



Buderim Group Limited

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ABN 68 010 978 800

ASX Code: BUG

Appendix 4D

Listing Rule 4.2A.3

Half-Year Report

For the six months ended 31 December 2016

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Appendix 4D – Half-Year Report

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2016

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2015.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous corresponding period	Increase / Decrease	% \$'000	To \$'000
Revenue from ordinary activities	Decrease	(3.6)%	39,175
	Decrease	(1,476)	39,175
Profit / (loss) from ordinary activities after tax attributable to members	Decrease	(803)%	(6,807)
	Decrease	(6,053)	(6,807)
Profit / (loss) for the period attributable to members	Decrease	(803)%	(6,807)
	Decrease	(6,053)	(6,807)

Refer to the attached Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and significant notes identified in the notes to the consolidated interim financial report for further detail of the aforementioned results.

Dividends (Distributions)

No dividend has been paid or declared for the half-years ended 31 December 2016 and 31 December 2015.

No dividend or distribution reinvestment plans were in operation during the half-year.

A brief explanation of the figures reported is below. Further detail is included in the Review of Operations.

The Group recorded a net loss after tax of \$6.81 million for the half-year ended 31 December 2016 comprising net losses before income tax of \$2.76 million and net income tax expense of \$4.05 million following the derecognition of the Australian prior year deferred tax assets of \$4.56 million and non-recognition of current year deferred tax assets. This result compared to the prior period net loss after tax of \$0.75 million.

	2016 Results \$'000	2015 Results \$'000
Loss for the period attributable to members	(6,807)	(754)
Tax (expense) / benefit	(4,046)	616
Group loss from ordinary activities before income tax expense	(2,761)	(1,370)

The net loss before tax of \$2.76 million was contributed to by :-

	2016 Results* \$'000	2015 Results* \$'000
Business segments		
Ginger operations	(818)	(834)
Macadamia operations	(1,228)	(253)
Tourism operations	62	294
Total	(1,984)	(793)
Corporate overhead expenses	(815)	(618)
Share of profit of joint controlled entities and associates	38	41
Group loss from ordinary activities before income tax expense	(2,761)	(1,370)

Appendix 4D – Half-Year Report (continued)

The main factors affecting trading performance in this half-year included :-

- Ginger segment loss remained in line with the prior year half year result despite a decline in revenues. Whilst growth was achieved in retail sales through increased distribution of beverages, range and market extension for confectionary ginger products it was outweighed by a decline in bulk sales due to increased competition, predominately in export markets. Lower operating costs offset the effect of the lower revenues. Operating costs included increased marketing and promotion costs relating to the launch of ginger beer into major Australian supermarkets.
- The Macadamia segment loss for the half year increased significantly as a result of a reduction in sales combined with the increasing cost of Australian macadamias. The reduction in sales compared to the prior half year resulted partially from the decision to actively participate in the nut in shell market during May/June 2016 converting inventory to cash foregoing kernel sales in the first half of the 2017 financial year and a later than expected start to the current Hawaiian crop harvest compared to last year, resulting in lower production and therefore sales. The Hawaiian operations have lower operating costs compared to the prior year as a result of the later start to the harvest.
- Tourism profitability has been affected by higher operating costs outweighing an increase in revenues. The higher operating costs result primarily from increased costs to maintain the high standard of the Ginger Factory Tourism offering which consistently rates highly with both local and international visitors.
- Corporate overhead expenses for the half year were in line with the prior half year with the exception of one off costs of \$0.19 million in relation to the corporate structure review.
- The Income Tax Expense of \$4.05 million relates primarily to a non-cash derecognition of previously recognised Australian deferred tax assets in relation to past year losses. The Group retains the tax losses for income tax purposes and they remain available for use despite being derecognised in the financial statements.

The half-year accounts should be read in conjunction with the annual financial report for the year ended 30 June 2016.

NET TANGIBLE ASSET BACKING

	31/12/2016	31/12/2015
Net tangible asset backing per ordinary share	\$0.78	\$0.93
Number of shares on issue	49,867,553	43,363,090

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

There have been no changes in composition of the Buderim Group Limited ('the Group') group during the reporting period.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group holds 50% equity in Ginger Head Quarters Pty Ltd (2015: 50%), a joint venture company through which the tourism attractions, *Overboard* and the *Ginger Train* operate. The profit contribution from this joint venture was \$38k (2015: \$41k).

