TPI Enterprises Limited ABN 26 107 872 453
Preliminary final report for the year ended 31 December 2018

Appendix 4E

The following financial information is presented in accordance with ASX listing rule 4.3A. The financial information presented relates to the consolidated entity consisting of TPI Enterprises Limited and its subsidiaries (referred to hereafter as the Group) and is presented in Australian dollars ($) which is the Group's functional currency.

1. Details of the reporting period and previous corresponding period

Reporting period:	year ended 31 December 2018
Previous corresponding period:	year ended 31 December 2017

2. Results for announcement to the market

		Consolidated entity		
		31 December 2018 $	31 December 2017 $	Change %
2.1	Revenue from ordinary activities	**46,563,381**	22,263,174	+109.1%
2.2	Loss from ordinary activities after tax attributable to members	**(5,788,409)**	(16,692,689)	+65.3%
2.3	Net loss for the period attributable to members	**(5,788,409)**	(16,692,689)	+65.3%

2.4 There were no dividends paid, recommended or declared during the current or previous reporting period.

2.5 The record date for determining entitlements to dividends – not applicable.

2.6 Supplementary commentary on figures presented in 2.1 to 2.4 above – please refer to section 14 below, the Preliminary Final Report for the year ended 31 December 2018 attached, and the Results Presentation issued 28 February 2019.

3. Consolidated statement of profit or loss and other comprehensive income

Please refer to the Preliminary Final Report for the year ended 31 December 2018 attached.

4. Consolidated statement of financial position

Please refer to the Preliminary Final Report for the year ended 31 December 2018 attached.

5. Consolidated statement of cash flows

Please refer to the Preliminary Final Report for the year ended 31 December 2018 attached.

6. Consolidated statement of changes in equity

Please refer to the Preliminary Final Report for the year ended 31 December 2018 attached.

7. Dividend payments

Not applicable.

8. Dividend reinvestment plans

Not applicable.

9. Net tangible assets per security

	Consolidated entity		
	31 December 2018	31 December 2017	Change
	$	$	%
Net tangible assets per security	0.43	0.43	0.0%

10. Details of entities over which control has been gained or lost during the period

Not applicable.

11. Associate or joint venture entities

Not applicable.

12. Other significant information

Please refer to the Preliminary Final Report for the year ended 31 December 2018 attached.

13. Foreign entities

Not applicable.

14. Results commentary for period

Financial Results Summary

	Consolidated entity	
	31 December 2018	31 December 2017
	$	$
Sales of Narcotic Raw Material ("NRM"), Active Pharmaceutical Ingredients ("API"), Finished Dosage Formulations ("FDF") and Poppy Seed	**46,170,998**	21,666,095
Statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**(2,567,893)**	(11,880,005)
Statutory Earnings Before Interest and Tax (EBIT)	**(5,119,188)**	(14,642,784)
Statutory (Loss) for the year after tax	**(5,788,409)**	(16,692,689)
Net cash (outflow) from operating activities	**(14,645,705)**	(13,144,906)
Operating EBITDA	**(2,431,650)**	(7,745,027)

The Group reported a statutory loss after income tax for 2018 of $5.8 million (2017: $16.7 million) and reported a statutory Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") loss of $2.6 million (2017: $11.9 million).

Operating EBITDA, a non-GAAP financial measure used internally within the Group, continues to improve along with gross profit margins. A decrease in the Operating EBITDA loss from $7.7 million in 2017 to an Operating EBITDA loss of $2.4 million for 2018 predominantly reflects the operating leverage associated with the increased production and sales volumes experienced over the period.

Reported sales revenue increased to $46.2 million representing a 113.1% over the corresponding period primarily driven by the growth of Poppy Seed, NRM and API sales. The period includes the first full year contribution of the acquired Norway business. Reported Gross Margin for the Group increased to $16.0 million, a 257% increase from 2017 due to a significant increase in manufacturing plant utilisation.

Raw Material Straw Supply

Reliability of poppy straw supply continued to improve in 2018, with continued growth in the number of alternative straw suppliers in both the Northern and Southern Hemisphere reducing stock-out risk of poppy straw and diversifying agricultural supply risk. The Group is the only licenced narcotic manufacturer globally with both Northern and Southern Hemisphere supply sources.

Expansion of mainland growing in Australia continues to be a high priority for the Group with key benefits including scale and logistics. The first large scale commercial growing of crops in New South Wales occurred in 2018 with pleasing results.

NRM production in Australia

NRM production continued to improve with more reliable straw supply. The majority of the Group's NRM volume is transferred to Norway for conversion to both Codeine Phosphate or Pholcodine API's. As the capacity of NRM production for the Group is currently greater than that of API production, external NRM sales were an important sales contributor in 2018 and will continue to be in the short to medium term. The Group undertook minimal volumes of toll processing in 2018 and no longer plans to conduct toll processing unless commercial circumstances change significantly.

Poppy seed sales were significantly higher than expected in 2018 due to the ongoing global shortage of seed supply resulting from generally poor Northern Hemisphere crops and a decrease in growing area in Australia, France and Spain in recent years.

