total loss allowance</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>8</b>

<b>30 June 2020</b>					
Expected loss rate (%)	1.90 %	1.70 %	3.90 %	15.40 %	
Gross carrying amount (\$'000)	635	90	2	30	757
<b>Total loss allowance</b>	<b>12</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>18</b>

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

## 9 TRADE AND OTHER PAYABLES

### Accounting Policy

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

Goods and services tax (GST)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 9 TRADE AND OTHER PAYABLES Continued

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Trade payables	2,341	2,623
Other payables	1,085	2,136
Interest payable	21	65
<b>Total trade and other payables</b>	<b>3,447</b>	<b>4,824</b>

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

## 10 INVENTORIES

### Accounting Policy

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

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

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

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

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under IAS 2 Inventories (international equivalent of AASB 102). The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report, however based on preliminary analysis performed, the Group isn't expecting a material impact from the adoption of the IFRIC agenda decision. The Group expects to complete the implementation of the IFRIC agenda decision as part of its 31 December 2021 reporting.

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Raw materials (at lower of cost and net realisable value)	2,789	2,311
Finished goods (at lower of cost and net realisable value)	10,215	19,792
<b>Total inventories</b>	<b>13,004</b>	<b>22,103</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 10 INVENTORIES Continued

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

## 11 BIOLOGICAL ASSETS

### Accounting Policy

Biological assets comprise of macadamia nuts growing on macadamia trees.

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Balance at 1 July	1,641	1,749
Change in fair value due to biological transformation	6,079	6,193
Transfer of harvested Macadamia nuts to inventory	(7,063)	(6,301)
<b>Balance as at 30 June</b>	<b>657</b>	<b>1,641</b>

As part of its operations, the Group grows, harvests, processes and sells macadamia nuts. As at 30 June 2021, the Group owned a total of 3,998 acres of macadamia orchard located on the Big Island of Hawaii (2020: 3,998 acres). The orchard produced a total of 10.86m lbs of wet in shell macadamia nuts for the year ended 30 June 2021 (2020: 9.77m lbs).

### Valuation of macadamia produce

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 11 BIOLOGICAL ASSETS Continued

### Valuation of macadamia produce Continued

Valuation inputs	Relationship of unobservable inputs to fair value	2021 \$'000	2020 \$'000
Actual macadamia orchard yield (millions lbs)	The higher the macadamia nut yield, the higher the fair value	10.86	9.77
Selling price of wet in shell macadamia nuts (US \$ per lb)	The higher the wet in shell sell price, the higher the fair value	0.93	0.98
Cost of growing (US \$ per lb)	The higher the cost of growing, the lower the fair value	0.14	0.14
Cost of disposal including processing and selling (US \$ per lb)	The higher the cost of disposal, the lower the fair value	0.38 - 0.52	0.39 - 0.54

### Assets pledged as security

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

## 12 PROPERTY, PLANT AND EQUIPMENT

### Accounting Policy

#### Land

For the basis of the valuations, land and buildings are measured at fair value.

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

#### Buildings, plant and equipment

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

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

Fixed asset class	Useful life
Freehold buildings	50 years
Plant and Equipment	3 - 20 years
Bearer Plants	65 years

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

The useful lives of assets and major depreciation periods used in 2021 are consistent with those used in the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 12 PROPERTY, PLANT AND EQUIPMENT Continued

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

### *Right-of-use assets*

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

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

### *Impairment*

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

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

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Freehold land		
At fair value	17,657	19,936
Total freehold land	17,657	19,936
Buildings		
At cost	1,425	1,428
Accumulated depreciation	(317)	(288)
Total buildings	1,108	1,140

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>12 PROPERTY, PLANT AND EQUIPMENT Continued</b>		
Capital works in progress		
At cost	16	-
Total capital works in progress	16	-
Plant and equipment		
At cost	6,062	5,832
Accumulated depreciation	(4,019)	(4,232)
Total plant and equipment	2,043	1,600
Bearer Plants		
At fair value	4,438	4,854
Accumulated depreciation	(1,039)	(947)
Total Bearer Plants	3,399	3,907
Right-of-Use		
At cost	2,420	1,220
Accumulated depreciation	(468)	(202)
Accumulated impairment	(317)	(322)
Total Right-of-Use	1,635	696
<b>Total property, plant and equipment</b>	<b>25,858</b>	<b>27,279</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 12 PROPERTY, PLANT AND EQUIPMENT Continued

	CONSOLIDATED								
	Leasehold	Freehold	Buildings on	Buildings	Plant and	Capital	Bearer	Right-of-	Total
	land	land	leasehold	on freehold	Equipment	works in	Plants	Use assets	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2020</b>									
Opening net book amount	1,125	26,338	115	2,672	3,467	25	4,021	-	37,763
Recognition of right-of-use assets	-	-	-	-	-	-	-	919	919
Exchange differences	(10)	360	(2)	19	18	1	80	21	487
Revaluation increase/(decrease)	450	138	-	-	-	-	-	-	588
Additions	-	-	-	-	26	1,125	-	472	1,623
Disposals	-	-	-	(20)	(29)	-	-	-	(49)
Transfers	-	-	-	141	808	(920)	-	(29)	-
Remeasurement adjustment	-	-	-	-	-	-	-	59	59
Depreciation expense	-	-	(31)	(187)	(592)	-	(194)	(309)	(1,313)
Impairment reversal	-	-	-	-	-	-	-	41	41
Impairment loss	(685)	(3,019)	(36)	(650)	(918)	(101)	-	(209)	(5,618)
Assets classified as held for sale	(880)	(3,881)	(46)	(835)	(1,180)	(130)	-	(269)	(7,221)
<b>Closing net book amount</b>	-	19,936	-	1,140	1,600	-	3,907	696	27,279

### (A) Fair value of leasehold and freehold land

The Group engages external, independent and qualified valuers to determine the fair value of the Group's leasehold and freehold land at least every three years. An independent valuation of the freehold land in Hawaii was performed on 1 June 2021 by CBRE Valuation and Advisory Services (USA).