ACCOUNTING STANDARDS

This report has been prepared in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Accounting Standards Board.

The half-year financial report should be read in conjunction with the annual Financial Report of Buderim Group Limited as at 30 June 2016, which was prepared based on Australian equivalents to International Financial Reporting Standards ('AIFRS'). It is also recommended that the half-year financial report be considered together with any public announcements made by Buderim Group Limited and its controlled entities during the half-year ended 31 December 2016 and up until the date of this report, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

INDEPENDENT REVIEW OF THE FINANCIAL REPORT

This report is based on accounts which have been subject to a review. An independent review report is provided as part of this report. The Auditor's Independence Declaration is also included in the Directors' Report. The half-year accounts are not subject to any audit dispute or qualification. The entity has a formally constituted audit committee.



Andrew Bond
Company Secretary
Brisbane, 24 February 2017

Buderim Group Limited

ABN 68 010 978 800

ASX Code: BUG

Half-Year Report

For the six months ended 31 December 2016

DIRECTORS' REPORT (continued)

The Directors of Buderim Group Limited present their report on the Consolidated Entity consisting of Buderim Group Limited ('the Company') and the entities it controlled ('the Group') for the half-year ended 31 December 2016.

DIRECTORS

The names of the company's directors in office during the half-year under review and at the date of this report are as follows:

- Stephen John Morrow
- Peter Francis O'Keeffe
- Albert Tse (appointed 15 February 2017)
- Yigang Yang (appointed 15 February 2017)
- Shane Tyson Templeton (resigned 15 February 2017)
- William Lewis Timms (resigned 28 August 2016)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the half-year ended 31 December 2016 the Group recorded a net loss after tax of \$6.81 million (2015: net loss after tax \$0.75 million) comprising net losses before income tax of \$2.76 million and net income tax expense of \$4.05 million following the derecognition of the Australian prior year deferred tax assets of \$4.56 million and non-recognition of current period deferred tax assets.

Summarised operating results are as follows:

	2016		2015	
	Revenues \$'000	Results* \$'000	Revenues \$'000	Results* \$'000
<i>Business segments</i>				
Ginger operations	15,059	(818)	15,638	(834)
Macadamia operations	25,044	(1,228)	25,824	(253)
Tourism operations	2,531	62	2,378	294
Total	42,634	(1,984)	43,840	(793)
Consolidation adjustments	(3,004)	-	(2,362)	-
Corporate overhead expenses	-	(815)	-	(618)
Share of profit of joint controlled entities and associates	-	38	-	41
Group income and loss from ordinary activities before income tax expense	39,630	(2,761)	41,478	(1,370)

*Business segment results represent profit / (loss) before corporate interest and tax

The main factors affecting trading performance in this half-year included :-

- Ginger segment loss remained in line with the prior year half year result despite a decline in revenues. Whilst growth was achieved in retail sales through increased distribution of beverages, range and market extension for confectionary ginger products it was outweighed by a decline in bulk sales due to increased competition, predominately in export markets. Lower operating costs offset the effect of the lower revenues. Operating costs included increased marketing and promotion costs relating to the launch of ginger beer into major Australian supermarkets.
- The Macadamia segment loss for the half year increased significantly as a result of a reduction in sales combined with the increasing cost of Australian macadamias. The reduction in sales compared to the prior half year resulted partially from the decision to actively participate in the nut in shell market during May/June 2016 converting inventory to cash foregoing kernel sales in the first half of the 2017 financial year and a later than expected start to the current Hawaiian crop harvest compared to last year, resulting in lower production and therefore sales. The Hawaiian operations have lower operating costs compared to the prior year as a result of the later start to the harvest.
- Tourism profitability has been affected by higher operating costs outweighing an increase in revenues. The higher operating costs result primarily from increased costs to maintain the high standard of the Ginger Factory Tourism offering which consistently rates highly with both local and international visitors.
- Corporate overhead expenses for the half year were in line with the prior half year with the exception of one off costs of \$0.19 million in relation to the corporate structure review.
- The Income Tax Expense of \$4.05 million relates primarily to a non-cash derecognition of previously recognised Australian deferred tax assets in relation to past year losses. The Group retains the tax losses for income tax purposes and they remain available for use despite being derecognised in the financial statements.

