Me Today Limited

Consolidated Financial Statements

For the year ended 30 June 2023

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Contents

Me Today Limited

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	30 Jun 2023 (12 months) NZ$000	30 Jun 2022 (15 months) NZ$000
Revenue before marketing services provided by a customer		**9,201**	**8,811**
Less marketing services provided by customers		(1,318)	(538)
Revenue	5	**7,883**	**8,273**
Changes in inventories of finished goods and work in progress		(4,767)	(5,132)
Selling and marketing expenses		(2,968)	(3,729)
Distribution expenses		(861)	(610)
Administrative and other operating expenses		(4,881)	(5,489)
Amortisation of customer relationship asset	19	(1,083)	(1,084)
Finance income		4	13
Finance expenses	6	(594)	(641)
Acquisition related costs		(115)	(368)
Operating loss before tax, fair value adjustments, restructuring and impairment costs	6	**(7,382)**	**(8,767)**
Fair value loss on harvested honey	14	(2,223)	(1,724)
Fair value loss on biological assets	15	(544)	(720)
Restructuring costs		(337)	(494)
Write down of assets held for sale	13	(128)	(543)
Impairment of goodwill	19.1	-	(9,120)
Impairment of customer relationship asset	19.1	(2,360)	(780)
Loss before income tax		**(12,974)**	**(22,148)**
Income tax (expense)/benefit	8	-	2,604
Loss for the period attributable to owners of the company		**(12,974)**	**(19,544)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(69)	-
Total comprehensive loss for the period attributable to owners of the company		**(13,043)**	**(19,544)**
Earnings (loss) per share:			
Basic and diluted loss per share (NZ$)	9	(0.009)	(0.029)

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Me Today Limited

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Share capital	Share based payments reserve	Accumulated losses	Foreign currency translation reserve	Total equity
		NZ$000	NZ$000	NZ$000		NZ$000
At 1 April 2021		**13,669**	**110**	**(7,887)**	**-**	**5,892**
Total comprehensive income						
Loss attributable to owners of the company		-	-	(19,544)	-	(19,544)
Transactions with owners						
Shares issued during the period	22	28,733	(177)	-	-	28,556
Less: share issue costs		(975)	-	-	-	(975)
Shares issued on acquisition of subsidiaries		10,000	-	-	-	10,000
Share options issued	24	-	30	-	-	30
Share options expired	23	-	(26)	26	-	-
Other share based payments	23	-	140	-	-	140
At 30 June 2022		**51,427**	**77**	**(27,405)**	**-**	**24,099**
Total comprehensive income						
Loss attributable to owners of the company		-	-	(12,974)	-	(12,974)
Exchange differences on translation foreign operations		-	-	-	(69)	(69)
Transactions with owners						
Shares issued during the period	22	1,026	(159)	-	-	867
Less: share issue costs		(72)	-	-	-	(72)
Share options issued	23	-	-	-	-	-
Share options expired	23	-	(13)	-	-	(13)
Other share based payments	23	-	95	-	-	95
At 30 June 2023		**52,381**	**-**	**(40,379)**	**(69)**	**11,933**

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Me Today Limited

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023	2022
		NZ$000	NZ$000
ASSETS			
Current assets			
Cash and cash equivalents	10	913	5,370
Trade and other receivables	11	2,443	1,199
Inventory	12	14,759	16,793
Biological work in progress	14	160	698
Taxation receivable		11	35
		18,286	24,095
Assets classified as held for sale	13	93	1,063
Total current assets		**18,379**	**25,158**
Non-current assets			
Biological assets	15	752	1,598
Property, plant and equipment	16	2,958	3,788
Right-of-use asset	17.1	770	1,387
Customer relationship asset	19	3,993	7,436
Intangible assets	19	98	89
Total non-current assets		**8,571**	**14,298**
Total assets		**26,950**	**39,456**
LIABILITIES			
Current liabilities			
Trade and other payables	20	1,777	1,766
Lease liabilities	17.2	334	316
Borrowings	21	7,248	942
Total current liabilities		**9,359**	**3,024**
Non-current liabilities			
Lease liabilities	17.2	472	1,041
Borrowings	21	5,186	11,292
Total non-current liabilities		**5,658**	**12,333**
Total liabilities		**15,017**	**15,357**
Net assets		**11,933**	**24,099**
EQUITY			
Share capital	22	52,381	51,427
Share based payments reserve	23	-	77
Accumulated losses		(40,379)	(27,405)
Foreign currency translation reserve		(69)	-
Total equity		**11,933**	**24,099**

These financial statements were approved by the Board on 29 August 2023.
Signed on behalf of the Board by:

Grant Baker

Michael Kerr

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	30 Jun 2023 (12 months) NZ$000	30 Jun 2022 (15 months) NZ$000
Cash flows from operating activities			
Receipts from customers		7,949	8,270
Payments to suppliers and employees		(13,534)	(19,998)
Interest received		4	13
Income tax paid		26	(11)
Net cash used in operating activities	25	**(5,555)**	**(11,726)**
Cash flows from investing activities			
Proceeds from short term deposits		-	3,804
Acquisition of subsidiaries		-	(20,791)
Acquisition related costs		(115)	(368)
Payments for property, plant and equipment		(35)	(327)
Proceeds from sale of property, plant and equipment		1,410	97
Payments for intangibles		(11)	126
Net cash used in investing activities		**1,249**	**(17,459)**
Cash flows from financing activities			
Proceeds from issue of share capital		739	27,983
Share capital issue costs		(72)	(474)
Proceeds from bank borrowings	26	-	8,500
Repayment of principal on borrowings	26	-	(1,466)
Interest paid on borrowings	26	(377)	(379)
Payment of lease liabilities	26	(355)	(742)
Interest paid on lease liabilities	26	(17)	(62)
Net cash flows from financing activities		**(82)**	**33,360**
Net (decrease)/increase in cash and cash equivalents		**(4,388)**	**4,175**
Cash and cash equivalents at the beginning of the period		5,370	1,195
Effect of foreign exchange rates		(69)	-
Cash and cash equivalents at the end of the period	10	**913**	**5,370**

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

1. General information

Me Today Limited ('the Company') is a limited liability company incorporated and domiciled in New Zealand.

These financial statements are for Me Today Limited and its subsidiaries (together 'the Group'). Details of subsidiary companies and their principal activities are set out in note 27.

The Group:

- produces, sells, and markets health and wellbeing products or acts as an agent on behalf of other health and wellbeing suppliers; and
- produces premium manuka honey.

In 2022 the Company changed its annual reporting date to 30 June and, as a result of the change, the comparative amounts are for the 15 months ended 30 June 2022, unless otherwise stated.

2. Basis of preparation

2.1. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets which are measured at fair value less cost to sell. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial statements are presented in New Zealand dollars which is the Company's functional and Group's presentation currency, rounded to the nearest thousand dollars unless otherwise stated.

2.2. Statement of compliance and reporting framework

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013. These consolidated financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

3. Significant accounting policies

The principal accounting policies adopted are set out below. There have been no changes in accounting policies since the previous reporting date unless otherwise stated.

3.1. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.2. Revenue recognition

The Group recognises revenue from the following major sources:

- sale of goods; and
- agency services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties, such as goods and service tax and customs duties.