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

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

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Leasehold land	-	94
Freehold land	2,290	2,585
	<b>2,290</b>	<b>2,679</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 12 PROPERTY, PLANT AND EQUIPMENT Continued

### (B) Right-of-use assets

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

	CONSOLIDATED		
	Buildings on leasehold land	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2021</b>			
Opening net book amount	242	454	696
Exchange differences	(8)	(63)	(71)
Additions	973	344	1,317
Disposals	-	(57)	(57)
Transfers	-	-	-
Remeasurement adjustment	-	-	-
Depreciation	(198)	(52)	(250)
Impairment reversal	-	-	-
Impairment expense	-	-	-
Leases classified as held for sale	-	-	-
<b>Closing net book amount</b>	<b>1,009</b>	<b>626</b>	<b>1,635</b>

	CONSOLIDATED		
	Buildings on leasehold land	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>Consolidated</b>			
<b>Year ended 30 June 2020</b>			
Opening net book amount	353	566	919
Exchange differences	6	15	21
Additions	-	472	472
Disposals	-	-	-
Transfers	-	(29)	(29)
Remeasurement adjustment	13	46	59
Depreciation	(171)	(138)	(309)
Impairment reversal	41	-	41
Impairment expense	-	(209)	(209)
Leases classified as held for sale	-	(269)	(269)
<b>Closing net book amount</b>	<b>242</b>	<b>454</b>	<b>696</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 12 PROPERTY, PLANT AND EQUIPMENT Continued

### (C) Assets pledged as security

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

### (D) Impairment testing

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

## 13 INTANGIBLE ASSETS

### Accounting Policy

#### *Goodwill*

Goodwill is carried at cost less accumulated impairment losses. Goodwill is recognised as the excess of the consideration transferred over the acquisition date fair value of identifiable net assets acquired. Goodwill is not amortised and is tested for impairment at least annually and is allocated to the cash-generating units for which it relates.

Impairment losses recognised for goodwill are not subsequently reversed.

#### *Customer relationships*

Customer relationships are carried at cost, less any accumulated impairment losses and amortisation. Customer relationships have been assessed as having a finite life from the date of business acquisition and are amortised over a period of between 5 - 8 years (2020: 5 - 8 years).

#### *Trade marks*

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite useful lives regardless of whether any impairment indicators exist.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 13 INTANGIBLE ASSETS Continued

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Goodwill		
Cost	-	248
Accumulated impairment losses	-	(248)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>
Trade marks		
Cost	1,208	1,323
Accumulated amortisation and impairment	(664)	(507)
<b>Net carrying amount</b>	<b>544</b>	<b>816</b>
Relationships		
Cost	1,386	1,516
Accumulated amortisation and impairment	(800)	(612)
<b>Net carrying amount</b>	<b>586</b>	<b>904</b>
<b>Total Intangible assets</b>	<b>1,130</b>	<b>1,720</b>

Movement in carrying amounts of intangible assets:

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

	CONSOLIDATED			
	Brand names \$'000	Relationships \$'000	Goodwill \$'000	Total \$'000
<b>Year ended 30 June 2020</b>				
Opening net carrying amount	1,018	1,278	556	2,852
Exchange differences	6	51	5	62
Additions	-	-	-	-
Amortisation	(208)	(425)	-	(633)
Impairment expense	-	-	(561)	(561)
<b>Closing carrying amount</b>	<b>816</b>	<b>904</b>	<b>-</b>	<b>1,720</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 13 INTANGIBLE ASSETS Continued

### (A) Asset pledged a security

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

### (B) Impairment testing

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

Due to the sale of the Ginger and Tourism segments, as at 30 September 2020 the only CGU from continuing operations represents the USA Macadamia segment.

	Macadamia USA	
	2021	2020
	\$'000	\$'000
Customer relationships	586	904
Trade marks	544	816
<b>Total</b>	<b>1,130</b>	<b>1,720</b>

#### USA Macadamia CGU

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

- There have been significant changes in the market and environment in which the Group's operates as a result of the coronavirus (COVID-19) which have had an adverse impact for the Group operations;
- There is evidence available from internal reporting that indicates that the economic performance of the Group's assets is lower than expected.

The Group has calculated the recoverable amount for all CGU based on the higher of the value-in-use (VIU) or the fair value less cost of disposal (FVLCD). For the current period, the recoverable amounts for the CGUs was determined based on the FVLCD for the USA Macadamia CGU.

In determining the FVLCD values, the Group has obtained an independent valuation of the Macadamia USA CGU on a whole of business basis to represent the fair value and has made an allowance for the cost of disposal of 3% of the fair value (2020: 3%). The basis for the fair value of the land associated with the CGU is outlined in note 12. The FVLCD values were determined using both the income capitalisation approach and the comparable sales approach, some of the inputs utilised within the valuation are unobservable and are therefore deemed to be Level 3 in the fair value hierarchy. The following table outlines the key assumptions that have been made in the determination of the FVLCD recoverable amount.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 13 INTANGIBLE ASSETS Continued

### (B) Impairment testing Continued

ASSUMPTIONS	2021	2020
<b>INCOME CAPITALISATION APPROACH</b>		
Capitalisation rate (%)	<b>13.00</b>	13.00
Stabilised orchard yield (m lbs p/a)	<b>9.00</b>	9.00
Stabilised price per lb (US\$)	<b>1.20</b>	1.20
Stabilised operating costs (US\$ per planted acre)	<b>1,585</b>	1,676
<b>COMPARABLE SALES APPROACH</b>		
Sales price per acre (US\$ per planted acre)	<b>7,000</b>	7,700

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

#### Sensitivity

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

## 14 INTEREST-BEARING LIABILITIES

### Accounting Policy

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 14 INTEREST-BEARING LIABILITIES Continued

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>CURRENT</b>		
<b>Secured</b>		
Working capital financing facilities	7,030	9,281
Bank loans	1,147	2,073
Convertible notes	10,228	5,423
<b>Total current interest-bearing liabilities</b>	<b>18,405</b>	<b>16,777</b>
<b>NON-CURRENT</b>		
<b>Secured liabilities:</b>		
Bank loans	225	1,248
Convertible notes	-	9,002
<b>Total non-current interest-bearing liabilities</b>	<b>225</b>	<b>10,250</b>
<b>Total interest-bearing liabilities</b>	<b>18,630</b>	<b>27,027</b>

### Summary of borrowings

#### A. Bank loans and working capital financing facilities

On the 16 January 2020, the Group entered into a working capital finance facility with Greensill Capital (UK) Limited. The facility was an uncommitted revolving working capital facility under which the Group could request short-term finance. The lending criteria was based on a borrowing base comprising certain minimum levels of eligible inventory and eligible receivables and maximum funding of \$25,000,000. Amounts owed to Greensill were secured by a first ranking general security interest over Health and Plant Protein Group Limited and a first ranking mortgage over the Group's property assets in Hawaii.