DIRECTORS' REPORT (continued)

On 5 October 2016 the Group announced that it had entered into a binding term sheet with Asia Mark Development Limited (AMD) and Wattle Hill RHC Fund 1 SPV1 L.P. an exempted limited partnership, acting through its general partner, Wattle Hill RHC Fund 1 SPV1 Ltd, (WHC) :-

- to issue to AMD 6,504,463 ordinary shares at \$0.40 per share, to raise approximately \$2.6 million (Placement);
- for AMD to fully underwrite a pro rata renounceable rights issue of ordinary shares by the Company, on a 1 for 2 basis at \$0.36 per share to raise approximately \$9.0 million (Underwritten Rights Issue); and
- to issue to WHC 25,000,000 Convertible Notes and to issue to AMD 12,500,000 Convertible Notes raising \$15 million in total (less the reasonable costs of WHC and AMD, capped at \$400,000) (Convertible Notes Issue).

As a result of entering into the binding term sheet the Group's Yandina property, classified as held for sale at 30 June 2016, was withdrawn from sale.

The capital raising transaction was voted on and approved by Shareholders at a General Meeting on 20 December 2016.

The Placement was completed on 28 December 2016.

The table below show the asset and capital structure as at 31 December 2016 following completion of the Placement.

ASSET AND CAPITAL STRUCTURE	CONSOLIDATED	
	31/12/16 \$'000	30/06/2016 \$'000
NET GEARING		
Debts		
Interest-bearing loans and borrowings	21,007	24,040
Cash and cash equivalents	(2,646)	(3,901)
Net debt	18,361	20,139
Total equity	35,930	39,821
Total capital employed	54,291	59,960
	33.8%	33.6%
ASSETS FUNDED BY EXTERNAL STAKEHOLDERS		
Total Assets	69,538	87,380
Total Liabilities	33,608	47,559
	48.3%	54.4%
DEBT/EQUITY		
Total equity	35,930	39,821
Intangibles	(392)	(389)
	35,538	39,432
Interest-bearing loans and borrowings	21,007	24,040
	59.1%	61.0%

SUBSEQUENT EVENTS

The Directors are not aware of any significant events since the end of the interim reporting period, other than the following:

On 15 February 2017, the Group issued the following convertible notes, at \$0.40 per convertible note:

- 25,000,000 convertible notes to WHC.
- 12,500,000 convertible notes to AMD.

The issue of convertible notes raised \$14.6 million after the cost adjustment.

The Group announced the renounceable rights issue on a 1 for 2 basis at \$0.36 per new share on 16 February 2017. The renounceable rights issues is fully underwritten by AMD.

DIRECTORS' REPORT (continued)

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

ROUNDING

The amounts contained in this report and in the interim financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The company is an entity to which the ASIC Instrument applies.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'S. Morrow', with a large loop at the start and a horizontal tail.

S. Morrow
Director

Brisbane, 24 February 2017



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DECLARATION OF INDEPENDENCE BY TJ KENDALL TO THE DIRECTORS OF BUDERIM GROUP LIMITED

As lead auditor for the review of Buderim Group Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Buderim Group Limited and the entities it controlled during the period.

T J Kendall

Director

BDO Audit Pty Ltd

Brisbane, 24 February 2017

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

				CONSOLIDATED		
		Notes	31/12/16 \$'000	Restated 30/06/16 \$'000	Restated 01/07/15 \$'000	
CURRENT ASSETS						
Cash and cash equivalents			2,646	3,901	4,532	
Trade and other receivables			10,355	13,358	9,597	
Inventories			16,983	25,892	25,334	
Current tax assets			13	175	179	
Other current assets			758	962	1,054	
Biological assets		6	1,514	1,355	1,531	
Assets classified as held for sale		7	-	10,825	-	
TOTAL CURRENT ASSETS			32,269	56,468	42,227	
NON-CURRENT ASSETS						
Investment accounted for using the equity method			1,150	1,162	1,205	
Property, plant and equipment		5 & 7	35,603	24,691	34,035	
Deferred tax assets		4	124	4,670	2,953	
Intangible assets			392	389	2,049	
TOTAL NON-CURRENT ASSETS			37,269	30,912	40,242	
TOTAL ASSETS			69,538	87,380	82,469	
CURRENT LIABILITIES						
Trade and other payables			8,140	18,664	14,715	
Interest-bearing liabilities		8	20,949	23,951	4,327	
Short-term provisions			610	587	637	
TOTAL CURRENT LIABILITIES			29,699	43,202	19,679	
NON-CURRENT LIABILITIES						
Interest-bearing liabilities		8	58	89	16,697	
Deferred tax liabilities		4	3,692	4,119	2,960	
Long-term provisions			159	149	43	
TOTAL NON-CURRENT LIABILITIES			3,909	4,357	19,700	
TOTAL LIABILITIES			33,608	47,559	39,379	
NET ASSETS			35,930	39,821	43,090	
EQUITY						
Contributed equity		9	41,852	39,272	39,272	
Reserves			11,380	11,044	7,375	
Accumulated losses			(17,302)	(10,495)	(3,557)	
TOTAL EQUITY			35,930	39,821	43,090	