3.2.1.Sale of goods

The Group sells goods such as health and wellbeing products, and honey products. The Group considers the performance obligation is satisfied when control of the goods has transferred, being when the goods have been delivered to the customer. Revenue derived from the sale of goods is recognised at the point in time the performance obligation is satisfied. Marketing payments paid to a customer for the purchase of health and wellbeing products, are treated as a reduction in revenue.

3.2.2.Agency services

For revenues derived from agency services, where the Group acts as a sales agent for other health and wellness brands, the Group considers its performance obligations are satisfied over time, on the basis that agency services are provided and consumed by the customer on a simultaneous basis, and so will recognise the related revenue as the performance obligation is satisfied. Revenue is measured on an output method basis.

3.3. Income Tax

Income tax expense comprises both current and deferred tax.

3.3.1.Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from ‘profit before tax’ as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.3.2.Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences except for the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.4. Goods and services tax

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

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable or payable to the taxation authority is included as part of receivables or payables.

3.5. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

The deemed cost for the Group's agricultural produce (honey) inventory is fair value at harvest less estimated point-of-sale costs. Fair value is determined by reference to selling prices for honey. Point-of-sale costs include all costs that would be necessary to sell the assets.

3.6. Biological assets

Biological assets consist of bees (including queens).

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is assessed on an annual basis post-harvest, which involves reviewing the number of operational hives in use and referencing market prices for hives.

3.7. Biological work in progress

Biological work in progress consists of unharvested honey.

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

The growth in the biological work in progress in the period from harvest to 30 June cannot be reliably measured at fair value due to the variables in hive growth and honey production between harvest and reporting date. Therefore, as required under NZ IAS 41: *Agriculture*, the cost of agricultural activity (beekeeping costs) in the period to 30 June has been capitalised as biological work in progress to account for this growth.

Agricultural produce (honey) from biological assets is transferred to inventory at fair value, by reference to market prices for honey less estimated point-of-sale costs, at the date of harvest. The biological work in progress is transferred to inventory as part of this fair value recognition at each harvest, which occurs at least annually. A fair value loss on honey harvest was recognised in the loss for the period (note 15).

3.8. Leasing

The Group assess 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 lease of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is measured at amortised cost using the using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension of termination option, with a corresponding adjustment made to the carrying value of the right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies NZ IAS 36: *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy.

3.9. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values, over their useful lives using the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following depreciation rates are used in the calculation:

Plant, vehicles and equipment	6% - 67%
Office equipment and furniture	10% - 50%
Leasehold improvements	6% - 25%

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10. Assets held for sale

Biological assets held for sale are measured at fair value less costs to sell. Other non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.11. Intangible assets

Acquired intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The following amortisation rates are used in the calculation:

Customer relationship	12.5%
Website	50%
Trademarks & domains	indefinite useful life

3.12. Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.13. Financial assets

Financial assets are measured at amortised cost on the basis that the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows: and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised costs
The Group holds receivables with the objective to collect the contractual cash flows, the cash flows are solely payments of principal and interest, and therefore measures them subsequently at amortised cost using the effective interest method, less impairment provisions.

The Group's financial assets at amortised cost include cash and cash equivalents, short term deposits and trade receivables. Cash and cash equivalents include cash in hand and deposits held at call with banks.

Impairment of financial assets at amortised cost
The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3.14. Financial liabilities

Financial liabilities (including trade, other payables and borrowings) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.15. Segment reporting

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 Board of Directors.

3.16. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

3.17. Share capital

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

3.18. Share based payment transactions

For equity-settled share-based payments where the goods or services acquired from non-employees can be measured reliably, then the goods or services are measured directly at their fair value. If goods or services cannot be measured reliably, or for transactions with employees, the goods or services are measured indirectly, i.e. with reference to the fair value of equity instruments granted.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

3.19. Borrowing costs

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

3.20. Application of new and revised International Financial Reporting Standards

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Early adoption of these new standards, interpretations or amendments would not have had a material impact on the financial result or financial position of the Group.

4. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Below are the critical accounting judgements.

4.1. Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has the intention and ability to continue its operations for the foreseeable future.

The Group incurred an after-tax loss of $12.97 million in the year to 30 June 2023 (15 month period to 30 June 2022: $19.54 million loss). The Group's net cash outflows from operating activities during the year was $5.56 million (15 months to 30 June 2022: $11.73 million net cash outflow).

At the reporting date the Group had cash of $0.9 million (2022: $5.4 million), working capital of $9.0 million (2022: $22.1 million) and net assets of $11.9 million (2022: $24.1 million).

As at 30 June 2023, the Group had bank loans of $7.0 million (2022: $7.0 million), and $5.4 million was payable to the previous owners of King Honey under a subordinated note (2022: $5.2 million) which, as at the reporting date, was due for payment to the previous owners of King Honey in June 2024.

The Group's banker, Bank of New Zealand, has confirmed that it will keep the Group's existing bank facilities in place (refer note 21) subject to further review no later than 31 August 2024 in conjunction with the FY24 audited financial statements and FY25 budget. The facilities include an unused overdraft of $5 million. The facilities will remain on an interest only basis until 31 August 2024. The requirement for an amortisation programme will be considered at that time in conjunction with the FY25 budget. The bank also confirmed the continued suspension of earnings-related covenants until 31 August 2024.

On 28 August 2023, the Jarvis Trust has agreed to extend the repayment date of the subordinated note for nine months to 31 March 2025 (refer note 21). A condition of this extension is that the Group cannot increase its indebtedness to the BNZ above $9.5 million without the consent of the Jarvis Trust.

The Directors are satisfied that based on their review of the Group's current financial forecasts, confirmation from the Group's banker of the existing facilities, and the extension agreement with Jarvis Trust, that, during the 12 months after the date of signing these consolidated financial statements, there will be adequate cash flows available to meet the financial obligations of the Group as they arise. The Directors acknowledge that whilst the Group continues to build commercial relationships with new and existing customers future looking forecasts are inherently uncertain. The Directors consider the overdraft facility available to the Group (as modified by the Jarvis Trust condition) provide it with sufficient headroom should it be required if sales or cost forecasts are not achieved.

The considered view of the Board is that, after making due enquiries and considering relevant factors, there is a reasonable expectation that the Group will have access to adequate resources and commitments from its borrowers, that will enable it to meet its financial obligations for the foreseeable future.

For this reason, the Board considers the adoption of the going concern basis in preparing the consolidated financial statements for the year ended 30 June 2023 to be appropriate. The Board has reached this conclusion having regard to circumstances which it considers likely to affect the Group during the period of at least one year from the date of approval of these consolidated financial statements, and to circumstances which it considers will occur after that date which will affect the validity of the going concern basis.

4.2. Fair value of inventory at harvest

The deemed cost for the Group's agricultural produce (honey) inventory is fair value at harvest less estimated point-of-sale costs. Fair value is determined by reference to market prices for honey. Judgement is required to determine the market price of the honey at harvest based upon each drum's tested chemical markers (refer note 14).