API production in Norway

The principal strategic benefit of acquiring the Group's Norway operations was to enable the fast tracking of the Group's entry into API markets for Codeine Phosphate and Pholcodine as the primary input material is morphine NRM. Given approximately 80% of the cost to produce these products resides in the NRM, the Group expects that its NRM production cost advantage will enable it to become the lowest cost supplier of codeine phosphate globally.

During 2018 the Group experienced double digit growth in API volumes and expects volumes to grow strongly in 2019 with nearly full capacity utilisation expected by the final quarter of 2019. While pricing across the industry is at cyclical lows, the Group continues to attract new API volumes at commercially attractive margins, demonstrating the Group's competitive cost advantage in API production.

FDF production in Norway

FDF production provides contract manufacturing ("CMO") services for third parties under long term manufacture and supply agreements. These services include granulating, tableting, packaging and warehousing, all of which requires high levels of labour, working capital and generates lower margins than the core businesses of the Group; NRM production and downstream conversion of NRM into API.

During 2018 the Group continued supply to its two main CMO customers in Europe. One of the contracts for Codeine Phosphate tablets was renegotiated for increased volumes at higher prices resulting in a 15 tonne Codeine Phosphate customer over 18 months.

In 2018 the Group made a significant investment to upgrade its labelling of CMO product to include a new serialisation labelling system as per EU Directive 2011/62/EU (Falsified Medicines). The implementation of serialisation capability also provides the opportunity for the Group to acquire additional manufacturing volumes.

Cost Reduction Activities in Norway

During 2018 the Group undertook an overhead cost reduction program in Norway that focused on a reduction of costs in the key areas of production and non-production labour, production overtime, external advisory services, and external site services such as cleaning and clothing maintenance. For the full year the Group realised overhead cost savings of $3.6 million, ahead of a target of $3.0 million.

Reconciliation of Operating EBITDA to Statutory EBITDA and Loss After Tax

The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB). In the presentation of its financial results the Group uses a non-GAAP financial measure which is not prepared in accordance with IFRS being:

- Operating EBITDA: calculated by adding back (or deducting) finance expense / (income), taxation expense, depreciation, amortisation, acquisition related expenses, transaction integration services, agricultural area trialling expenses, inventory impairments, losses from discontinued operations, losses on disposal of noncore plant and equipment, and deducting other income and depreciation expense from discontinued operations, to net profit / (loss) after tax.

The Group believes that this non-GAAP financial measure provides useful information to readers to assist in the understanding of the Group's financial performance, financial position and returns, as it is the predominant measure of financial performance used by management. It represents the best measure of performance as a result of initiatives and activities directly controlled by management. Non-GAAP financial measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

The table below reconciles the Operating EBITDA to Statutory EBITDA and Loss After Tax:

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Statutory (Loss) after income tax	**(5,788,409)**	(16,692,689)
Less: Profit from discontinued operation	**(1,119,003)**	-
Add: Income tax expense	**134,893**	-
Add: Net finance expenses	**1,653,331**	2,049,905
Statutory Earnings Before Interest and Tax (EBIT)	**(5,119,188)**	(14,642,784)
Add: Depreciation and amortisation expense	**2,551,295**	2,762,779
Statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**(2,567,893)**	(11,880,005)
Add:		
Impairment of inventory to net realisable value	**-**	1,958,963
Agricultural area trialling expenses	**-**	432,318
Acquisition related expenses - legal and other expenses	**295,851**	1,873,056
Transaction integration and change management advisory services	**-**	170,192
Loss from discontinued operation	**-**	646,587
Loss on disposal of property, plant and equipment	**232,775**	-
Deduct:		
Other income	**(392,383)**	(597,079)
Depreciation and amortisation expense - discontinued operation	**-**	(349,059)
Operating EBITDA	**(2,431,650)**	(7,745,027)

15. Independent audit of financial statements

The financial statements presented in the Preliminary Final Report attached and the Annual Report for the year ended 31 December 2018 are in the process of being audited.

TPI Enterprises Limited

ACN 107 872 453

Preliminary final report
for the year ended 31 December 2018

TPI Enterprises Limited ACN 107 872 453
Financial statements - 31 December 2018

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of TPI Enterprises Limited and its subsidiaries (referred to hereafter as the Group), and are based on the financial statements that are currently in the process of being audited. These financial statements are presented in Australian dollars ($), which is the Group’s functional currency.

The principal continuing activities of the Group are the production and distribution of Narcotic Raw Material ("NRM"), Active Pharmaceutical Ingredients ("API") and Finished Dosage Formulations ("FDF") for supply to international pharmaceutical markets, and the production and distribution of poppy seed for supply to international culinary markets.