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	CONSOLIDATED	
		31/12/16 \$'000	Restated 31/12/15 \$'000
INCOME			
Sale of goods		39,175	40,651
Change in fair value of biological assets		2,088	3,479
Cost of sales		(36,703)	(37,101)
Gross profit		4,560	7,029
Rental revenue		74	128
Other income	3 (a)	381	699
Finance revenue		1	3
		5,016	7,859
Share of profit accounted for using the equity method		38	41
Selling and distribution expenses		(2,055)	(2,641)
Marketing expenses		(737)	(767)
Tourism expenses		(1,401)	(1,061)
Administration expenses		(3,192)	(4,261)
Other expenses		(4)	(32)
LOSS BEFORE TAX AND FINANCE COSTS		(2,335)	(862)
Finance costs		(426)	(508)
LOSS BEFORE INCOME TAX		(2,761)	(1,370)
Income tax (expense) / benefit	4	(4,046)	616
NET LOSS FOR THE YEAR		(6,807)	(754)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		336	724
Total other comprehensive income, net of tax		336	724
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE HALF-YEAR		(6,471)	(30)
Total net loss is attributable to:			
Equity holders of Buderim Group Limited		(6,807)	(754)
		(6,807)	(754)
Total comprehensive (loss)/income is attributed to:			
Equity holders of Buderim Group Limited		(6,471)	(30)
		(6,471)	(30)
Basic and diluted loss per share (cents)		(15.66)	(1.74)
Basic and diluted loss per share from continuing operations (cents)		(15.66)	(1.74)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	CONSOLIDATED	
		31/12/16 \$'000	31/12/15 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		43,533	39,461
Payments to suppliers and employees (inclusive of GST)		(43,549)	(42,116)
Other receipts		168	-
Interest received		1	1
Interest and other finance costs paid		(426)	(495)
Income tax received/(paid)		235	9
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(38)	(3,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(442)	(672)
Purchase of biological assets		-	5
Dividend received from joint venture		50	-
Return of equity from joint venture		-	100
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(392)	(567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,664	2,940
Repayments of borrowings		(4,666)	(2,374)
Proceeds from share issue		2,602	-
Capital raising costs		(222)	-
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		(622)	566
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,052)	(3,141)
Cash and cash equivalents at beginning of the year	1	3,533	4,532
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1	2,481	1,391

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED	RESERVES				Total Equity \$'000
	Contributed Equity \$'000	Asset Revaluation \$'000	Foreign Currency Translation \$'000	Accumulated Losses \$'000	
As at 1 July 2015	39,272	6,990	385	(3,557)	43,090
Total comprehensive income for the half-year					
Net loss for the half-year	-	-	-	(754)	(754)
Other comprehensive income					
Exchange difference on translation of foreign operation	-	-	724	-	724
Total comprehensive income for the half-year	-	-	724	(754)	(30)
Transactions with owners in their capacity as owners					
Share placement	-	-	-	-	-
As at 31 December 2015	39,272	6,990	1,109	(4,311)	43,060
As at 1 July 2016	39,272	10,235	809	(10,495)	39,821
Total comprehensive income for the half-year					
Net loss for the half-year	-	-	-	(6,807)	(6,807)
Other comprehensive income					
Exchange difference on translation of foreign operation	-	-	336	-	336
Total comprehensive income for the half-year	-	-	336	(6,807)	(6,471)
Transactions with owners in their capacity as owners					
Share placement, net of transaction costs	2,580	-	-	-	2,580
As at 31 December 2016	41,852	10,235	1,145	(17,302)	35,930

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Buderim Group Limited and its controlled entities ('the Group') during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The company is an entity to which the ASIC Instrument applies.