4.3. Impairment of customer relationship asset

The cash-generating unit to which the customer relationship asset has been allocated is tested for impairment when there is an indication that the unit may be impaired. The Board has undertaken value in use impairment testing and reviewed sensitivity analysis relating to the carrying value of the customer relationship asset. Judgement is required in determining the extent to which there has been an impairment in value (refer note 19.1).

4.4. Inventory net realisable value

Inventories are carried at the lower of cost and net realisable value. Management has identified that based on near term forecast demand there is currently excess inventory held and therefore there may be issues in achieving the carrying value of this inventory. They have estimated this excess quantity by grade of honey and have considered its net realisable value by reference to the likely manner in which it will be used. There is judgement involved in these estimates (refer note 12).

4.5. Fair value of biological assets

Biological assets are measured at fair value less point-of-sale costs. The fair value of biological assets is assessed on an annual basis post-harvest, which involves reviewing the number of operational hives in use and referencing market prices for hives. Judgement is required to determine the fair value of hives (refer note 15).

4.6. Fair value of biological work in progress

Biological assets are measured at fair value less point-of-sale costs. The growth in the biological work in progress in the period from harvest to 30 June cannot be reliably measured at fair value due to the variables in hive growth and honey production between harvest and the reporting date. Therefore, as required under NZ IAS 41: *Agriculture*, the cost of agricultural activity (beekeeping costs) in the period to 30 June has been capitalised as biological work in progress to account for this growth (refer note 14).

4.7. Deferred tax

Judgement is exercised in determining the timing and extent of recognition of the benefit of tax losses. The benefit of tax losses can be recognised as an asset if its recovery is 'probable' (more likely than not). In the absence of any track record of profitability, convincing evidence is needed of how the losses will be recovered in the future, before any deferred tax asset is recognised. At 30 June 2023 the Group has recognised the benefit in respect of the tax losses generated to the extent they offset a deferred tax liability (refer note 8).

4.8. Accounting for leases

Judgement is required in determining whether it is reasonably certain that an extension option will be exercised. The Group considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (refer note 17).

The Group has included the extension period as part of those premises leases where it is reasonably certain an extension option will be exercised.

5. Revenue

	2023 (12 months) NZ$000	2022 (15 months) NZ$000
Revenue from sale of health and wellbeing products before marketing services provided by customers	2,781	3,260
Less marketing services provided by customers	(1,318)	(538)
Revenue from sale of health and wellbeing products	1,463	2,722
Revenue from sale of honey products	5,818	5,022
Revenue from agency services	602	529
Total revenue	**7,883**	**8,273**

The details above disaggregate the Group's revenue from contracts with customers into primary markets, and major product and service lines.

Revenue was generated from the following geographical regions:

	2023 (12 months)	2022 (15 months)
	NZ$000	**NZ$000**
New Zealand	6,474	7,842
USA	1,147	-
Europe	262	431
Total revenue	**7,883**	**8,273**

Revenue is allocated geographically based upon the jurisdiction in which the revenue is recognised for taxation purposes.

6. Expenses

The loss for the year includes the following expenses.

	Note	2023 (12 months)	2022 (15 months)
		NZ$000	**NZ$000**
Salaries		(4,380)	(7,898)
Employer kiwisaver contributions		(106)	(163)
Directors' fees	29	(470)	(538)
Accounting and consulting		(79)	(125)
Shareholder expenses		(40)	(90)
Depreciation and amortisations:			
Depreciation of property, plant and equipment	16	(600)	(986)
Depreciation of right of use assets	17.1	(421)	(695)
Amortisation of customer relationship asset	19	(1,083)	(1,084)
Amortisation of other intangible assets	19	(3)	(7)
		(2,107)	(2,772)
Depreciation and amortisation are allocated as follows:			
Capitalised to biological WIP		576	647
Included in the operating loss		(1,531)	(2,125)
Finance expenses:			
Interest on lease liabilities	26	(17)	(62)
Interest on borrowings	26	(577)	(579)
		(594)	(641)
Auditor's remuneration:			
For the current year audit		(157)	(106)
For the prior year audit		-	(1)
Corporate finance service fee		(11)	-
For tax advice and returns		-	(9)
For general accounting advice		-	(5)
Total auditor's remuneration		(168)	(121)

7. Segment information

The Group:

- produces, sells, and markets health and wellbeing products ('sale of goods' segment) or acts as an agent on behalf of other health and wellbeing suppliers ('agency services' segment); and
- produces premium manuka honey ('honey' segment).

The Group has identified its operating segments based on the internal reports reviewed and used by the Chief Operating Decision Maker ('CODM'), being the Board of Directors, in assessing the Group's performance and in determining the allocation of resources.

The 'Operating EBITDA' measure is stated after depreciation and amortisation capitalised to biological WIP (note 6).

Head office expenses include costs related to the NZX listing.

	12 months to 30 June 2023				
	Sale of goods	**Agency services**	**Honey**	**Head office**	**Total**
	NZ$000	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Revenue before marketing services provided by a customer	2,781	602	5,818	-	9,201
Less marketing services provided by customers	(1,318)	-	-	-	(1,318)
Total external revenue	1,463	602	5,818	-	7,883
Total inter-segment revenue	-	-	-	-	-
Total operating EBITDA	(2,365)	(161)	(1,228)	(1,392)	(5,146)
Finance income	-	-	1	3	4
Finance expenses	-	-	(591)	(3)	(594)
Amortisation of customer relationship asset	-	-	(1,083)	-	(1,083)
Depreciation and amortisation	(8)	(3)	(339)	(98)	(448)
Acquisition expenses	-	-	-	(115)	(115)
Fair value loss on harvested honey	-	-	(2,223)	-	(2,223)
Fair value loss on biological assets	-	-	(544)	-	(544)
Restructuring costs	-	-	(337)	-	(337)
Write down of assets held for sale	-	-	(128)	-	(128)
Impairment of customer relationship asset	-	-	(2,360)	-	(2,360)
Net loss before taxation	(2,373)	(164)	(8,832)	(1,605)	(12,974)
Income tax benefit	-	-	-	-	-
Net loss for the year	(2,373)	(164)	(8,832)	(1,605)	(12,974)

	15 months to 30 June 2022				
	Sale of goods	Agency services	Honey	Head office	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Revenue before marketing services provided by a customer	3,260	529	5,022	-	8,811
Less marketing services provided by customers	(538)	-	-	-	(538)
Total external revenue	2,722	529	5,022	-	8,273
Total inter-segment revenue	-	-	-	-	-
Total operating EBITDA	(1,913)	(310)	(1,881)	(1,548)	(5,652)
Finance income	-	-	6	13	19
Finance expenses	-	-	(633)	(8)	(641)
Amortisation of customer relationship asset	-	-	(1,084)	-	(1,084)
Depreciation and amortisation	(20)	(8)	(889)	(124)	(1,041)
Acquisition expenses	-	-	-	(368)	(368)
Fair value loss on harvested honey	-	-	(1,724)	-	(1,724)
Fair value loss on biological assets	-	-	(720)	-	(720)
Restructuring costs	-	-	(494)	-	(494)
Write down of assets held for sale	-	-	(543)	-	(543)
Impairment of goodwill	-	-	(9,120)	-	(9,120)
Impairment of customer relationship asset	-	-	(780)	-	(780)
Net loss before taxation	(1,933)	(318)	(17,862)	(2,035)	(22,148)
Income tax benefit	-	-	2,604	-	2,604
Net loss for the year	(1,933)	(318)	(15,258)	(2,035)	(19,544)

	2023				
	Sale of goods	Agency services	Honey	Head office	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Segment assets	3,495	243	22,482	730	26,950
Segment liabilities	695	123	13,639	560	15,017

	2022				
	Sale of goods	Agency services	Honey	Head office	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Segment assets	2,255	147	31,590	5,464	39,456
Segment liabilities	396	43	14,471	447	15,357

7.1. Information about major customers

For the 12 months ended 30 June 2023 there were 2 customers who individually accounted for more than 10% of the Group's total sales (15 months ended 30 June 2022: 2 customers). Sales to these customers were $2,087,994 and $1,308,287 (2022: $2,011,161 and $1,852,980). These customers purchased goods or agency services.