On 7 April 2021, the Group advised its wholly owned subsidiary, MacFarms, LLC, had entered into a \$10,589,000 (US\$8,000,000 million) secured revolving line of credit with American AGCredit, FLCA. The facility operates as a traditional working capital facility, where funds can be drawn and repaid during the normal course of business. Amounts owing to American AGCredit, FLCA are secured by a first mortgage over the Group's property assets in Hawaii.

Approximately \$4,050,000 (US\$3,060,000) was initially drawn to refinance and fully discharge the outstanding working capital finance with Greensill Capital (UK) Limited. At 30 June 2021, the total facility balance drawn is \$7,030,000 (US\$5,310,000 million).

On 29 April 2020, the Group was approved for the US Government Paycheck Protection Program loan through the Bank of Hawaii. Under the arrangement, the US subsidiary, MacFarms LLC, received \$1,670,000 (US\$1,250,000) to be used towards covering payroll and other eligible operational expenses to assist supporting the business through COVID-19. The facility has a 2-year term with repayments deferred for the first 6 months of the loan. On the 28 June 2021, this loan was formally forgiven as MacFarms, LLC, met all criteria under this program.

On 16 January 2020, the Group provided Westpac Banking Corporation ("Westpac") with new security in connection with its retail banking (overdraft) facilities. This security is a first ranking mortgage over the Group's land at Yandina Australia. This mortgage replaced the previous security (bank guarantee) that was provided by Rabobank to Westpac. On the 30 September 2020, as part of the Ginger divestment, this arrangement ceased. Health and Plant Protein Group Limited no longer holds bank debt with the Westpac Bank, other than a corporate credit card facility.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 14 INTEREST-BEARING LIABILITIES Continued

### Summary of borrowings Continued

Other bank loans include the MacFarms LLC loan facilities for AFCCO (premium funding) and JD Equipment. These facilities are at an average interest rate of 3.79% (2020: 5.05%) and 0.0% (2020: nil).

### B. Convertible notes

On 15 February 2017, the parent entity issued 37,500,000 convertible notes at \$0.40 per note with a coupon rate of 4.50% per annum to Asia Mark Development Limited (AMD). The notes are convertible into fully paid ordinary shares of the parent entity, at the option of the shareholder, or repayable at the maturity date. The conversion ratio for each note held is one note to 1.037204 fully paid ordinary shares. Upon conversion, 38,895,152 shares will be issued.

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

The Group made a payment of \$5,000,000 to the notes on the 1 October 2020. On 15 December 2020, the terms of the agreement were modified to extend the repayment of the convertible notes to \$5,000,000 due at 30 September 2021 and the remaining \$5,000,000 due at 30 September 2022. The contract modification has been assessed and determined not to be a significant change in the present value of the future cash flows (i.e. less than 10% change in the present value of the future cash flows before and after modification). As a result of the modification, a gain of \$285,025 has been recognised in finance income for the year ended 30 June 2021.

At the same time, it was agreed to defer interest payable on 15 February (anniversary date), to 30 September 2021. This resulted in an insignificant modification of an additional gain of \$35,000 which has been recognised in finance costs.

The host debt liability portion of the convertible notes are held at amortised cost. This host debt liability represents the 4.50% annual coupon payable and \$10 million payable at the maturity of the notes. As at 30 June 2021, the fair value of the host debt liability is considered to be \$10,228,000 (2020: \$14,642,000), representing the net present value of future cash flows utilising the effective interest rate of 10.70%.

The American AGCredit, FLCA facility and the Convertible Notes held by Asia Mark Development Limited (AMD) were classified as a current liability as covenants were breached as at 30 June 2021. The Group has since received waivers of the covenant breaches from American AGCredit, FLCA and Asia Mark Development Limited (AMD).

	2021	2020
	\$'000	\$'000
<b>Opening balance</b>	<b>15,715</b>	15,068
Fair value (gain)/loss on derivative	(249)	932
Interest expense	1,181	1,571
Interest paid	(59)	(1,283)
Repayment	(5,000)	-
Modification adjustment on host liability portion	(319)	(573)
	<b>11,269</b>	15,715
Current liability	<b>10,402</b>	5,853
Non-current liability	<b>867</b>	9,862
<b>Total liability</b>	<b>11,269</b>	15,715

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 14 INTEREST-BEARING LIABILITIES Continued

- The table above includes the debt host liability and the derivative component of the convertible note. Refer to note 15 in relation to the derivative portion.
- The interest expense is calculated by applying the effective interest rate of 10.64% (2020: 10.60%) to the host debt liability component.

## 15 OTHER FINANCIAL LIABILITIES

### Accounting Policy

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Derivative liability component - current	174	430
Derivative liability component - non-current	867	860
<b>Total other financial liabilities</b>	<b>1,041</b>	<b>1,290</b>

### Fair value of other financial liabilities

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

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

Valuation inputs	Relationship of unobservable inputs to fair value	2021	2020
Historical 3-years volatility of share price (%)	The higher the volatility, the higher the fair value	86.3	75.0

The fair value recognised at 30 June 2021 was \$1,041,000 (2020: \$1,290,000) resulting in a fair value loss of \$249,000 (2020: gain of \$932,000) recognised during the year in the consolidated statement of profit or loss and other comprehensive income.

## 16 LEASES LIABILITIES

### Accounting Policy

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 16 LEASES LIABILITIES Continued

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

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

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

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

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

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Lease liabilities</b>		
Current	487	449
Non-Current	1,103	311
<b>Total lease liabilities</b>	<b>1,590</b>	<b>760</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 16 LEASES LIABILITIES Continued

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Maturity analysis</b>		
Not later than one year	555	449
Later than 1 year and not later than 5 years	931	311
Later than 5 years	104	-
<b>Total</b>	<b>1,590</b>	<b>760</b>

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Total cash outflow for leases	460	564

The consolidated statement of financial position shows the following amounts relating to leases:

	Notes	CONSOLIDATED	
		2021	2020
		\$'000	\$'000
Depreciation charge of right-of-use assets			
Buildings	12	198	171
Plant and equipment	12	51	82
		<b>249</b>	<b>253</b>
Interest expense (included in finance costs)		34	61
Expenses relating to short term lease (included in cost sales)		449	431

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 16 LEASES LIABILITIES Continued

The incremental borrowing rate has been determined with reference to the risk-free interest rate adjusted for the credit risk associated with obtaining financing based on recent secured third party financing received by the Group as a lessee and making adjustments specific to the lease such as term, country, currency and security. The lessee's weighted average incremental borrowing rate applied to the lease liabilities at 30 June 2021 is 6.0%.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. During the year, there has been remeasurement of lease liabilities for the reporting period ending 30 June 2021 based on revision of variable lease payments associated with property leases.