This consolidated interim financial report was authorised for issue by the board of directors on 24 February 2017.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out in note 1(a).

Going Concern

The Group incurred a net loss of \$6,807,000 for the half-year ended 31 December 2016. As at 31 December 2016 the Group had cash reserves of \$2,646,000, a net current asset surplus of \$2,570,000 and net assets of \$35,930,000. The Group operates under finance facilities with Rabo Australia Limited of which \$4,000,000 is set to expire 28 February 2017, \$8,000,000 by 1 March 2017 and \$7,952,248 on 30 November 2017. The finance facilities are classified as current in the consolidated statement of financial position. The Group did not meet its Debt service cover ratio, Debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") ratio and forecasted EBITDA banking covenant ratios for the period ended 31 December 2016. The directors have formed the opinion that the going concern basis of preparation of the consolidated financial statements is appropriate given the issue of convertible notes and fully underwritten rights issue transactions as described in note 11.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand short-term deposits with an original maturity of three months or less. 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.

Where necessary, the comparatives have been reclassified and repositioned to be consistent with current year disclosures. The Group has re-presented its deferred tax assets and deferred tax liabilities to offset those balances within the relevant tax jurisdictions. The impact of this change is outlined below:

	CONSOLIDATED					
	30/06/16 \$'000	Increase/ (Decrease) \$'000	30/06/16 (Re- presented) \$'000	01/07/15 \$'000	Increase/ (Decrease) \$'000	01/07/15 (Re- presented) \$'000
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)						
NON-CURRENT ASSETS						
Deferred tax assets	9,533	(4,863)	4,670	6,098	(3,145)	2,953
TOTAL NON-CURRENT ASSETS	37,530	(4,863)	32,667	44,918	(3,145)	41,773
TOTAL ASSETS	92,787	(4,863)	87,924	85,614	(3,145)	82,469
NON-CURRENT LIABILITIES						
Deferred tax liabilities	9,220	(4,863)	4,357	6,105	(3,145)	2,960
TOTAL NON-CURRENT LIABILITIES	9,458	(4,863)	4,595	22,845	(3,145)	19,700
TOTAL LIABILITIES	52,660	(4,863)	47,797	42,524	(3,145)	39,379
NET ASSETS	40,127	-	40,127	43,090	-	43,090

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

(a) New, revised or amending Accounting Standards and Interpretations adopted

A number of amended standards became applicable for the current reporting period. As a result of the application of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, the Group was required to change its accounting policies in respect to accounting for its macadamia orchard. The application of these amendments result in bearer plants being accounted for in the same way as self-constructed items of property, plant and equipment, rather than as a biological asset under AASB 141 *Agriculture*. The Group is required to make retrospective adjustments as a result of adopting these amendments. The Group recognises a gain on initial recognition of new agricultural produce as it is harvested. This gain was previously recognised in the profit or loss under *Cost of sales*, however is now been presented under *Change in fair value of biological asset* in compliance with AASB 141. The impact of these are outlined below:

	CONSOLIDATED					
	30/06/16 (Re-presented) \$'000	Increase/ (Decrease) \$'000	30/06/16 (Restated) \$'000	01/07/15 (Re-presented) \$'000	Increase/ (Decrease) \$'000	01/07/15 (Restated) \$'000
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)						
CURRENT ASSETS						
Current tax asset	319	(144)	175	179	-	179
Biological assets	-	1,355	1,355	-	1,531	1,531
TOTAL CURRENT ASSETS	55,257	1,211	56,468	40,696	1,531	42,227
NON-CURRENT ASSETS						
Property, plant and equipment	20,370	4,321	24,691	29,674	4,361	34,035
Biological assets	6,076	(6,076)	-	5,892	(5,892)	-
Deferred tax assets	4,670	-	4,670	2,953	-	2,953
TOTAL NON-CURRENT ASSETS	32,667	(1,755)	30,912	41,773	(1,531)	40,242
TOTAL ASSETS	87,924	(544)	87,380	82,469	-	82,469
NON-CURRENT LIABILITIES						
Deferred tax liabilities	4,357	(238)	4,119	2,960	-	2,960
TOTAL NON-CURRENT LIABILITIES	4,595	(238)	4,357	19,700	-	19,700
TOTAL LIABILITIES	47,797	(238)	47,559	39,379	-	39,379
NET ASSETS	40,127	(306)	39,821	43,090	-	43,090
EQUITY						
Reserves	11,038	6	11,044	7,375	-	7,375
Accumulated losses	(10,183)	(312)	(10,495)	(3,557)	-	(3,557)
TOTAL EQUITY	40,127	(306)	39,821	43,090	-	43,090