8. Taxation

8.1. Income tax recognised in profit or loss

The analysis of the income tax expense is as follows:

	2023 (12 months) NZ$000	2022 (15 months) NZ$000
Current income tax		
Current income tax charge	-	-
Deferred tax	-	(2,604)
Total income tax expense/(benefit) recognised in the current year	**-**	**(2,604)**

8.2. Reconciliation of income tax expense

The charge for the year can be reconciled to the loss before income tax as follows:

	2023 (12 months) NZ$000	2022 (15 months) NZ$000
Loss before income tax	(12,974)	(22,148)
Current year tax at the tax rate of 28% (2022: 28%)	(3,633)	(6,201)
Non-deductible expenses	188	2,868
Current tax losses not recognised	3,445	729
Income tax expense/(benefit)	**-**	**(2,604)**

8.3. Deferred tax

	Opening balance NZ$000	Recognised in loss NZ$000	Acquisition of subsidiaries NZ$000	Closing balance NZ$000
2023				
Deferred tax assets/(liabilities) in relation to:				
Customer relationship asset	(2,082)	964	-	(1,118)
Inventory fair value adjustments	1,472	(109)	-	1,363
Fair value loss on harvested honey	483	526	-	1,009
Write down of assets held for sale	152	(116)	-	36
Other	133	(112)	-	21
Deferred tax assets not recognised	(2,240)	(189)	-	(2,429)
Tax losses offset against deferred tax liability	2,082	(964)	-	1,118
	-	**-**	**-**	**-**

2022				
Deferred tax assets/(liabilities) in relation to:				
Customer relationship asset	-	522	(2,604)	(2,082)
Inventory fair value adjustments at acquisition	-	(14)	1,486	1,472
Fair value loss on harvested honey	-	483	-	483
Write down of assets held for sale	-	152	-	152
Other	-	54	79	133
Deferred tax assets not recognised	-	(675)	(1,565)	(2,240)
Tax losses offset against deferred tax liability	-	2,082	-	2,082
	-	**2,604**	**(2,604)**	**-**

	2023	2022
	NZ$000	**NZ$000**
Tax losses		
Tax losses for which no deferred tax asset has been recognised	27,039	14,735
Potential tax benefit @ 28%	**7,571**	**4,126**

The Group did not recognise deferred income tax assets in relation to the losses disclosed above except to the extent they offset the deferred tax liability. The losses can be carried forward against future income subject to meeting the requirements of income tax legislation including those relating to shareholder continuity and business continuity (note 4.7).

9. Earnings per share

	2023 (12 months)	**2022 (15 months)**
Basic and diluted earnings/(loss) per share (NZ$)	(0.009)	(0.029)

The losses and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

Loss from continuing operations (NZ$000)	(12,974)	(19,544)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ('000)	1,525,112	664,695

At 30 June 2023, there were no financial instruments that carried any shareholder dilution rights that were considered to be dilutive (2022: none). The 1,000,000 share options on issue in 2022 (refer note 24) were not considered to be dilutive due to the Group's loss.

10. Cash and cash equivalents

	2023 NZ$000	2022 NZ$000
Cash at bank and on hand	913	5,370
	913	**5,370**

The carrying amount for cash and cash equivalents equals the fair value. Cash balances are on call and earn no interest.

11. Trade and other receivables

	2023 NZ$000	2022 NZ$000
Trade receivables	1,660	913
Other receivables	511	5
GST receivable	41	112
Prepayments	231	169
Total trade and other receivables	**2,443**	**1,199**

There has been no expected credit loss impairment to profit or loss in the period (2022: none).

The Group's trade receivables aging is as follows:

NZ$000	Current	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
2023					
Trade receivables	675	551	50	384	1,660
Loss allowance	-	-	-	-	-
2022					
Trade receivables	736	87	23	67	913
Loss allowance	-	-	-	-	-

The standard credit period on sales of goods is 30 or 60 days on the provision of the sale of goods or rendering of agency services.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Group has 2 main customers who are both assessed as creditworthy. The Group maintains close working relationships with these customers. The Group does not hold any collateral over these balances.

The Group determines the expected credit losses on receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Other Receivables includes amounts due from the sale of assets. These are repayable in instalments over periods of up to 2 years.

12. Inventories

	2023 NZ$000	2022 NZ$000
Raw materials	10,777	13,069
Finished goods	2,686	3,119
Packaging materials	1,296	605
	14,759	**16,793**

No inventory was written off to profit and loss in the period (2022: nil). Inventory expensed in the period was $4,767,197 (2022: $4,899,517).

The Group's inventory net realisable value provision at 30 June 2023 was $2.6 million (2022: $3.0 million). The change in the provision was reversed to profit or loss in the year upon the sale of the related inventory.

13. Assets held for sale

	2023 NZ$000	2022 NZ$000
Property, plant and equipment	93	450
Biological assets	-	613
	93	**1,063**

	2023 NZ$000	2022 NZ$000
At 1 July	**1,063**	**-**
Reclassified from property, plant & equipment (note 16):		
- cost	335	744
- accumulated depreciation	(70)	(104)
Write down of assets held for sale	(61)	(190)
Net book value reclassified from property, plant & equipment	204	450
Reclassified from biological assets (note 15)	302	965
Write down of assets held for sale	(67)	(352)
Net book value reclassified from biological assets	235	613
Sale of assets	(1,409)	-
Balance at 30 June	**93**	**1,063**

14. Biological work in progress

	2023	2022
	NZ$000	NZ$000
At 1 July	**698**	**-**
Acquisition of subsidiaries	-	1,437
Current period beekeeping costs	2,349	7,239
Fair value loss on harvested honey	(2,223)	(1,724)
Honey recognised as inventory on harvest	(683)	(6,952)
Beekeeping costs related to next harvest	160	698
Beekeeping costs expensed due to restructure	(141)	-
At 30 June	**160**	**698**

15. Biological assets

	2023	2022
	NZ$000	NZ$000
Bees:		
At 1 July	**1,598**	**-**
Acquisition of subsidiaries	-	3,283
Reclassified to assets held for sale (note 13)	(302)	(965)
Fair value loss on biological assets	(544)	(720)
At 30 June	**752**	**1,598**

The bees biological assets consist of hives and nucs.

