



BUDERIM GROUP LIMITED

HALF YEAR REPORT - 31 DECEMBER 2016

Dear Shareholders,

Our half year result is a Net Loss before Tax of \$(2.761) million compared with \$(1.370) million last year, with a loss after tax of \$(6.807) to include de-recognition of deferred tax assets of \$4.56 million 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.

BUDERIM GROUP	H1 2016 \$'000's	H1 2015 \$'000's
Revenue	39,175	40,651
EBIT	(2,335)	(862)
NPBT	(2,761)	(1,370)
Current Ratio	1.1	*
Debt Ratio (Total Liabilities /Total Assets)	48.3%	*
Net Assets	35,930	42,889
Net Tangible Asset Backing/Share	\$0.78	\$0.93
Earnings per Share (cents)	(15.66)	(1.74)
Shares on Issue	49,867,553	43,363,090

** No comparative due to the application of AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants where this financial year the Group was required to change its accounting policies in respect of accounting for its macadamia orchard.*

	H1 2016 \$'000	H1 2015 \$'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)

The performance of the Ginger segment was in line with prior half year results. The introduction of beverages and new products in the confectionary range was outweighed by a decline in bulk sales in the export market. There is increased competition from other origin ginger in our traditional export customer segment and the development and listing of new products to take the position of delisted and old age mature products has been a longer proposition than expected. Our pouch product in Ginger is now on shelf and new equipment to bring its manufacturing in-house was finally installed and working by end of August 2016. The Snack pack has been showing good gains and we managed to get listing of our ginger beer products in Coles in October 2016, with a listing in Woolworths in December 2016.

The performance of the Macadamia segment was influenced by:

- a) A late crop in Hawaii by some 8 weeks meant lower early processing and sales deferred to a later period.
- b) A decision to make nut in shell (NIS) sales in the previous financial year at the expense of later kernel sales in this financial year to accommodate bank debt repayment resulted in lower sales this year.

However, the very high price of Australian NIS could barely be recovered at the retail customer and profits were badly squeezed. The late crop in Hawaii had a much larger impact on half year profitability.

Tourism segment profitability is down with higher operating costs, although visitor numbers are up slightly. Some tenancies are in the process of renewal and higher wages costs are evident.

Net Debt has dropped from \$20.139 million to \$18.361 million with debt repayments of \$3.002 million.

The Transaction

In October 2016 Buderim Group entered into a transaction to further re-capitalise the business. The Chinese food group Qia Qia and an Australian equity fund, represented by Asia Mark Development Limited and Wattle Hill RHC respectively, entered into an agreement for:

- a) A Placement of shares on 28 December 2016 @ 40 cents/share to AMD to raise \$2.6million.
- b) An issue of Convertible Notes on 15 February 2017 @ 40 cents/share split between AMD at \$10 million and Wattle at \$5 million to raise \$15 million less costs.
- c) A Rights Issue commencing 16 February 2017 @ 36 cents/share underwritten by AMD to raise \$9.0 million.

The details of the transaction have been communicated to the shareholders and are noted on the ASX web site. The funds are to be applied to reduction of debt by a further \$12.0 million, taking more outsourced manufacturing to be done in-house and in continuing the cost reduction program.

Most importantly the food group provides access to other distribution channels and partners for Buderim Groups current and pipeline products.

We thank you for your continued support during this time of change.

Yours faithfully



Roger Masters
Chief Executive Officer