## 17 EMPLOYEE ENTITLEMENTS

### Accounting Policy

#### *Wages, salaries, annual leave and sick leave*

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

#### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using high quality corporate bond rates.

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Employee benefits</b>		
Current	943	669
Non current	33	-
<b>Total employee benefits</b>	<b>976</b>	<b>669</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 18 CONTRIBUTED EQUITY

### Accounting Policy

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

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
<b>Issued and paid up capital</b>		
Fully paid ordinary shares	60,613	54,824
	<b>60,613</b>	<b>54,824</b>

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

MOVEMENT IN ORDINARY SHARES ON ISSUE	Date	Issue Price	Number of shares	\$'000
<b>Balance as at 1 July 2020</b>			86,021,860	54,824
Shares issued - Placement	<b>12 November 2020</b>	0.17	12,903,279	2,194
Shares issued - Placement	<b>16 December 2020</b>	0.17	18,377,147	3,124
Shares issued - Entitlement offer	<b>18 December 2020</b>	0.17	5,518,452	938
Less transaction costs arising on share issue				(467)
<b>Balance as at 30 June 2021</b>			<b>122,820,738</b>	<b>60,613</b>

### Capital Risk Management

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 18 CONTRIBUTED EQUITY Continued

Asset and capital structure

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Net gearing</b>		
Debts		
Interest-bearing liabilities	18,630	27,027
Cash and cash equivalents	(2,725)	(2,673)
Net debt	15,905	24,354
Total equity	20,925	26,389
<b>Total capital employed</b>	36,830	50,743
	43.18 %	47.99 %
<b>Debt/equity</b>		
Total equity	20,925	26,389
Intangibles	(1,130)	(1,720)
	19,795	24,669
Interest-bearing liabilities	18,630	27,027
	94.11 %	109.56 %

## 19 RESERVES

### Asset revaluation

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

### Foreign currency transaction

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

## 20 DIVIDENDS OR PROPOSED

No dividends have been paid during the year ended 30 June 2021 (2020: nil). No dividend has been declared for the year ended 30 June 2021 (2020: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

### General objectives, policies and processes

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

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

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

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

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

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

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

### (A) Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. In the current year, the Group has refinanced its existing 120-day revolving debt facility previously held by Greensill Capital (UK) Limited to a traditional working capital facility with US based American AGCredit, FLCA. Refer to further information on the Group's debt facilities in note 14.

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

	CONSOLIDATED			
	2021	2021	2020	2020
	Interest rate	Balance	Interest rate	Balance
	%	\$'000	%	\$'000
Working capital financing facilities (AUD)	3.62 %	7,030	8.28 %	9,281

An analysis of maturities is provided in section E below.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES Continued

### (A) Interest rate risk Continued

At reporting date, the effect on profit and equity as a result of a 100 basis points change in the interest rate, with all other variables remaining consistent, would be an increase/decrease by \$70,000 (2020: \$93,000). This is mainly due to the Group's exposure to variable interest rate on the American AGCredit, FLCA debt facility of \$7,030,000 (2020: Greensill debt facility of \$9,281,000).

### (B) Foreign currency risk

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

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

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

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

	2021			2020		
	Exposure \$'000	+10% \$'000	-10% \$'000	Exposure \$'000	+10% \$'000	-10% \$'000
Balances held in USD	29,076	(2,643)	3,231	27,643	(2,513)	3,071

### (C) Commodity Risk

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

Processes are in place to monitor the price risks associated with commodities such as macadamias and other ingredients. Where appropriate forward contracts are established to minimise exposure to price risks for these commodities. Commodity risk is minimised through crop insurance and where appropriate, sourcing commodities from multiple geographical locations.

As at 30 June 2021, the effect on profit and equity as a result of an increase/(decrease) in commodity prices by 1% would be \$29,000 (2020: \$31,000).

### (D) Credit risk

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES Continued

### Credit risk Continued

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

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

### (E) Liquidity risk

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

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

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

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

The Group has access to debt facilities held with American AGCredit, FLCA (2020: Greensill Capital (UK) Limited). The facility limits and undrawn balances as at reporting date are outlined in the table below:

DEBT FACILITY		2021	2021	2020	2020
	Expiry Date \$'000	Facility Limit \$'000	Undrawn \$'000	Facility limit \$'000	Undrawn \$'000
Bank overdraft (AUD) (1)	Expired	-	-	455	455
Bank overdraft (USD) (1)	Expired	-	-	217	92
Working capital facility (2)	Various	10,589	3,559	-	-
Other facilities (AUD) (3)	Various	309	-	22,721	11,271

1: Overdraft ceased on the 30 September 2020 (2020: Westpac Banking Corporation)

2: Held with American AGCredit, FLCA

3: Held with John Deere Financial (2020: Greensill Capital (UK) Limited, Paycheck Protection program loan through the Bank of Hawaii and John Deere Financial



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES Continued

### Liquidity risk Continued

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

#### Financiers

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

### Maturity analysis

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

	Carrying amount \$'000	Contractual cash flows \$'000	< 6 MTHS \$'000	6 - 12 MTHS \$'000	1 - 3 YEARS \$'000	> 3 YEARS \$'000
<b>2021</b>						
<b>Non-derivatives</b>						
Trade and other payables	3,447	3,447	3,447	-	-	-
Interest-bearing liabilities	18,630	18,630	12,973	428	5,174	55
Lease liabilities	1,590	1,801	375	185	553	688
<b>Total Non-derivatives</b>	<b>23,667</b>	<b>23,878</b>	<b>16,795</b>	<b>613</b>	<b>5,727</b>	<b>743</b>

	Carrying amount \$'000	Contractual cash flows \$'000	< 6 MTHS \$'000	6 - 12 MTHS \$'000	1 - 3 YEARS \$'000	> 3 YEARS \$'000
<b>2020</b>						
<b>Description Title</b>						
Trade and other payables	4,824	4,824	4,824	-	-	-
Interest-bearing liabilities	27,027	28,499	1,545	1,413	11,526	14
Lease liabilities	798	798	252	228	318	-
<b>Total Non-derivatives</b>	<b>32,649</b>	<b>34,121</b>	<b>6,621</b>	<b>1,641</b>	<b>11,844</b>	<b>14</b>

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

### (F) Foreign currency translation

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

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign monetary assets and liabilities are translated using the exchange rates prevailing as at the reporting

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 21 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES Continued

### (F) Foreign currency translation Continued

date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate as at the date of the fair value determination.