	2023	2022
	number of	number of
Hives:		
At 1 July	**8,950**	**-**
Acquisition of subsidiaries	-	15,595
Reduction in operational hives	(3,047)	(2,995)
Hives classified as assets held for sale (note 13)	(1,691)	(3,650)
Hives included in biological assets at 30 June	**4,212**	**8,950**
Nucleus colonies (Nucs):		
At 1 July	**-**	**-**
Acquisition of subsidiaries	-	3,660
Reduction in operational nucs	-	(1,360)
Nucs classified as assets held for sale (note 13)	-	(2,300)
Nucs included in biological assets at 30 June	**-**	**-**

The Group is exposed to some risks related to owning bees, primarily the risk of damage from climatic changes and diseases. The Group has processes in place aimed at monitoring and mitigating those risks, through hiring of experienced beekeepers, the intensive maintenance of beehives and disease prevention programmes.

Fair value hierarchy
The Group’s bees are level 3 on the fair value hierarchy, being calculations for which inputs are not based on observable market data (unobservable inputs).

The Group has valued the biological assets based on market sales price information and the Group's own sales of hives. The fair value per hive is $179 (2022: $179).

16. Property, plant and equipment

	Plant & equipment	Vehicles	Office equipment & furniture	Leasehold improvements	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost:					
At 1 April 2021	**10**	**-**	**95**	**31**	**136**
Additions	81	208	37	1	**327**
Acquisition of subsidiaries	3,731	968	62	335	**5,096**
Transferred to assets held for sale	(406)	(338)	-	-	**(744)**
Disposals	(2)	(133)	-	-	**(135)**
At 30 June 2022	**3,414**	**705**	**194**	**367**	**4,680**
Additions	31	-	4	-	**35**
Transferred to assets held for sale	(314)	(21)	-	-	**(335)**
At 30 June 2023	**3,131**	**684**	**198**	**367**	**4,380**
Accumulated depreciation:					
At 1 April 2021	**(4)**	**-**	**(35)**	**(6)**	**(45)**
Depreciation expense	(660)	(210)	(68)	(48)	**(986)**
Transferred to assets held for sale	41	63	-	-	**104**
Disposals	-	35	-	-	**35**
At 30 June 2022	**(623)**	**(112)**	**(103)**	**(54)**	**(892)**
Depreciation expense	(410)	(113)	(36)	(41)	**(600)**
Transferred to assets held for sale	59	11	-	-	**70**
At 30 June 2023	**(974)**	**(214)**	**(139)**	**(95)**	**(1,422)**
Carrying amount:					
At 30 June 2023	**2,157**	**470**	**59**	**272**	**2,958**
At 30 June 2022	2,791	593	91	313	3,788
At 1 April 2021	6	-	60	25	91

17. Leases

17.1. Right-of-use asset

	Premises	Hive placements	Total
	NZ$000	NZ$000	NZ$000
Cost:			
At 1 April 2021	**226**	**-**	226
Additions	296	313	609
Acquisition of subsidiaries	934	1,071	2,005
Lease modifications	(82)	(626)	(708)
At 30 June 2022	**1,374**	**758**	**2,132**
Additions	174	186	360
Acquisition of subsidiaries	-	-	-
Lease modifications	(332)	(224)	(556)
At 30 June 2023	**1,216**	**720**	**1,936**
Accumulated amortisation:			
At 1 April 2021	**(50)**	**-**	**(50)**
Depreciation expense	(371)	(324)	(695)
At 30 June 2022	**(421)**	**(324)**	**(745)**
Depreciation expense	(284)	(137)	(421)
At 30 June 2023	**(705)**	**(461)**	**(1,166)**
Carrying Amount:			
At 30 June 2023	**511**	**259**	**770**
At 30 June 2022	953	434	1,387
At 1 April 2021	176	-	176

The Group leases warehouse and administration premises, and land used for hive placements.

17.2. Lease liability

	2023	2022
	NZ$000	NZ$000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	356	381
One to two years	335	526
Two to five years	156	492
More than five years	-	77
Total undiscounted lease liabilities at 30 June	847	1,476
Lease liabilities included in the Consolidated Statement of Financial Position		
Current	334	316
Non-current	472	1,041
	806	1,357

At the reporting date the Group had 4 property leases with an average remaining term of 2.6 years (2022: 3.75 years). The Group also had 7 land access leases with an average remaining term of 1.86 years (2022: 0.75 years).

The average IBR rate is 3.6% (2022: 3.63%).

Short term lease expenses included in operating loss were $1,122,000 (2022: $1,122,000).

18. Goodwill

	2023	2022
	NZ$000	**NZ$000**
Balance at 1 July	-	-
Recognised on acquisition of subsidiary	-	9,120
Impairment losses for the period (note 19.1)	-	(9,120)
Balance at 30 June	**-**	**-**

19. Other intangible assets

	Customer relationship	Website	Trademarks & domains	Total
	NZ$000	**NZ$000**	**NZ$000**	**NZ$000**
Cost:				
At 1 April 2021	**-**	**26**	**61**	**87**
Additions	-	-	23	**23**
Acquisition of subsidiaries	9,300	-	-	**9,300**
At 30 June 2022	**9,300**	**26**	**84**	**9,410**
Additions	-	-	12	**12**
At 30 June 2023	**9,300**	**26**	**96**	**9,422**
Accumulated amortisation and impairment:				
At 1 April 2021	**-**	**(14)**	**-**	**(14)**
Amortisation expense	(1,084)	(7)	-	**(1,091)**
Impairment of intangible asset (note 19.1)	(780)	-	-	**(780)**
At 30 June 2022	**(1,864)**	**(21)**	**-**	**(1,885)**
Amortisation expense	(1,083)	(3)	-	**(1,086)**
Impairment of intangible asset (note 19.1)	(2,360)	-	-	**(2,360)**
At 30 June 2023	**(5,307)**	**(24)**	**-**	**(5,331)**
Carrying Amount:				
At 30 June 2023	**3,993**	**2**	**96**	**4,091**
At 30 June 2022	7,436	5	84	7,525
At 1 April 2021	-	12	61	73

19.1. Impairment testing for cash-generating units containing goodwill and the customer relationship asset

Given the financial performance of the Honey segment did not meet internal forecast expectations, the Board undertook a value in use impairment test at 30 June 2023 and reviewed sensitivity analysis relating to the carrying value of the customer relationship asset (2022: impairment test as at 31 March 2022 to assess carrying value of the goodwill and customer relationship assets).

The Group considered the future cash flows arising out of the sale of Manuka Honey through the Honey segment. As a result of the completion of discounted cashflow modelling, the Board assessed the value of the Honey CGU as $21.1 million (2022: $29.0 million). The Board concluded that it was appropriate for the Group to recognise impairments in value in the goodwill and the customer relationship asset arising from the King Honey acquisition as set out below:

	2023	2022
	NZ$000	NZ$000
Impairment losses:		
Impairment of customer relationship asset	(2,360)	(780)
Impairment of goodwill (note 18)	-	(9,120)
	(2,360)	**(9,900)**

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on the following key assumptions:

	2023	2022
Years assessed in cash projections	2024 - 2028	2023 - 2027
Anticipated annual revenue growth	3% - 20%	26% - 39%
Anticipated annual overhead expense increase	3%	2%
Pre-tax discount rate	18.2%	16.5%
Terminal growth rate	3%	3%

Cash flows were projected on actual operating results, the 12-month budget, multi-year forecasts and business plan.