TPI Enterprises Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Notes	**Consolidated entity** **31 December 2018 $**	31 December 2017 $
Revenue			
Sale of goods		**46,170,998**	21,666,095
Other income		**392,383**	597,079
	3	**46,563,381**	22,263,174
Expenses			
Raw materials, consumables and other production expenses		**(23,277,108)**	(14,055,378)
Employee benefits (production) expenses	4	**(6,909,702)**	(3,133,052)
Employee benefits (non-production) expenses	4	**(11,610,865)**	(8,251,127)
Legal and listing compliance expenses		**(703,312)**	(430,381)
Market development expenses		**(1,018,036)**	(382,785)
Occupancy expenses		**(2,070,232)**	(1,621,115)
Research expenses		**(268,863)**	(374,975)
Acquisition related expenses - legal and other expenses		**(295,851)**	(1,873,056)
Agricultural area trialling expenses		**-**	(432,318)
Impairment of inventory to net realisable value		**-**	(1,958,963)
Loss on disposal of property, plant and equipment		**(232,775)**	-
Other expenses		**(2,744,530)**	(1,630,029)
Total expenses		**(49,131,274)**	(34,143,179)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**(2,567,893)**	(11,880,005)
Depreciation and amortisation expense	4	**(2,551,295)**	(2,762,779)
Earnings Before Interest and Tax (EBIT)		**(5,119,188)**	(14,642,784)
Finance income		**21,418**	190,914
Finance expenses		**(1,674,749)**	(2,240,819)
Net finance expenses	4	**(1,653,331)**	(2,049,905)
(Loss) before income tax		**(6,772,519)**	(16,692,689)
Income tax expense		**(134,893)**	-
Loss from continuing operations		**(6,907,412)**	(16,692,689)
Profit/(loss) from discontinued operation, net of tax		**1,119,003**	-
(Loss) for the year		**(5,788,409)**	(16,692,689)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1,179,901**	(277,420)
Total comprehensive (loss) for the year		**(4,608,508)**	(16,970,109)

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

	Notes	Consolidated entity **31 December 2018 $**	31 December 2017 $
(Loss) is attributable to:			
Owners of TPI Enterprises Limited		**(5,788,409)**	(16,692,689)
Total comprehensive (loss) for the year is attributable to:			
Owners of TPI Enterprises Limited		**(4,608,508)**	(16,970,109)
		Cents	Cents
Earnings per share for the profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share	21	**(8.52)**	(23.38)
Diluted profit/(loss) per share	21	**(8.52)**	(23.38)
Earnings per share for the profit/(loss) from discontinued operations attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share		**1.38**	-
Diluted profit/(loss) per share		**1.38**	-

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

	Notes	Consolidated entity 31 December 2018 $	31 December 2017 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,904,583**	3,644,547
Trade and other receivables	6	**11,932,039**	9,333,756
Inventories	7	**19,166,364**	16,499,470
Contract assets		**3,527,827**	-
Prepayments		**2,723,041**	1,202,288
Assets classified as held for sale		**-**	2,961,845
Total current assets		**39,253,854**	33,641,906
Non-current assets			
Investments	9	**103,549**	101,766
Property, plant and equipment	10	**27,762,272**	27,387,040
Intangible assets	11	**14,816,227**	18,362,423
Inventories	8	**1,821,873**	-
Other non-current assets		**-**	256,945
Total non-current assets		**44,503,921**	46,108,174
Total assets		**83,757,775**	79,750,080
LIABILITIES			
Current liabilities			
Trade and other payables	12	**9,426,538**	9,353,248
Borrowings	13	**166,074**	13,226,838
Current tax liabilities		**134,893**	-
Provisions	14	**1,710,002**	1,219,118
Total current liabilities		**11,437,507**	23,799,204
Non-current liabilities			
Borrowings	15	**22,702,960**	-
Net deferred tax liabilities		**-**	2,384,098
Provisions	16	**314,549**	314,566
Total non-current liabilities		**23,017,509**	2,698,664
Total liabilities		**34,455,016**	26,497,868
Net assets		**49,302,759**	53,252,212
EQUITY			
Share capital	17	**181,482,260**	181,482,260
Reserves	18	**3,363,467**	1,856,069
(Accumulated losses)		**(135,542,968)**	(130,086,117)
Total equity		**49,302,759**	53,252,212

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated entity	Notes	Attributable to owners of TPI Enterprises Limited Contributed equity $	Foreign currency translation reserve $	Other reserves $	(Accumulated losses) $	Total equity $
Balance at 1 January 2017		122,178,914	12,827	1,921,929	(113,393,428)	10,720,242
(Loss) for the year		-	-	-	(16,692,689)	(16,692,689)
Other comprehensive (loss)/income		-	(277,420)	-	-	(277,420)
Total comprehensive income/(loss) for the year		**-**	**(277,420)**	**-**	**(16,692,689)**	**(16,970,109)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	17	59,303,346	-	-	-	59,303,346
Share-based payments		-	-	198,733	-	198,733
		59,303,346	-	198,733	-	59,502,079
Balance at 31 December 2017		**181,482,260**	**(264,593)**	**2,120,662**	**(130,086,117)**	**53,252,212**
Balance at 1 January 2018		181,482,260	(264,593)	2,120,662	(130,086,117)	53,252,212
Opening balance adjustment on application of AASB 15		-	-	-	331,558	331,558
Restated total equity at the beginning of the financial year		**181,482,260**	**(264,593)**	**2,120,662**	**(129,754,559)**	**53,583,770**
(Loss) for the year		-	-	-	(5,788,409)	(5,788,409)
Other comprehensive (loss)/income		-	1,179,901	-	-	1,179,901
Total comprehensive income/(loss) for the year		**-**	**1,179,901**	**-**	**(5,788,409)**	**(4,608,508)**
Transactions with owners in their capacity as owners:						
Share-based payments		-	-	327,497	-	327,497
Balance at 31 December 2018		**181,482,260**	**915,308**	**2,448,159**	**(135,542,968)**	**49,302,759**