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

## 22 FAIR VALUE

### Accounting Policy

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 22 FAIR VALUE Continued

### Accounting Policy Continued

#### Fair value hierarchy

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

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

<b>Other financial liabilities</b>					
Derivative liability component	15	-	-	1,041	1,041
<b>Total other financial liabilities</b>		-	-	1,041	1,041

30 June 2020		Level 1	Level 2	Level 3	Total
<b>Non-financial assets</b>					
Freehold land	12	-	19,936	-	19,936
Macadamia nuts growing on trees	11	-	-	1,641	1,641
<b>Total non-financial assets</b>		-	19,936	1,641	21,577

<b>Other financial liabilities</b>					
Derivative component of the convertible note	15	-	-	1,290	1,290
<b>Total other financial liabilities</b>		-	-	1,290	1,290

#### Transfers between fair value

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 22 FAIR VALUE Continued

*Fair value measurements using significant unobservable inputs (Level 3)*

The following table present the changes in Level 3 items for the years ended 30 June 2021 and 30 June 2020 for recurring fair value measurements:

	Total Operations	
	2021	2020
	\$'000	\$'000
<b>Macadamia nuts growing on trees</b>		
Balance at 1 July	1,641	1,749
Gains recognised in profit or loss	6,079	6,193
Reclassification to inventory	(7,063)	(6,301)
<b>Balance at 30 June</b>	<b>657</b>	<b>1,641</b>

	TOTAL OPERATIONS	
	2021	2020
	\$'000	\$'000
<b>Derivative component of the convertible note</b>		
Balance at 1 July	1,290	358
Fair value gain recognised in profit or loss	(249)	932
<b>Balance at 30 June</b>	<b>1,041</b>	<b>1,290</b>

## 23 COMMITMENTS AND CONTINGENCIES

At 30 June 2021 the Group has commitments of \$2,564,000 (2020: \$3,120,000) principally relating to committed supply of manufacturing inputs. Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2021	2020
	\$'000	\$'000
Within one year		
Consumables used in production processes	2,564	3,120
	<b>2,564</b>	<b>3,120</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## GROUP STRUCTURE

### 24 INVESTMENT IN ASSOCIATES

#### Accounting Policy

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

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

#### Associates

The Group entered into an agreement to acquire up to 24% interest in US based, EVR Foods, Inc (LAVVA)® brand and its associated assets. The Group co-invested with S2G Ventures and on completion of the investments both companies will have a combined controlling interest of 60.5% in LAVVA.

Initial investment occurred on 11 January 2021 via the purchase of \$384,763 (US\$300,000) convertible unsecured promissory notes issued by LAVVA that attracted 7% interest per annum and matured on 28 February 2021. On 16 February 2021, the Group acquired an interest of \$1,918,033 (USD\$1,500,000), comprising the conversion of the \$384,763 (US\$300,000) of convertible promissory notes issued on the 11 January 2021 and further investment of \$1,533,270 (US\$1,200,000) for the issue of series C preferred stock. The Group then acquired a further interest for \$1,919,877 (USD\$1,500,000) in April. This resulted in the Group obtaining a total interest of 17.2% in LAVVA.

The Group may elect to invest further \$2,647,253 (US\$2,000,000) to obtain 24% interest in LAVVA at a later date.

LAVVA® produces clean nutrient dense, plant-based yoghurt and milk with formulations that incorporate pili nuts, an ingredient with very similar qualities to macadamia nuts.

The Group's interest in LAVVA is accounted for using the equity method in the consolidated financial statements.

The carrying value of the investment in the associate at 30 June 2021 is \$3,350,000 (2020: nil).

#### Summarised statement of financial position of LAVVA

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

	2021 \$'000
<b>Summarised consolidated statement of profit or loss and other comprehensive income</b>	
<b>Current assets</b>	<b>5,493</b>
<b>Non-current assets</b>	<b>395</b>
<b>Current liabilities</b>	<b>2,301</b>
<b>Non-current assets</b>	<b>1,158</b>
<b>Equity</b>	<b>2,429</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 24 INVESTMENT IN ASSOCIATES Continued

### Summarised statement of financial position of LAVVA Continued

	2021 \$'000
<b>Summarised consolidated statement of financial position</b>	
Revenue from contract with customers	1,535
Cost of sales	(2,434)
Administrative expenses	(2,473)
Finance costs	(40)
<b>Profit/(loss) before tax</b>	<b>(3,412)</b>
Income tax expense / (income)	-
<b>Profit/(loss) for the year</b>	<b>(3,412)</b>
Total comprehensive income for the year	(3,412)
Investment percentage from February 2021 - March 2021	10.42 %
Investment percentage from April 2021 - June 2021	17.21 %
Group's share of profit/(loss) for the period from February 2021 - March 2021	(150)
Group's share of profit/(loss) for the period from April 2021 - June 2021	(339)
<b>Total Group's share of profit/(loss) for the year</b>	<b>(489)</b>

The associate had no contingent liabilities or capital commitments as at 30 June 2021.