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

(a) New, revised or amending Accounting Standards and Interpretations adopted (continued)

	CONSOLIDATED		
	31/12/15 \$'000	Increase/ (Decrease) \$'000	31/12/15 (Restated) \$'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT)			
Change in fair value of biological assets	-	3,479	3,479
Cost of sales	(33,508)	(3,593)	(37,101)
Gross profit	7,143	(114)	7,029
LOSS BEFORE TAX AND FINANCE COSTS	(748)	(114)	(862)
LOSS BEFORE INCOME TAX	(1,256)	(114)	(1,370)
Income tax benefit	732	(116)	616
NET LOSS FOR THE YEAR	(524)	(230)	(754)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax	552	172	724
Total other comprehensive income, net of tax	552	172	724
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR	28	(58)	(30)
Total net loss is attributable to:			
Equity holders of Buderim Group Limited	(524)	(230)	(754)
	(524)	(230)	(754)
Total comprehensive income is attributed to:			
Equity holders of Buderim Group Limited	28	(58)	(30)
	28	(58)	(30)
Basic and diluted loss per share (cents)	(1.21)	(0.53)	(1.74)
Basic and diluted loss per share from continuing operations (cents)	(1.21)	(0.53)	(1.74)

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting any further changes to Australian Accounting Standards.

2. SEGMENT INFORMATION

Description of segments

The operating businesses are organised 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 reportable segments for the half-year ended 31 December 2016 were as follows:

Ginger - manufacture in Australia and Fiji of a variety of confectionery ginger and other ginger-based products and marketing to industrial, food service and retail customers throughout the world;

Macadamias - processing in Australia and Hawaii of macadamia products and marketing to wholesale and retail customers throughout the world;

Tourism - the sale of ginger and other retail gift and food products, and the provision of leisure activities within the Australian tourism market.

Other

The Fiji ginger business is not a reportable segment under AASB 8, since its results are reviewed by the Board and executive management as part of the ginger business. As such it is not a separate operating segment and cannot be a separate reporting segment. Information about the Fiji ginger business has been disclosed within the Ginger Segment.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. SEGMENT INFORMATION (continued)

The Hawaiian macadamia business is not a reportable segment under AASB 8, since its results are reviewed by Board and executive management as part of the macadamia business. As such it is not a separate operating segment and cannot be a separate reporting segment. Information about the Hawaiian macadamia business has been disclosed within the Macadamia Segment.

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 note 1. During the financial period, the Group changed its accounting policies in respect of its biological assets. The comparative segment information provided has been restated to reflect the changes outlined in note 1 (a).

Reportable segments

Segment information provided to the Board and executive management committee for the half-year ended 31 December 2016 and 31 December 2015 is as follows:

REPORTABLE SEGMENTS	Ginger		Tourism		Macadamias		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Income								
Sales of goods to external customers	13,999	14,307	2,457	2,250	22,719	24,094	39,175	40,651
Sales of goods to internal segments	861	864	-	-	2,143	1,498	3,004	2,362
Other revenue / income	199	467	74	128	182	232	455	827
Total segment revenue	15,059	15,638	2,531	2,378	25,044	25,824	42,634	43,840
Consolidation adjustments	(861)	(864)	-	-	(2,143)	(1,498)	(3,004)	(2,362)
Total Income							39,630	41,478
Results								
Segment result	(818)	(834)	62	294	(1,228)	(253)	(1,984)	(793)
Share of profit of jointly controlled entities'	-	-	38	41	-	-	38	41
Corporate overhead expenses	(291)	(220)	(51)	(34)	(473)	(364)	(815)	(618)
Contribution to group profit/(loss)	(1,109)	(1,054)	49	301	(1,701)	(617)	(2,761)	(1,370)
Finance costs	235	302	-	-	191	206	426	508
Finance revenue	(1)	(3)	-	-	-	-	(1)	(3)
Depreciation & amortisation	546	719	96	108	447	353	1,089	1,180
EBITDA	(329)	(36)	145	409	(1,063)	(58)	(1,247)	315
Loss before income tax							(2,761)	(1,370)
Income tax (expense)/benefit	(3,932)	241	(15)	(90)	(99)	465	(4,046)	616
Net loss for the year							(6,807)	(754)
Inventory write-downs and provisions	164	46	-	-	205	342	369	388