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

	Notes	**Consolidated entity 31 December 2018 $**	31 December 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**40,767,047**	15,531,077
Payments to suppliers and employees (inclusive of goods and services tax)		**(54,016,366)**	(28,290,799)
		(13,249,319)	(12,759,722)
Cash receipts from government grants		**-**	1,526,588
Other cash receipts		**256,945**	-
Interest received		**21,418**	190,914
Interest and finance costs paid		**(1,674,749)**	(2,102,686)
Net cash (outflow) from operating activities	19	**(14,645,705)**	(13,144,906)
Cash flows from investing activities			
Proceeds/(payments) for acquisition of subsidiary, net of cash acquired		**761,935**	(25,557,114)
Payments for property, plant and equipment	10	**(2,781,687)**	(1,872,495)
Payments for capitalised development costs and patents	11	**(454,541)**	(524,957)
Proceeds from sale of non-current assets		**979,799**	3,193
Proceeds from sale of held-for-sale assets		**4,291,522**	-
Net cash inflow (outflow) from investing activities		**2,797,028**	(27,951,373)
Cash flows from financing activities			
Proceeds from issues of shares	17	**-**	53,834,526
Share issuance transaction costs	17	**-**	(2,861,711)
Proceeds from borrowings	15	**25,669,130**	10,375,000
Repayment of borrowings	15	**(16,026,934)**	(16,890,760)
Net cash inflow from financing activities		**9,642,196**	44,457,055
Net (decrease) increase in cash and cash equivalents		**(2,206,481)**	3,360,776
Cash and cash equivalents at the beginning of the financial year		**3,644,547**	622,548
Effects of exchange rate changes on the balance of assets held in foreign currencies		**466,517**	(338,777)
Cash and cash equivalents at end of year	5	**1,904,583**	3,644,547

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

1 Basis of preparation of preliminary final report

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual financial report for the year ended 31 December 2017 and the financial report for the six months ended 30 June 2018 and any public announcements made by the Group, in accordance with continuous disclosure requirements of the *Corporations Act 2001.* This preliminary final report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Accounting Interpretations and the *Corporations Act 2001*.

This preliminary final report has been prepared based on historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for the assets. All amounts are presented in Australian dollars, unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the Group's financial report for the year ended 31 December 2017 and the half year ended 30 June 2018.

This preliminary financial report was authorised for issue by the Group's Board of Directors on 28 February 2019.

(a) Significant accounting policies

The accounting policies applied in this preliminary financial report are the same as those applied in the Group's consolidated financial report as at and for the half year ended 30 June 2018.

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in the following notes:

Notes 10 and 11 - impairment test: key assumptions underlying recoverable amounts of property, plant and equipment and intangible assets.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

For the year ended 31 December 2018 the Group generated a loss after income tax of $5,788,409 (2017: $16,692,689) and had cash outflows from operations of $14,645,705 (2017: $13,144,906). The Group's revenue continues to grow strongly with an increase of 109.1% on 2017 at improved margins, and the Group reported a positive statutory Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") during the fourth quarter of FY18 with this trend expected to continue in FY19.

To facilitate the Group's working capital requirements, the Group has a standby debt facility in place with Washington H. Soul Pattinson and Company Limited, a substantial shareholder. The facility, which is secured against the assets of the Group, provides access to funds of up to $25,000,000 and has a maturity date of 31 August 2020.

1 Basis of preparation of preliminary final report (continued)

(c) Going concern (continued)

The Directors are confident in the continued support from existing shareholders and the Group's ability to attract new investors and debt providers to fund growth and future working capital requirements, when required, as demonstrated by previous capital and debt raisings.

Further details of the going concern basis of accounting will be provided in the Group's annual report for the year ended 31 December 2018 to be issued in March 2019.

2 Segment information

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM') of the Group. The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM has been identified as the CEO. Segment information is presented to the CEO comprising two segments: Australia and Norway.

Australia
Segment activities: Narcotic Raw Material and Poppy Seed production and distribution.

Norway
Segment activities: Active Pharmaceutical Ingredient and Finished Dosage production and distribution.