## 25 INVESTMENT IN CONTROLLED ENTITIES

	Country of incorporation	Percentage held by Group (%) <sup>*</sup> 2021	Percentage held by Group (%) <sup>*</sup> 2020
HPP Group (Overseas) Holdings Pty Ltd	(i) Australia	100	100
HPP America, Inc.	(ii) United States	100	100
Ginger Head Quarters Pty Ltd	(i) Australia	-	100
Frespac Ginger (Fiji) Pte Ltd	(ii) Fiji	-	100
MacFarms, LLC	(iii) United States	100	100

(i) Investment by Health and Plant Protein Group Limited

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

(iii) Investment by HPP America, Inc.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 26 PARENT ENTITY INFORMATION

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

	PARENT ENTITY	
	2021	2020
	\$'000	\$'000
Current assets	3,683	10,498
Non-current assets	23,451	24,361
<b>Total Assets</b>	<b>27,134</b>	<b>34,859</b>
Current liabilities	12,022	15,318
Non-current liabilities	2,057	11,123
<b>Total Liabilities</b>	<b>14,079</b>	<b>26,441</b>
<b>Net assets</b>	<b>13,055</b>	<b>8,418</b>
Issued capital	60,613	54,824
Asset revaluation reserve	1,404	1,997
Accumulated losses	(48,961)	(48,403)
<b>Total shareholder's equity</b>	<b>13,056</b>	<b>8,418</b>
Net profit/(loss) for the year	(1,862)	(6,446)
<b>Total comprehensive profit/(loss) for the year</b>	<b>(1,862)</b>	<b>(6,446)</b>

(1) Included within the parent entity is the net results from discontinued operations.

### Guarantees

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

### Contractual commitments

The following items have been contracted for by the parent, but have not yet been provided for:

	2021	2020
	\$'000	\$'000
Within one year		
Supply of manufacturing inputs	-	689,000
	-	689,000

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 26 PARENT ENTITY INFORMATION Continued

### *Contingent liabilities*

The parent entity has no contingent liabilities, other than the guarantees detailed above (2020: nil).

### *Intercompany loan forgiveness*

The parent entity results include intercompany loan forgiveness of \$1.4 million provided by Ginger Headquarters Pty Ltd which is an entity included within discontinued operations (refer to note 27) (2020: nil).

## 27 DISCONTINUED OPERATIONS

### **Accounting Policy**

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

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

### **Change in composition of entity**

On 15 June 2020 the Group announced plans for the disposal of the assets of the Ginger and Tourism division by way of a proposed sale. Subsequently on 6 August 2020, the Group entered a binding agreement to sell the Ginger and Tourism division for total consideration of c\$13,000,000, subject to customary adjustments. The associated assets and liabilities were consequently presented as held for sale in the 30 June 2020 consolidated financial statements and the result presented as discontinued operations.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 27 DISCONTINUED OPERATIONS Continued

### Financial performance and cash flow information

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

	2021	2020
	\$'000	\$'000
Revenue	8,719	28,306
Other income	1,063	1,375
Operating expenses	(8,145)	(29,174)
Impairment expenses	-	(6,095)
<b>Profit/(loss) before income tax</b>	<b>1,637</b>	<b>(5,588)</b>
Income tax expense/(benefit)	48	504
<b>Profit/(loss) after income tax from discontinued operations</b>	<b>1,685</b>	<b>(5,084)</b>
Profit/(loss) on sale after tax (see below)	(1,200)	-
<b>Profit/(loss) from discontinued operations</b>	<b>485</b>	<b>(5,084)</b>

	2021	2020
	\$'000	\$'000
Net cash inflow/(outflow) from operating activities	5,072	1,023
Net cash inflow/(outflow) from investing activities	6,705	(637)
Net cash inflow/(outflow) from financing activities	(486)	(235)
Net cash increase/(decrease) in cash generated by the discontinued operations.	11,291	151

### Details of the sale of the subsidiary

	30/9/20
	\$'000
<b>Details of the sale of the subsidiary</b>	
Consideration received	11,020
Consideration payable to buyer	(220)
Carrying amount of net assets sold	(11,526)
<b>Profit/(loss) on sale before income tax and reclassification of foreign currency translation reserve</b>	<b>(726)</b>
Reclassification of foreign currency translation reserve	(474)
<b>Profit/(loss) on sale after income tax</b>	<b>(1,200)</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 27 DISCONTINUED OPERATIONS Continued

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

	30/9/20 \$'000
<b>Assets</b>	
Cash and cash equivalents	23
Trade and other receivables	4,911
Inventories	3,581
Prepayments	(382)
Property, plant and equipment	7,200
Deferred tax assets	43
Intangible assets	1
Other non-current assets	109
Current tax assets	57
<b>Total assets</b>	<b>15,543</b>
<b>Liabilities</b>	
Trade and other payables	2,210
Employment entitlements	1,348
Lease liabilities	459
<b>Total liabilities</b>	<b>4,017</b>
<b>Net assets</b>	<b>11,526</b>

## 28 DIRECTORS AND EXECUTIVE DISCLOSURES

### Details of Compensation of Key Management Personnel

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

	CONSOLIDATED	
	2021	2020
	\$	\$
<b>Short-term employee benefits</b>		
Cash salary and fees	938,108	827,281
Short-term incentives	-	-
Non-monetary	1,340	1,390
<b>Post-employment benefits</b>		
Superannuation	85,348	75,448
<b>Other long-term employment benefits</b>		
Long service leave	8,001	12,721
	<b>1,032,797</b>	<b>916,840</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 29 RELATED PARTY

### Entities subject to class order relief

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to certain controlled entities of Health and Plant Protein Group Limited from the Corporations Act 2001 requirements for preparation, audit, publication and lodgement of their financial reports. As a condition of the ASIC Instrument, Health and Plant Protein Group Limited and the controlled entities, subject to the ASIC Instrument, entered into a Deed of Indemnity on 22 March 2019. Members of the closed group include Health and Plant Protein Group Limited, Ginger Headquarters Pty Ltd and HPP Group (Overseas) Holdings Pty Ltd. The effect of the deed is that Health and Plant Protein Group Limited has guaranteed to pay any deficiency in the event of winding up of the members of the closed group. The members of the closed group have also given a similar guarantee in the event that Health and Plant Protein Group Limited is wound up. Ginger Headquarters Pty Ltd exited the closed Group on 30 September 2020.