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. SEGMENT INFORMATION (continued)

GEOGRAPHIC LOCATION	Australia		Fiji		USA		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Sales of goods to external customers	26,683	29,202	2,020	1,604	10,472	9,845	39,175	40,651
Sales of goods to internal segments	308	239	553	625	2,143	1,498	3,004	2,362
Other revenue / income	1,409	396	(76)	(77)	(878)	508	455	827
Total segment revenue	28,400	29,837	2,497	2,152	11,737	11,851	42,634	43,840
Consolidation adjustments							(3,004)	(2,362)
Total Income							39,630	41,478
	31/12/16 \$'000	30/06/16 \$'000	31/12/16 \$'000	30/06/16 \$'000	31/12/16 \$'000	30/06/16 \$'000	31/12/16 \$'000	30/06/16 \$'000
Total segment assets	47,145	65,514	5,098	5,112	17,295	16,754	69,538	87,380
Total segment liabilities	23,806	38,696	252	395	9,550	8,468	33,608	47,559

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

3. INCOME AND EXPENSES

Loss before income tax expense includes the following income whose disclosure is relevant in explaining the performance of the Group:

	CONSOLIDATED	
	31/12/16 \$'000	31/12/15 \$'000
(a) Other income		
Profit on sale of assets	-	5
Net foreign exchange gain	213	530
Sundry income	153	133
Government grants	15	31
Total other income	381	699

Seasonality

Normally the majority of the Group's revenue and profits are reflected in the results of the second half of the calendar year. This is consistent with the Group's traditional cycle in the ginger segment, and reflects strong demand for new season macadamia harvests.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4. INCOME TAX

As at 30 June 2016 the Group had net deferred tax assets of \$4.67 million; of which the Australian segment was \$4.56 million. The group expected to partly realise the benefits of the Australian segment deferred tax assets through the sale of Yandina property. As a result of the sale not proceeding following the entry into the capital raising transaction, coupled with continuing losses in the Australian segment, a decision has been taken to derecognise these deferred tax assets in accordance with the Australian Accounting Standards.

A reconciliation of income tax (expense)/benefit to accounting (loss) before income tax at the statutory income tax rate for the half-year ended 31 December 2016:

	CONSOLIDATED
	31/12/16 \$'000
Accounting profit/(loss) before tax and non-controlling interest	(2,761)
At the statutory income tax rate of 30% (2015: 30%)	828
Australia under/over provision	74
USA under/over provision	-
Tax adjustment due to tax in foreign jurisdictions	151
Australian deferred tax assets derecognised from prior years	(4,558)
Australian deferred tax assets not brought to account for the half-year	(518)
Other	(23)
	(4,046)

The gross amount of unused tax losses for which no deferred tax assets have been brought to account:

- Tax losses: operating losses \$14,906,607
- Tax losses: capital losses \$2,015,600

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

5. PROPERTY, PLANT AND EQUIPMENT

The Group's Yandina property was reclassified to property, plant and equipment following the cessation of offering it for sale on 5 October 2016. Following the application of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, the Group's macadamia trees are now classified as plant and equipment. The Group has established an accounting policy to depreciate its macadamia trees on a straight-line basis, with an economic useful life of 65 years. The useful life of existing trees have been reduced from 65 years to accommodate their current age.

6. BIOLOGICAL ASSETS

As part of its operations, the Group grows, harvests, processes and sells macadamia nuts. As at 31 December 2016, the Group owned a total of 4,013 acres of macadamia orchard located on the Big Island of Hawaii.