	Australia		Norway		Eliminations		Consolidated	
Consolidated entity	**31 December 2018 $**	**31 December 2017 $**	**31 December 2018 $**	**31 December 2017 $**	**31 December 2018 $**	**31 December 2017 $**	**31 December 2018 $**	**31 December 2017 $**
External revenue	**8,792,653**	13,035,189	**37,378,345**	9,227,985	**-**	-	**46,170,998**	22,263,174
Inter-segment revenue	**10,500,690**	979,893	**-**	-	**(10,500,690)**	(979,893)	**-**	-
Total segment revenue	**19,293,343**	14,015,082	**37,378,345**	9,227,985	**(10,500,690)**	(979,893)	**46,170,998**	22,263,174
Reportable segment profit	**(6,218,549)**	(14,019,206)	**678,511**	92,148	**285,958**	(294,378)	**(5,254,080)**	(14,221,436)
Unallocated amounts								
Net financing costs	**-**	-	**-**	-	**-**	-	**(1,653,331)**	(1,824,666)
Profit/(loss) from discontinued operation	**-**	-	**-**	-	**-**	-	**1,119,003**	(646,587)
Consolidated (loss) before tax	**-**	-	**-**	-	**-**	-	**(5,788,408)**	(16,692,689)

2 Segment information (continued)

	Australia		Norway		Eliminations		Consolidated	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Consolidated entity	$	$	$	$	$	$	$	$
Timing of External revenue recognition:								
At a point in time	8,792,653	13,035,189	10,684,300	9,227,985	-	-	19,476,953	22,263,174
Over time	-	-	26,694,045	-	-	-	26,694,045	-
	8,792,653	13,035,189	37,378,345	9,227,985	-	-	46,170,998	22,263,174

2 Segment information (continued)

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Non-current assets		
Australia	**27,366,538**	27,290,561
Europe	**17,137,383**	18,817,613
	44,503,921	46,108,174

3 Revenue

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
From continuing operations		
Sales revenue		
Sale of goods	**46,170,998**	21,666,095
Other income		
Rental income	**101,446**	-
Research and development tax incentive	**-**	597,079
Other items	**290,937**	-
	392,383	597,079
	46,563,381	22,263,174

4 Expenses

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
(Loss) before income tax includes the following specific expenses:		
Employee benefits expenses		
Salaries and wages	**15,581,094**	9,008,370
Other associated personnel expenses	**1,660,743**	1,117,185
Defined contribution superannuation expenses	**460,366**	571,342
Increase/(decrease) in liability for long service leave	**(17)**	39,566
Increase/(decrease) in liability for annual leave	**490,884**	448,983
Share-based payments	**327,497**	198,733
Total employee benefits expenses	**18,520,567**	11,384,179

4 Expenses (continued)

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Depreciation		
Buildings	**419,564**	441,938
Contract equipment	**185,654**	147,553
Manufacturing plant and equipment	**1,722,681**	1,686,043
Office equipment	**162,204**	91,070
Motor vehicles	**28,961**	50,249
Total depreciation	**2,519,064**	2,416,853
Amortisation		
Patents	**32,231**	5,477
Capitalised development costs	**-**	340,449
Total amortisation	**32,231**	345,926
Total depreciation and amortisation	**2,551,295**	2,762,779
Finance income		
Interest income	**(21,418)**	(190,914)
	(21,418)	(190,914)
Finance costs		
Interest and finance expenses on financial liabilities measured at amortised cost	**1,657,773**	2,015,583
Net exchange losses on foreign currency	**16,976**	225,236
	1,674,749	2,240,819
Net finance expenses recognised in profit or loss	**1,653,331**	2,049,905

5 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Cash at bank	**1,904,583**	3,644,547

6 Current assets - Trade and other receivables

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Trade receivables	**10,171,554**	8,602,451
Other receivables	**1,760,485**	731,305
	11,932,039	9,333,756

The balance of trade and other receivables of $11,932,039 (2017: $9,333,756) are not considered impaired.

7 Current assets - Inventories

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Raw materials and consumables	**5,830,836**	6,544,865
Work in progress	**12,751,135**	9,157,516
Finished goods	**584,393**	797,089
	19,166,364	16,499,470

8 Non-current assets - Inventories

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Raw materials and consumables	**1,200,529**	-
Work in progress	**599,095**	-
Finished goods	**22,249**	-
	1,821,873	-

9 Non-current assets - Investments

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Macquarie River Pipeline Partnership - at fair value	**103,549**	101,766

The unlisted interest in the Macquarie River Pipeline Partnership has been designated at fair value through profit or loss because it is managed on a fair value basis. The Group recognised its share of profits generated by the Partnership during the year.

10 Non-current assets - Property, plant and equipment

Consolidated entity	Land and buildings $	Manufacturing plant and equipment $	Office equipment $	Motor vehicles $	Contract plant and equipment $	Total $
At 1 January 2017						
Cost	19,353,277	23,735,179	896,582	678,357	1,645,136	46,308,531
Accumulated depreciation	(7,228,252)	(9,407,598)	(350,144)	(496,636)	(590,929)	(18,073,559)
Net book amount	12,125,025	14,327,581	546,438	181,721	1,054,207	28,234,972
Year ended 31 December 2017						
Opening net book amount	12,125,025	14,327,581	546,438	181,721	1,054,207	28,234,972
Exchange rate movements	102,639	(37,251)	(979)	260	-	64,669
Acquisition of subsidiary	483,012	1,412,462	37,396	6,623	-	1,939,493
Additions	23,010	926,405	216,916	3,007	703,157	1,872,495
Assets held for sale	(2,297,375)	-	-	(7,168)	-	(2,304,543)
Disposals	-	-	-	-	(3,193)	(3,193)
Depreciation charge	(441,938)	(1,686,043)	(91,070)	(50,249)	(147,553)	(2,416,853)
Closing net book amount	9,994,373	14,943,154	708,701	134,194	1,606,618	27,387,040
At 31 December 2017						
Cost	17,383,499	26,036,796	1,148,017	660,324	2,345,907	47,574,543
Accumulated depreciation	(7,389,126)	(11,093,642)	(439,316)	(526,130)	(739,289)	(20,187,503)
Net book amount	9,994,373	14,943,154	708,701	134,194	1,606,618	27,387,040