The discount rate selected reflects the level of uncertainty in relation to the future revenue from the Honey CGU.

The growth rate applied in years 2029-2037 (years 6 to 14 in the model) to revenue is 3% and to costs is 2-3%. These rates reflect the long-term growth rates of the markets in which the revenues are earned and the costs expended. These years have been included in the calculation to forecast a tax outflow in the terminal year where the terminal value has been derived, as existing tax losses are expected to be utilised against taxable profits in earlier years.

20. Trade and other payables

	2023	2022
	NZ$000	NZ$000
Trade payables	946	482
Accruals	593	626
Other payables	238	658
	1,777	**1,766**

Trade and other payables are unsecured, non-interest bearing and usually paid within 45 days of recognition. Therefore, the carrying value of creditors and other payables approximates their fair value.

21. Borrowings

	2023	2022
	NZ$000	NZ$000
Banks loans	7,034	7,034
Subordinated note	5,400	5,200
	12,434	**12,234**
Current	7,248	942
Non-current	5,186	11,292
	12,434	**12,234**

The Group has two bank loans from the Bank of New Zealand. A customised average rate loan facility (CARL) of $2,908,420 (2022: $3,015,980) and a fixed rate loan of $4,125,809 (2022: $4,286,125). The loans were taken out on 30 June 2021 and are for five years, ending 29 June 2026. The loans are secured over all property of Me Today Manuka Honey Limited, the parent company of King Honey Limited and a subsidiary of Me Today Limited.

The CARL facility monthly repayments consist of a fixed principal repayment plus interest based on a floating rate that is adjusted monthly. The average annual interest on the CARL facility rate during the reporting period was 6.58% (2022: 3.91%). Interest on the fixed rate loan is fixed at 2.51% per annum and the loan is repaid by monthly instalments over the term of the loan. The Group had a repayment holiday from June 2022 to August 2023. The bank has also agreed to suspend its earnings-related covenants until 31 August 2023 at which stage covenants will be re-assessed in line with the FY24 budget. The Group was compliant with applicable covenants at 30 June 2023.

Under the terms of the sale and purchase agreement for the acquisition of King Honey it was agreed that $5,000,000 of the purchase price would be left payable to the vendors, the Jarvis Trust, as a subordinated note. As at 30 June 2023 the subordinated loan was repayable in three years from the acquisition date of 30 June 2021 and is classified in the Consolidated Statement of Financial Position as a current liability. The note is secured over all property of Me Today Manuka Honey Limited. This security interested ranks behind any security interest in favour of the Bank of New Zealand pursuant to the bank loan agreements noted above, but ahead of any other indebtedness of Me Today Manuka Honey Limited. Subsequent to the reporting date the parties have agreed to extend the repayment date of the subordinated note for nine months to 31 March 2025. A condition of this extension is that the Group cannot increase its indebtedness with the BNZ above $9.5 million without the consent of the Jarvis Trust. Interest of 4% per annum is payable annually in arrears until 30 June 2024. Interest of 8% per annum is payable from 1 July 2024 onwards. The extension is subject to Me Today obtaining shareholder approval under NZX Listing Rule 5.2 (related party transactions) or a waiver of that rule.

The Group currently has available overdraft facilities of $5 million (2022: $5 million). The interest rate on this facility at 30 June 2023 was 9.91% per annum.

22. Share capital

	2023		2022	
	Voting ordinary shares	Non-voting ordinary shares	Voting ordinary shares	Non-voting ordinary shares
	'000	'000	'000	'000
Number of ordinary shares:				
Ordinary shares as at 1 July	**1,163,697**	**287,086**	**412,278**	**-**
Issue of shares as settlement of purchase price	-	-	113,636	-
Ordinary shares issued during the period	92,980	-	924,903	-
Ordinary shares reclassified as non-voting	39,051	(39,051)	(287,086)	287,086
Share buy back and cancellation	-	-	(34)	-
Ordinary shares as at reporting date	**1,295,728**	**248,035**	**1,163,697**	**287,086**

On 6 July 2022 the Company issued 75,264,609 fully paid ordinary shares for $752,646 as a part placement of the shortfall from its rights issue undertaken in June 2022. The Company agreed with MTL Securities Limited to contemporaneously reclassify 39,051,043 of its non-voting shares as quoted shares to preserve MTL Securities Limited's holding and control of voting rights at 34.16%. The new shares issued have consequentially reduced MTL Securities Limited's economic rights to 44.86%.

On 28 June 2023 the Company issued 17,715,461 fully paid ordinary shares in the favour of BB Promotions Limited, Sarah Walker, independent directors and a non-executive director. Shares issued to BB Promotions Limited and Sarah Walker are in accordance with the terms of the relevant agreements for promotional services.

All voting ordinary shares on issue are fully paid and rank equally with one vote attached to each share.

All non-voting ordinary shares are fully paid.

23. Share based payments reserve

	2023	2022
	NZ$000	NZ$000
Balance as at 1 July	**77**	**110**
Share options granted (note 24)	-	30
Share options expired (note 24)	(13)	(26)
Share based payments for promotional services	95	140
Shares issued in period	(159)	(177)
Balance at reporting date	**-**	**77**

The Group has entered into two Ambassador Agreements for the provision of promotional services. A portion of the consideration payable for the promotional services is settled by the issue of shares. For one ambassador, who is a related party, shares are issued twice yearly with a total of 1,244,444 ordinary shares to be issued each year at an issue price of $0.09 per share. 1,111,111 shares are to be issued annually under an agreement with a three-year term. For the other ambassador 133,333 shares are issued annually under an agreement with a two-year term.

All share-based payments were included in promotional expenses.

24. Share options

	2023		2022	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance as at 1 July	**1,000,000**	**$0.09**	**3,000,000**	**$0.09**
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(1,000,000)	$0.09	(2,000,000)	$0.09
Balance at 30 June	**-**	**-**	**1,000,000**	**$0.09**

At 30 June 2022 BB Promotions Limited, a related party to the Group (refer note 29.4), held options on 1,000,000 ordinary shares of the Company. Each option could be converted into one ordinary share of the Company on exercise. No amounts were paid or payable by BB Promotions Limited on receipt of the options. The options carried no rights to dividends and no voting rights. The options expired during the 2023 financial year.