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

	2021	2020
	\$'000	\$'000
<b>Income</b>		
Rental revenue	21	3
Dividend income	-	266
Other income	55	1,614
Finance revenue	751	574
	827	2,457
Administration expenses	(4,229)	(2,282)
Marketing expenses	(82)	-
Impairment expenses	-	41
Share of profit in associate	(489)	-
Other expenses	(872)	(513)
<b>Profit/(loss) before tax and finance costs</b>	<b>(4,845)</b>	<b>(297)</b>
Finance costs	(3,468)	(2,630)
<b>Profit/(loss) before income tax</b>	<b>(8,313)</b>	<b>(2,927)</b>
Income tax (expense)/benefit	1,189	(132)
<b>Net profit/(loss) from continuing operations</b>	<b>(7,124)</b>	<b>(3,059)</b>
Gain/(loss) from discontinued operations	4,058	(3,665)
<b>Net profit/(loss) for the year</b>	<b>(3,066)</b>	<b>(6,724)</b>
<b>Other comprehensive income</b>		
Changes in fair value of land, net of tax	-	(2,442)
<b>Total other comprehensive income/(loss) net of tax</b>	<b>-</b>	<b>(2,442)</b>
<b>Total comprehensive profit/(loss) for the year</b>	<b>(3,066)</b>	<b>(9,166)</b>
<b>Total net profit/(loss) is attributable to:</b>		
Equity holders of Health and Plant Protein Group Limited	(3,066)	(6,454)
	(3,066)	(6,454)
<b>Total comprehensive loss is attributable to:</b>		
Equity holders of Health and Plant Protein Group Limited	(3,066)	(6,454)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 29 RELATED PARTY Continued

(1) Included within the closed group is the discontinued operations relating to the sale of the Ginger and Tourism operations, refer to note 27.

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

	2021 \$'000	2020 \$'000
<b>Consolidated Statement of Financial Position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	639	179
Trade and other receivables	2,885	6,270
Assets classified as held for sale	224	15,476
<b>Total Current Assets</b>	<b>3,748</b>	<b>21,925</b>
<b>Non-Current Assets</b>		
Receivables	21,166	21,709
Investments	4,646	147
Property, plant and equipment	2,053	144
<b>Total Non-Current Assets</b>	<b>27,865</b>	<b>22,000</b>
<b>Total Assets</b>	<b>31,613</b>	<b>43,925</b>
<b>Current Liabilities</b>		
Trade and other payables	710	-
Interest-bearing liabilities	10,851	10,035
Other financial liabilities	174	430
Lease liabilities	-	209
Short-term provisions	284	-
Liabilities directly associated with assets classified as held for sale	-	6,010
<b>Total Current Liabilities</b>	<b>12,019</b>	<b>16,684</b>
<b>Non-Current Liabilities</b>		
Interest-bearing liabilities	847	10,440
Other financial liabilities	867	860
Lease liabilities	-	117
Deferred tax liabilities	310	1,418
Long-term provisions	33	-
<b>Total Non-Current Liabilities</b>	<b>2,057</b>	<b>12,835</b>
<b>Total Liabilities</b>	<b>14,076</b>	<b>29,519</b>
<b>Net Assets</b>	<b>17,537</b>	<b>14,406</b>
<b>Equity</b>		
Contributed equity	64,923	59,141
Reserves	1,196	1,997
Accumulated losses	(48,582)	(46,732)
<b>Total Equity</b>	<b>17,537</b>	<b>14,406</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## 29 RELATED PARTY Continued

	2021	2020
	\$'000	\$'000
<b>Movement in retained earnings</b>		
<b>Opening balance</b>	<b>(46,732)</b>	(40,899)
Attributable to changes to the closed group members	1,216	620
Net profit/(loss) for the year	<b>(3,066)</b>	(6,453)
<b>Closing balance</b>	<b>(48,582)</b>	(46,732)

(1) Included within the closed group is the discontinued operations relating to the sale of the Ginger and Tourism operations, refer to note 27.

## SUBSIDIARIES

Interest in subsidiaries is set out in note 25.

## KEY MANAGEMENT PERSONNEL

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

## Transactions with other related parties

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

The following transactions occurred with related parties:

### *Asia Mark Development Limited*

Asia Mark Development Limited, a major shareholder, holds 12,500,000 convertible notes as at 30 June 2021. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$760,685 (2020: \$253,356).

### *MacFarms of Hawaii 401(k) Profit Sharing Plan*

The Group elected to make a discretionary contribution during the year amounting to \$263,869 (US\$199,353) (2020: \$271,036) to the accounts of eligible employees under the MacFarms of Hawaii 401(k) Profit Sharing Plan, a self-administered deferred plan for eligible employees of MacFarms, LLC. There were no outstanding contributions payable at reporting date (2020: nil). The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of \$11,237 (US\$8,497) (2020: \$15,004) in relation to administration fees.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

## AUDITORS REMUNERATION

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

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Fees to Ernst &amp; Young (Australia)</b>		
- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	218,000	-
- Fees for other services	125,000	-
	<b>343,000</b>	-
<b>PricewaterhouseCoopers and associated entities</b>		
- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	-	290,000
- Fees for other services	-	35,400
	-	<b>325,400</b>
<b>Aliz Pacific Chartered Accountants &amp; Business Advisors Suva &amp; Nadi</b>		
- Fees to the group for an audit or review of the financial report of subsidiaries	-	5,654
	-	<b>5,654</b>
	<b>343,000</b>	<b>331,054</b>

## 30 EVENTS OCCURRING AFTER THE REPORTING DATE

On 28 July 2021, the Group provided an update on the Kapua Orchard strategic review to consider strategic orchard operating partnership options by quarter three of financial year 2022.

On the 17 and 26 August 2021, waivers were received from Asia Mark developments (AMD) an American AGCredit FLCA respectively.

Other than those events separately described above, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.



## DIRECTOR'S DECLARATION

The directors of the Company declare that:

- (a) the attached financial statements and notes, and the Remuneration Report in the Director's Report, are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the Group's financial position as at 30 June 2021 and of the performance for the year ended on that date;
- (b) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021;
- (c) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) the Directors, confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- (e) in the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

Signed in accordance with a resolution of the Directors.



**D Lin**  
Executive Chair

Brisbane, 30 August 30 August 2021

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Health and Plant Protein Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Material uncertainty related to going concern

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

## Key audit matters

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

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

## Impairment assessment of Group's non-current assets

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2021, the Group's total non-current assets of \$30,338K included property, plant and equipment amounting to \$25,858K and intangible assets amounting to \$1,130K. As described in Note 13, the Group had determined that impairment indicators exist at 30 June 2021 and accordingly has performed an impairment assessment of the Macadamia cash generating unit (CGU).</p> <p>The assessment of the recoverable value of these assets incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating costs and economic assumptions such as capitalisation rate, inflation rates and foreign currency rates. On this basis this was considered a key audit matter.</p>	<p>The audit procedures we performed included the following:</p> <ul style="list-style-type: none"> <li>▶ Considered any indicators of potential impairment, including the Group's market capitalisation compared to its net assets</li> <li>▶ In relation to the valuations performed by the Group's valuation experts to support the fair value less costs of disposal (FVLCD) for the Macadamia CGU, we: <ul style="list-style-type: none"> <li>• considered the competency, qualifications, experience and objectivity of the valuation experts</li> <li>• read the valuation reports and considered if the methodology was consistent with the basis of preparation required by Australian Accounting Standards</li> <li>• assessed the reasonableness of the key assumption used in the comparable sales approach and the direct capitalisation of income approach and performed sensitivity analysis of the key assumptions used</li> </ul> </li> <li>▶ Assessed the adequacy of the financial report disclosures contained in Note 13 in accordance with Australian Accounting Standards.</li> </ul>

## Inventory Valuation including Biological Assets

### Why significant

As disclosed in Notes 10 Inventories and 11 Biological Assets, at 30 June 2021 the group held significant inventory and biological asset balances of \$13,661K, of which \$10,215K related to Finished Goods, \$2,789K related to Raw Materials, and \$657K related to biological assets.