10 Non-current assets - Property, plant and equipment (continued)

Consolidated entity	**Land and buildings $**	**Manufacturing plant and equipment $**	**Office equipment $**	**Motor vehicles $**	**Contract plant and equipment $**	**Total $**
Year ended 31 December 2018						
Opening net book amount	9,994,373	14,943,154	708,701	134,194	1,606,618	27,387,040
Exchange rate movements	23,802	68,523	1,735	290	-	94,350
Additions	585,300	1,507,030	655,478	21,818	12,061	2,781,687
Disposals	-	-	(415)	(41,550)	(70,610)	(112,575)
Transfers between asset classes	-	-	130,834	-	-	130,834
Depreciation charge	(419,564)	(1,722,681)	(162,204)	(28,961)	(185,654)	(2,519,064)
Closing net book amount	10,183,911	14,796,026	1,334,129	85,791	1,362,415	27,762,272
At 31 December 2018						
Cost	17,994,157	27,616,556	1,931,659	252,975	2,233,071	50,028,418
Accumulated depreciation	(7,810,246)	(12,820,530)	(597,530)	(167,184)	(870,656)	(22,266,146)
Net book amount	10,183,911	14,796,026	1,334,129	85,791	1,362,415	27,762,272

Impairment testing

During the year ended 31 December 2018, the Group continued to record operating losses and accordingly has performed impairment testing to assess whether the recoverable amount of its property, plant and equipment and intangible assets is in excess of carrying value.

For the purpose of impairment testing the Group has defined two Cash Generating Units (CGU) the Australia CGU and the Norway CGU.

Whilst there are no impairment indicators for the Norway CGU, impairment testing was performed based on value-in-use calculations.

The recoverable amount for Australia was determined based on value-in-use calculations which require the use of assumptions.

Value in use as at 31 December 2018 was determined for the Australia CGU, based on the following key assumptions:

- Cash flows were forecast based on the Group's five-year business plan with the terminal value based on the fifth-year cash flow and a long-term growth rate of 2.5%, which is consistent with the long-term inflation and growth targets for Australia of between 2% and 3%.

- Forecast sales volumes are based on past performance and management's expectations of market development.

- Forecast foreign currency rates are set based on a range of external market commentator forecasts, with one of the assumptions being a USD/AUD exchange rate of 73 cents.

10 Non-current assets - Property, plant and equipment (continued)

- Sales prices are based on current industry trends for each sales territory and contracted pricing where applicable.

- Forecast gross margins are based on past performance and management's expectations for the future.

- Other operating costs of the CGU, which do not vary significantly with sales volumes or prices, have been forecast by management based on the current structure of the business, but not reflecting any future restructurings or cost saving measures.

- Annual capital expenditure is based on the historical experience of management. No incremental cost savings are assumed in the value-in-use model as a result of this expenditure.

- An after-tax discount rate of 9.45% (pre tax amount of 12.47%) was applied in determining the recoverable amount of the CGU based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group's size and stage of lifecyle.

The recoverable amount of the Australian CGU was determined to be higher than its carrying amount, indicating that no impairment is evident. Management has identified that a reasonably possible change in the key assumption shown below could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the assumption would need to change individually for the estimated and recoverable amount to be equal to the carrying amount. The 2017 change is higher due to the re-allocation of goodwill to the Australian CGU arising from the adjustment from the completion of the business combination provisional fair values.

	Change required for carrying amount to equal recoverable amount	
In percent	**2018**	**2017**
Discount rate	0.5	2.4

In addition, a reasonably possible change in the USD/AUD foreign exchange rate would increase/(decrease) the headroom between the recoverable amount based on the value in use calculations and the carrying amount of the Australian CGU as follows:

In cents	**Change to headroom (increase/(decrease))**
USD/AUD exchange rate – 1 cent movement	**2018**
73 cents to 72 cents	$6.1m
73 cents to 74 cents	($5.9m)