	2023	2022
	NZ$000	NZ$000
Share based payments are included in:		
Promotional costs	95	30

25. Reconciliation of loss after taxation with cash flow from operating activities

	30 Jun 2023 (12 months)	30 Jun 2022 (15 months)
	NZ$000	NZ$000
Net loss after taxation	**(12,974)**	**(19,544)**
Adjustments for:		
Depreciation and amortisation	2,107	2,771
Interest on lease liabilities	17	62
Interest on borrowings	577	579
Impairment of goodwill	-	9,120
Impairment of customer relationship asset	2,360	780
Acquisition costs	114	367
Fair value loss on biological assets	544	720
Write down of assets held for sale	128	543
Share-based payments	209	242
Income tax benefit	-	(2,604)
Movements in working capital		
(Increase) / decrease in trade and other receivables	(1,244)	(778)
(Increase) / decrease in inventory	2,034	(15,859)
(Increase) / decrease in biological work in progress	538	(698)
Decrease / (increase) in taxation receivable	26	(12)
Increase / (decrease) in trade and other payables	9	1,139
Movement in working capital on acquisition of subsidiaries	-	11,446
Net cash outflows from operating activities	**(5,555)**	**(11,726)**

26. Reconciliation of liabilities arising from financing activities

	2023	2022
	NZ$000	NZ$000
Borrowings:		
At 1 July	**12,234**	**-**
Cash:		
Proceeds from bank borrowings	-	8,500
Payment of principal on borrowings	-	(1,466)
Interest paid on borrowings	(377)	(379)
Non-cash:		
On acquisition of subsidiaries	-	5,000
Interest on borrowings	577	579
At 30 June	**12,434**	**12,234**

	2023	2022
	NZ$000	NZ$000
Lease liabilities:		
At 1 July	**1,357**	**193**
Cash:		
Payment of lease liabilities principal	(355)	(742)
Interest paid on lease liabilities	(17)	(62)
Non-cash:		
Lease liabilities recognised	186	609
On acquisition of subsidiaries	-	2,005
Lease modifications	(382)	(708)
Interest on lease liabilities	17	62
At 30 June	**806**	**1,357**

27. Subsidiaries and other investments

Name	Principal activity	Equity holding 2023	Equity holding 2022
Subsidiaries:			
The Good Brand Company Limited	Sale of health & wellbeing products	100%	100%
Me Today NZ Limited	Production & sale of health & wellbeing products	100%	100%
Today Limited	Non-trading entity	100%	100%
Me Today EU Limited	Sale of health & wellbeing products	100%	100%
Me Today UK Group Limited	Sale of health & wellbeing products	100%	100%
Me Today Manuka Honey Limited	Investment in King Honey Limited	100%	100%
King Honey Limited	Sale of manuka honey products	100%	100%
Me Today AU Pty Limited	Non-trading entity	100%	100%
Manuka Wellness Limited	Non-trading entity	100%	100%
King Honey Health Products Limited	Non-trading entity	100%	100%
Pure Manuka NZ Limited	Non-trading entity	100%	100%
Bee Plus Manuka NZ Limited	Non-trading entity	100%	100%
Me Today USA Inc.	Sale of health, wellbeing and honey products	100%	100%
Other investments:			
Bee Plus New Zealand Limited	Brand ownership. Non trading	15%	15%

All subsidiaries are domiciled in New Zealand, with the exception of Me Today EU Limited which is domiciled in Ireland, Me Today UK Group Limited which is domiciled in England, Me Today USA Inc. which is domiciled in the United States and Me Today Pty which is domiciled in Australia. All subsidiaries have a reporting date of 30 June.

28. Financial instruments

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Group has entered into a number of non-derivative financial instruments all of which are classified as financial assets and liabilities at amortised cost. The carrying values of these items approximate their fair value and represent the maximum exposures for each type of financial instrument. They are listed as follows:

	Note	2023	2022
		NZ$000	NZ$000
Financial assets at amortised cost			
Cash and cash equivalents	10	915	5,370
Trade receivables	11	1,660	913
Other receivables	11	511	-
Total financial assets		**3,086**	**6,283**

The fair value of cash and cash equivalents and trade receivables are determined to be equivalent to their carrying value due to the short-term nature of these balances.

	Note	2023	2022
		NZ$000	NZ$000
Financial liabilities at amortised cost			
Trade payables and other liabilities	20	1,777	1,766
Banks loans	21	7,034	7,034
Subordinated note	21	5,400	5,200
Total financial liabilities		**14,211**	**14,000**

The fair value of trade payables and other liabilities, and the subordinated note, are determined to be equivalent to their carrying value due to the short-term nature of these balances.

The fair value of the bank loans is $6,618,000 (2022: $6,728,000).

The Group does not have any derivative financial instruments (2022: nil).

28.1. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return on risk. There is minimal market risk.

28.2. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest on borrowings at variable rates. The Group has no interest-bearing cash and cash equivalent bank accounts.

The fixed rate bank loan and the subordinated note (see note 21) have interest rates that are fixed for the life of the loan. The BNZ CARL is the only borrowing with a variable interest rate (see note 21). The Group's exposure to a change in interest rates is therefore currently limited to the borrowings under the BNZ CARL facility. The table below shows the impact that a 1% movement in the current interest rate on the BNZ CARL facility would have on the per annum interest expense.

	Facility balance 2023	Interest impact Rate (+/-1%)
	NZ$000	NZ$000
BNZ CARL facility	2,908	29/(29)

28.3. 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 and arises from cash and cash equivalents, deposits with banks and the Group's receivables from customers. The Group's maximum credit risk is represented by the carrying value of these financial assets. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

28.4. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when the fall due. The Group's liquidity risk management includes maintaining sufficient cash reserves to meet future commitments. Refer to note 4.1 in relation to going concern.

The following table provides a maturity analysis of the Group's remaining contractual cash flows relating to financial liabilities. Contractual cash flows include contractual undiscounted principal and interest payments.

	Carrying amount	Contractual cash flows	Payable 0-6 months	Payable 6-12 months	Payable 1-2 years	Payable 2-5 years
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Non-derivative financial liabilities						
2023						
Trade and other payables	1,777	1,777	1,665	112	-	-
Borrowings	12,434	13,293	911	6,862	2,498	3,022
Lease liability	806	927	242	122	335	228
	15,017	**15,997**	**2,818**	**7,096**	**2,833**	**3,250**
2022						
Trade and other payables	1,766	1,766	1,766	-	-	-
Borrowings	12,234	13,290	270	926	7,417	4,677
Lease liability	1,357	1,389	386	166	421	416
	15,357	**16,445**	**2,422**	**1,092**	**7,838**	**5,093**

28.5. Capital risk management

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

29. Related parties

29.1. Directors

The names of persons who are directors of the Company are; Grant Baker (Chairman), Hannah Barrett, Roger Gower, Michael Kerr, Richard Pearson, Stephen Sinclair, and Antony Vriens.

29.2. Key management personnel compensation

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company.

Directors were paid directors' fees of $470,000 (15 months to 30 June 2022: $538,000). In the period to 30 June 2023 $70,214 of the remuneration due to the independent directors was settled by the issue of 1,312,266 shares in the Company (15 months to 30 June 2022: $71,572 by the issue of 1,312,266 shares in the Company). At 30 June 2022 $14,062 was payable to the independent directors and was subsequently settled by the issue of shares in the Company.

At 30 June 2023 $9,104 was payable to Bakers Consultants Limited, a company owned by Grant Baker, for directors fees (2022: nil).

At 30 June 2023 $6,563 was payable to Mei Mei Limited, a company owned by Richard Pearson, for directors fees (2022: $7,000).

Michael Kerr received total remuneration of $250,000 in 2023 in his role as CEO (15 months to 30 June 2022: $281,000).

A company owned by Stephen Sinclair received $125,000 in consulting fees (15 months to 30 June 2022: $156,250).