	CONSOLIDATED	
	31/12/16 \$'000	30/06/16 \$'000
(a) Current		
Macadamia nuts on the trees	1,514	1,355
Total current	1,514	1,355

(b) Fair value less costs to sell

Fair value less costs to sell is determined by using level 3 observations from the fair value hierarchy stated under AASB 13 *Fair Value Measurement*, as one or more of the significant observations is not based on observable market data. The fair value less costs to sell for macadamia nuts on the trees incorporates a number of key assumptions, including:

- Volume of macadamia nuts on trees is based on an annual forecasted intake of 10.5m lbs; and
- Selling prices are based on average trend prices for wet in shell macadamia nuts at US\$0.77 per pound.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

7. ASSETS CLASSIFIED AS HELD FOR SALE

The Group's Yandina property was classified as held for sale at 30 June 2016 as the Board had commenced a plan for a sale and leaseback of the Group's Yandina property. The Group ceased to offer its Yandina property for sale as announced on 5 October 2016; and it is therefore reclassified as property, plant and equipment. The value of Yandina property transferred to property, plant and equipment is \$10,825,000.

8. INTEREST-BEARING LIABILITIES

On the 14 November 2016 Buderim Group Limited entered into a restated letter of offer with its principal financier, Rabobank. The restated facilities included a 12-month term loan facilities of \$10,948,790, foreign term loan of USD\$3,800,000 and a working capital facility of \$6,000,000. The Group received a waiver from Rabobank on 22 December 2016 ("the waiver letter") in respect of any non-monetary covenant breaches until the earliest of: 1 March 2017; and the completion of the convertible notes and rights issue transactions ("the Long Stop Date") which were approved at the General Meeting held on 20 December 2016. The waiver letter modifies the requirements for repayment to \$12,000,000 by the Long Stop Date.

9. CONTRIBUTED EQUITY

On 28 December 2016, the Group issued 6,504,463 shares at a price of \$0.40 under a share placement to Asia Mark Development Limited as approved at the General Meeting held on 20 December 2016. Total shares on issue as at 31 December 2016 were 49,867,553 (30 June 2016: 43,363,090).

10. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2016 (2015: Nil).

11. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any significant events since the end of the interim reporting period, other than the following.

On 15 February 2017, the Group issued the following convertible notes, at \$0.40 per convertible note:

- 25,000,000 convertible notes to Wattle Hill RHC Fund 1 SPV1 L.P.
- 12,500,000 convertible notes to Asia Mark Development Limited

The issue of convertible notes raised \$14.6 million after the cost adjustment.

The Group announced the renounceable rights issue on a 1 for 2 basis at \$0.36 per new share on 16 February 2017. The renounceable rights issues is fully underwritten by Asia Mark Development Limited.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

12. RELATED PARTY DISCLOSURES

Transactions and balances

<i>Related party</i>	% equity interest	Half-Year ended	Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Joint venture entities						
Ginger Head Quarters Pty Ltd	50	31/12/16	299,919	497,697	61,822	279,377
	50	31/12/15	277,159	481,357	53,985	116,815

Directors

Shane Templeton is a Director of Templeton Ginger Pty Ltd. The following table provides the total value of transactions which have been entered into with this related party for the relevant financial year and amount owing at year end.

Templeton Ginger Pty Ltd	-	31/12/16	-	59,107	-	58,211
	-	31/12/15	1,238	508,525	-	346

Key Management Personnel

C Mikkelsen is a related party of M Mikkelsen, a sole trader operating under the trading name of Windows That Sparkle. The following table provides the total value of transactions which have been entered into with this related party for the relevant financial year and amount owing at year end.

Windows That Sparkle	-	31/12/16	-	360	-	-
	-	31/12/15	-	-	-	-

Shareholders

Bundaberg Sugar Group Ltd is a major shareholder. The following table provides the total value of transactions which have been entered into with this related party for the relevant financial year and amount owing at year end.

Bundaberg Sugar Group Ltd	-	31/12/16	-	772,664	-	122,725
	-	31/12/15	-	993,044	-	255,919

Directors' Declaration

In the opinion of the Directors of Buderim Group Limited:

- (a) the consolidated interim financial report of Buderim Group Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulation 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



S. Morrow

Director

Brisbane, 24 February 2017



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Buderim Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Buderim Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Buderim Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Buderim Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Buderim Group Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink that reads 'T J Kendall'.

T J Kendall
Director

Brisbane, 24 February 2017