11 Non-current assets - Intangible assets

Consolidated entity	**Goodwill $**	**Patents $**	**Customer relationships $**	**Capitalised development costs $**	**Irrigation rights $**	**Total $**
At 1 January 2017						
Cost	-	608,351	-	3,970,561	1,100,000	5,678,912
Accumulated amortisation and impairment	-	(602,873)	-	(3,151,405)	-	(3,754,278)
Net book amount	-	5,478	-	819,156	1,100,000	1,924,634
Year ended 31 December 2017						
Opening net book amount	-	5,478	-	819,156	1,100,000	1,924,634
Exchange differences	-	(3,313)	-	-	-	(3,313)
Additions	-	124,436	-	400,521	-	524,957
Acquisition of subsidiary	6,772,206	125,597	9,933,741	-	-	16,831,544
Assets held for sale	-	-	-	(569,473)	-	(569,473)
Amortisation charge	-	(5,477)	-	(340,449)	-	(345,926)
Closing net book amount	6,772,206	246,721	9,933,741	309,755	1,100,000	18,362,423
At 31 December 2017						
Cost	6,772,206	607,450	9,933,741	1,070,646	1,100,000	19,484,043
Accumulated amortisation and impairment	-	(360,729)	-	(760,891)	-	(1,121,620)
Net book amount	6,772,206	246,721	9,933,741	309,755	1,100,000	18,362,423

11 Non-current assets - Intangible assets (continued)

Consolidated entity	**Goodwill $**	**Patents $**	**Customer relationships $**	**Capitalised development costs $**	**Irrigation rights $**	**Total $**
Year ended 31 December 2018						
Opening net book amount	6,772,206	246,721	9,933,741	309,755	1,100,000	18,362,423
Exchange differences	160,363	12,772	235,226	-	-	408,361
Additions	-	-	-	454,541	-	454,541
Disposals	-	-	-	-	(1,100,000)	(1,100,000)
Adjustment to business combination provisional fair values	7,022,934	-	(10,168,967)	-	-	(3,146,033)
Transfers between assets classes	-	(130,834)	-	-	-	(130,834)
Amortisation charge	-	(32,231)	-	-	-	(32,231)
Closing net book amount	13,955,503	96,428	-	764,296	-	14,816,227
At 31 December 2018						
Cost	13,955,503	128,571	-	764,296	-	14,848,370
Accumulated amortisation and impairment	-	(32,143)	-	-	-	(32,143)
Net book amount	13,955,503	96,428	-	764,296	-	14,816,227

Impairment testing

The Group reviewed the carrying value of development costs at 31 December 2018 and determined that no additional impairments were required in respect of these assets.

The goodwill, intangible assets, development costs were tested as part of the CGU testing performed.

Refer to note 10 for further details of the Group's impairment testing for the year ended 31 December 2018.

12 Current liabilities - Trade and other payables

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Trade payables	**8,053,892**	6,688,155
GST and VAT	**455,896**	441,090
Deferred consideration payable	**-**	1,487,680
Other payables	**916,750**	736,323
	9,426,538	9,353,248

13 Current liabilities - Borrowings

This note provides information about the Group's current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Finance lease liabilities	**-**	8,150,000
Irrigation rights fixed repayment plan	**-**	76,831
Shareholder loan facility	**-**	5,000,000
Other loans	**166,074**	7
Total current borrowings	**166,074**	13,226,838

Refer to note 15 for movements during the year, and the contractual terms of the Group's current borrowings.

14 Current liabilities - Provisions

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Employee benefits - annual leave	**1,710,002**	1,219,118

15 Non-current liabilities - Borrowings

This note provides information about the Group's non-current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Shareholder loan facility	**22,702,960**	-
Total non-current borrowings	**22,702,960**	-

(a) Movements during the year, including movements of liabilities to cash flows arising from financing activities

	Currency	Nominal interest rate	Year of maturity	Movement	Carrying amount ($)
At 1 January 2018					**13,226,838**
Repayments					
Shareholder loan facility - Tranche A	AUD	11.00%	2020	11,400,000	16,400,000
Shareholder loan facility - Tranche B	AUD	9.00%	2020	6,302,960	6,302,960
Finance lease liabilities	AUD	9.04%	2018	(8,150,000)	-
Irrigation rights fixed repayment plan	AUD	8.10%	2018	(76,831)	-
Insurance premium funding	AUD	6.22%	2019	88,646	88,646
Insurance premium funding	AUD	5.20%	2019	86,001	86,001
Other	AUD		2019	(8,580)	(8,573)
Carrying amount at 31 December 2018				9,642,196	**22,869,034**

Washington H. Soul Pattinson and Company Limited, a substantial shareholder has provided the Group with a standby debt facility with a limit of up to $25,000,000 (2017: $12,500,000) to meet the Group's short term working capital needs. At 31 December 2018 the Group had drawn down $22,702,960 of the Facility (2017: $5,000,000). The maturity date of this facility is August 2020.