29.3. Related entities

MTL Securities Limited is an entity owned and controlled by M & N Kerr Holdings, of which Michael Kerr is a director, and Velocity Capital, of which Grant Baker and Stephen Sinclair are directors. MTL Securities Limited holds 34.16% of the voting ordinary shares, and 44.86% of the total voting and non-voting ordinary shares in Me Today Limited.

29.4. Related party transactions

In the year to 30 June 2023, the Company issued 3,277,150 ordinary shares to each of Antony Vriens, Hannah Barrett and Roger Gower and 6,117,346 to Richard Pearson, in part settlement of their directors' remuneration. In the 15 months to 30 June 2022, the Company issued 965,613 ordinary shares to Antony Vriens, Hannah Barrett and Roger Gower in part settlement of their directors' remuneration.

The Company issued 712,575 ordinary shares to Roger Gower and 3,411,778 ordinary shares to Antony Vriens as part of the retail offer to investors on 29 June 2022 for $7,126 and $34,118 respectively.

On 15 June 2020 the Company entered into an Ambassador Agreement with BB Promotions Limited for a term of three years. BB Promotions Limited is a related party to the Group, as the shareholder and director of BB Promotions Limited, B Barrett, is married to H Barrett, a director of the Company. Under the terms of the agreement, BB Promotions Limited agreed to provide promotional services to the Company in exchange for the payment of $50,000 per annum, the issue by the Company of ordinary shares to BB Promotions Limited to the value of $100,000 per annum, and the granting of 3,000,000 options to purchase ordinary shares in the Company (as detailed in notes 24). Share based payments for promotion services shown in note 23 includes $62,500 in relation to the Ambassador Agreement with BB Promotions Limited.

Hannah Barrett received $6,250 for providing marketing services to the Group (15 months to 30 June 2022: $18,750).

29.5. Share placement subscription agreement

On 26 November 2021, Me Today, the TW Jarvis (No. 1) Family Trust ("Jarvis Trust") and MTL Securities Limited ("MTL") entered into a share placement subscription agreement under which the Jarvis Trust and MTL agreed to invest additional cash of $6 million through a share placement, conditional upon shareholder approval. The shares were issued at 8.8 cents per share, the same issue price for capital raised as part of the King Honey acquisition and reflecting their respective shareholdings. MTL Securities agreed to contribute $3.75 million and Jarvis Trust $2.25 million. Shareholders approved the share placement on 18 March 2022.

On 22 March 2022 the Company issued 42,613,636 fully paid ordinary shares to MTL Securities Limited and 25,568,182 fully paid ordinary shares to the trustees of TW Jarvis (No. 1) Trust.

Jarvis Trust is a substantial security holder in Me Today and is the previous vendor of King Honey Limited. MTL is a substantial security holder, and the largest shareholder, in Me Today. MTL is an entity owned and controlled by M & N Kerr Holdings, of which Michael Kerr is a director, and Velocity Capital, of which Grant Baker and Stephen Sinclair are directors.

30. Contingent liabilities

There are no contingent liabilities as at 30 June 2023 (2022: nil).

31. Commitments

The Company had no commitments for future capital expenditure as at 30 June 2023 (2022: nil).

32. Events subsequent to reporting date

On 23 August 2023 the Group's bank confirmed its continuance of existing facilities subject to further review no later than 31 August 2024 in conjunction with the FY24 audited financial statements and FY25 budget. Facilities will remain on an interest only basis until 31 August 2024. The requirement for an amortisation programme will be considered at that time in conjunction with the FY25 budget. The bank also confirmed covenant requirements continue to be amended to extend the suspension of earnings-related covenants until 31 August 2024.

Subsequent to the reporting date the Board has decided to further reduce beekeeping operations with a view to reducing total hive numbers to below 2,000.

On 28 August 2023 the Group entered into an agreement with the Jarvis Trust to extend the repayment date of the subordinated note for nine months to 31 March 2025. A condition of this extension is that the Group cannot increase its indebtedness with the BNZ above $9.5m without the consent of the Jarvis Trust. Interest of 4% per annum is payable annually in arrears until 30 June 2024. Interest of 8% per annum is payable from 1 July 2024 onwards.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ME TODAY LIMITED

Opinion

We have audited the consolidated financial statements of Me Today Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2023, and 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, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 International *Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to audit services, our firm provided other services in the areas of corporate finance services. BDO partners and staff also transact with the Group on normal trading terms throughout the year. The engagement and trading transactions have not impaired our independence as auditor of the Group. We have no other relationship with, or interests in, the Company or its subsidiaries.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets

Key Audit Matter

The Group had a customer relationship intangible asset of $3.9m at 30 June 2023, which is required to be assessed for impairment indicators as it is a non-financial asset.

Given the financial performance of the Honey cash generating unit did not meet internal forecast expectations, management performed a formal impairment test to determine the recoverable amount of the cash generating asset.

We identified the calculation of the recoverable amount as a key audit matter to our audit due to the significance of the balance to the financial statements and the key inputs and assumptions that are subject to significant management judgement and estimation uncertainty.

See note 19.1 to the financial statements.

How The Matter Was Addressed in Our Audit

- We obtained management's value in use calculation prepared at 30 June 2023, and critically evaluated the key inputs and assumptions. The key inputs included forecast revenue, gross margin, costs, working capital assumptions, tax outflows and discount rate.
- We agreed the forecasts used to the management approved budget.
- We obtained management's discount rate calculation, prepared by an external valuation expert. We considered the objectivity and competence of the expert.
- We engaged our internal valuation expert to review the value in use calculation against valuation industry techniques and the discount rate used.
- We compared the carrying value of the assets to the recoverable amount determined by the impairment test that calculated the impairment charge of $2.4m.

Inventory net realisable value

Key Audit Matter	How The Matter Was Addressed in Our Audit
At the reporting date, management is required to consider if the Group's inventories are carried at the lower of cost or net realisable value. Management has identified that based on near term forecast demand that there is currently excess inventory held and that therefore there may be issues in achieving the carrying value of this inventory. They have estimated this excess quantity, by grade of honey, and have considered its net realisable value by reference to the likely manner in which it will be used. Management recorded an inventory net realisable value provision in this respect of $2.6m (2022: $3.0m). We identified the determination of the net realisable value by management as a key audit matter to our audit due to the significance of the balance to the financial statements and the significant judgement involved in determining these estimates. See note 12 to the financial statements. The Group's critical accounting estimate and judgement regarding inventory net realisable value is disclosed in note 4.4 to the financial statements.	• We obtained management's calculation of the required net realisable value provision against the carrying value of inventories. We re-calculated the excess inventory by grade by reference to quantity held and forecast demand which was agreed to management approved budgets. • We obtained management's rationale for the expected use of this excess inventory and the net realisable value provision held. We challenged management with respect to their rationale and on the existence of other alternative uses for the inventories. • We agreed the net realisable values used in the management calculation to supporting documentation and re-calculated the net realisable value provision required.

Other Information

The directors are responsible for the other information. The other information comprises the Market Announcement on the Me Today results for the year ended 30 June 2023 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 that we 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs (NZ) 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 decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibility for the audit of the financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1.

This description forms part of our auditor's report.

Who we Report to
This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Chris Neves.

BDO Auckland

BDO Auckland
Auckland
New Zealand
29 August 2023