Inventories are valued at the Lower of Cost or Net Realisable Value (which, for Nuts on Floor, is deemed to equal Fair Value Less Costs to Sell), and biological assets are valued at Fair Value Less Costs to Sell.

The carrying value of inventories and biological assets was a key audit matter due to the size of the respective balances, the number of estimates (and their complexity, uncertainty, and subjectivity) used to determine the valuation of the biological assets, and the judgement involved in the Provision for Obsolescence in Inventory. As a result this was considered a key audit matter.

### How our audit addressed the key audit matter

The audit procedures we performed included the following:

- ▶ Observed a sample of physical inventory counts. This included consideration of whether items of inventory with quality or obsolescence issues had been appropriately identified.
- ▶ Considered the methods and key assumptions used to develop the Provision for Inventory Obsolescence, and assessed the adequacy of the provision compared to the prior period, subsequent experience, and aging of inventory items.
- ▶ Considered whether the inventory was appropriately accounted for at Lower of Cost or Net Realisable Value by selecting a sample of inventory items on hand at balance sheet date, and comparing the carrying value of this inventory to its most recent sale price.
- ▶ Considered whether the biological assets were appropriately accounted for at Fair Value Less Costs to Sell by reviewing management's supporting analysis, obtaining an understanding of the process, and agreeing the key inputs back to supporting documentation.
- ▶ Assessed the adequacy of the financial report disclosures contained in Note 10 and 11 in accordance with Australian Accounting Standards.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

### **Responsibilities of the directors for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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



to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the audit of the Remuneration Report

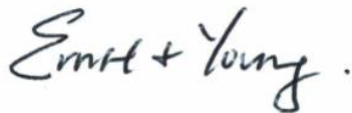
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Health and Plant and Protein Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



Ernst & Young



Susie Kuo  
Partner  
Brisbane  
30 August 2021

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

30 June 2021

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is set out below. This information is current as at 06 August 2021.

### (A) SUBSTANTIAL SHAREHOLDER

The names of substantial shareholders are set out below:

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

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

### (B) DISTRIBUTION OF EQUITY SECURITIES

Holding	Ordinary shares	
	Shares	Options
1 - 1,000	576	195,931
1,001 - 5,000	387	985,696
5,001 - 10,000	134	1,003,291
10,001 - 100,000	291	9,844,228
100,000 and over	93	110,791,592
	1,481	122,820,738
The number of shareholders holding less than a marketable parcel of shares are:	720	395,826

### (B) TWENTY LARGEST SHAREHOLDERS

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

	Number held	% of issued shares
Asia Mark Development Limited	42,844,007	35
Mr John Cheadle	17,428,785	14
Ilwella Pty Ltd	6,250,000	5
Randell Management Services Pty Ltd	4,900,000	4
Rubicon Family Office Pty Limited	4,195,088	3
Ace Property Holdings Pty Ltd	3,000,000	2
Bundaberg Sugar Group Ltd	2,291,261	2
Melbourne Securities Corporation Limited	2,164,706	2
Shane Templeton	1,573,451	1
JAF Capital Pty Ltd	1,490,000	1
Edlou Investments Pty Limited	1,268,930	1
Mr Robert Virgona	1,092,117	1
Netwealth Investments Limited	1,035,969	1
Mr Andrew Bond + Mrs Karen Bond	967,444	1
Ayers Capital Pty Ltd	834,829	1
Mrs Luye Li	740,000	1

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

30 June 2021

	Number held	% of issued shares
Mr Philip Bomford	710,000	1
Mr Roger Masters	575,056	-
Jampho Pty Ltd	550,000	-
Jomalco Pty Ltd	550,000	-
Shadbolt Future Fund (Tottenham) Pty Ltd	550,000	-
<b>Report total</b>	<b>95,011,643</b>	<b>77</b>
<b>Remainder</b>	<b>27,809,095</b>	<b>23</b>
<b>Grand total</b>	<b>122,820,738</b>	<b>100</b>





# Registered Address & Contact Details

## Registered Address & Contact Details

Registered Address: Level 3, 159 Coronation Drive, Milton QLD 4064

Postal Address: PO Box 2225, Milton, QLD 4064

Phone number: 07 3067 4828

Website: [www.hppgroup.com](http://www.hppgroup.com)

Email [corporate@hppgroup.com](mailto:corporate@hppgroup.com)

Australian Business Number: 68 010 978 800

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## Board of Directors

Dennis Lin (Executive Chair)

Christina Chen

Peter O'Keeffe

Andrew Bond

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## Senior Management

Adam Cunningham Chief Operating Officer

Lisa Davis Chief Financial Officer

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## Company Secretary

Lisa Davis

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## Solicitors

Thomson Geer Lawyers

Level 28 Waterfront Place

1 Eagle Street

Brisbane QLD 4000

Tel: (07) 3085 7000

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## Auditors

Ernst & Young

111 Eagle Street, Brisbane QLD 4000

Tel: (07) 3011 3333

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## Share Registry

Computershare Investor Services Pty Limited

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Brisbane QLD 4000

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Tel: +61 3 9415 4000 (Outside AUS)

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## Security Exchange Listing

ASX Limited

ASX Code: HPP

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## Bankers and Financiers

American AGCredit, FLCA

Westpac Banking Corporation

Bank of Hawaii

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## Hawaiian Macadamia Office

MacFarms, LLC dba MacFarms of Hawaii

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Email: [info@macfarms.com](mailto:info@macfarms.com)

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