15 Non-current liabilities - Borrowings (continued)

(b) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2018 Face value ($)	31 December 2018 Carrying amount ($)	31 December 2017 Face value ($)	31 December 2017 Carrying amount ($)
Shareholder loan facility - Tranche A	AUD	11.00%	2020	16,400,000	16,400,000	5,000,000	5,000,000
Shareholder loan facility - Tranche B	AUD	9.00%	2020	6,302,960	6,302,960		
Finance lease liabilities	AUD	9.04%	2018	-	-	8,862,198	8,150,000
Irrigation rights fixed repayment plan	AUD	8.10%	2018	-	-	79,172	76,831
Insurance premium funding	AUD	6.22%	2019	88,646	88,646	-	-
Insurance premium funding	AUD	5.20%	2019	86,001	86,001		
Other	AUD		2019	(8,573)	(8,573)	7	7
Total interest bearing liabilities				**22,869,034**	**22,869,034**	**13,941,377**	**13,226,838**

(c) Finance lease liabilities

	Consolidated entity 31 December 2018 $	31 December 2017 $
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	8,862,198
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
Minimum lease payments	**-**	8,862,198
Future finance charges	**-**	(712,198)
Total lease liabilities	**-**	8,150,000
Representing lease liabilities:		
Current	**-**	8,150,000
Non-current	**-**	-
	-	8,150,000

16 Non-current liabilities - Provisions

	Consolidated entity 31 December 2018 $	31 December 2017 $
Employee benefits - long service leave	**314,549**	314,566

17 Contributed equity

(a) Share capital

	31 December 2018 Shares	31 December 2017 Shares	**31 December 2018 $**	31 December 2017 $
Ordinary shares				
Fully paid	**81,085,594**	81,085,594	**181,482,260**	181,482,260

(b) Movements in ordinary shares:

Details	**Number of shares**	**Total $**
Opening balance 1 January 2017	52,828,750	122,178,914
Shares issued for cash	24,470,239	53,834,526
Conversion of shareholder loan to equity	3,786,605	8,330,531
Less: Transaction costs arising on share issue	-	(2,861,711)
Balance 31 December 2017	81,085,594	181,482,260
Opening balance 1 January 2018	81,085,594	181,482,260
Balance 31 December 2018	81,085,594	181,482,260

(c) Ordinary shares

The Company does not have authorised capital or par values in respect of its issued shares. All issued shares are fully paid. All shares rank equally.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. In respect of the Company's shares that are held by the Company, all rights are suspended until those shares are reissued.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

18 Reserves

Foreign currency translation reserve

Exchange differences relating to translation from functional currencies of the Group’s foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

Other reserves

Other reserves comprise a share-based payment reserve.

19 Cash flow information

Reconciliation of (loss) after income tax to net cash (outflow) from operating activities

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
(Loss) for the period	**(5,788,409)**	(16,692,689)
Adjustment for		
Depreciation expense	**2,519,064**	2,416,853
Amortisation expense	**32,231**	345,926
Net loss on sale of non-current assets	**232,775**	-
Partnership distribution	**(1,783)**	-
Gain on sale of discontinued operation, net of income tax	**(1,119,003)**	-
Income tax expense	**134,893**	-
Equity-settled share-based payment transactions	**327,497**	198,733
Change in operating assets and liabilities:		
(Increase) in trade, other receivables and contract assets	**(5,537,606)**	(5,205,509)
(Increase) in inventories	**(4,488,767)**	966,376
Decrease in other assets	**-**	1,453
(Increase) in prepayments	**(1,520,753)**	(45,265)
Increase in trade and other payables	**73,289**	4,380,665
Increase in other provisions	**490,867**	488,551
Net cash (outflow) from operating activities	**(14,645,705)**	(13,144,906)

20 Events occurring after the reporting period

Other than the matter raised in note 22, no other matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

21 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	Consolidated entity	
	31 December 2018 $	31 December 2017 $
Net loss used in calculating basic earnings per share:	**6,907,412**	16,692,689
Net loss used in calculating diluted earnings per share:	**6,907,412**	16,692,689

(b) Weighted average number of shares used as the denominator

	Consolidated entity	
	2018 Number	2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**81,085,594**	71,392,897
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**81,085,594**	71,392,897

(c) Information concerning the classification of securities

Fully paid ordinary shares carry the right to participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Fully paid ordinary shares are included as ordinary shares in the determination of basic earnings per share.

No other securities are currently on issue.

22 Contingencies

The Group is disputing the validity of patents over high codeine poppies granted to a competitor in an infringement action being brought against the Group for use of the high codeine poppies. The Group will strongly pursue its claim for invalidity of the patents and defend the infringement claim against it.

To avoid unnecessary costs, the Group has provided undertakings imposing conditions on the Group's sale of seed from high codeine poppies until the resolution of the infringement and invalidity proceedings and restricting the Group's use of straw from high codeine poppies until 30 April 2019. In return, the competitor has provided undertakings to pay compensation to the Group, in respect of the conditions and restrictions imposed on the Group by the undertakings, if the competitor's infringement claim is unsuccessful.

The Group is required to inform the competitor by 8 April 2019 if it is willing to extend the undertakings in respect of straw beyond 30 April 2019. If the undertakings are not extended, the competitor may seek an injunction to prevent the Group's use of the high codeine poppies after that date. The Group may oppose any application for such an injunction.

The Group is confident that it will have available to it sufficient quantities of straw from non-high codeine poppies to meet its current customer supply obligations. However, the inability to process existing inventory of straw from high codeine poppies pending the expiration of the undertakings and resolution of the infringement and invalidity proceedings will adversely affect the Group's working capital position. The approximate carrying value of high codeine poppy straw in inventory as at the date of this report is $4,500,000.

The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Directors are of the opinion that the infringement claim will be successfully resisted.