



## **Buderim Group Limited**

Level 5, 303 Coronation Drive  
Milton, Queensland, 4064  
Telephone: (07) 3726 3400  
Facsimile: (07) 3876 3010

**ABN 68 010 978 800**

**ASX Code: BUG**

### **Appendix 4E** Listing Rule 4.3A

## **Preliminary Final Report**

**Reporting Period: 1 July 2015 to 30 June 2016**

**Previous Corresponding Period: 1 July 2014 to 30 June 2015**

# Results for announcement to the market

## Summary of financial information

Comparison to previous corresponding period	Increase / Decrease	% \$'000	To \$'000
Revenue from ordinary activities	Increase	9.67%	79,496
	Increase	7,010	79,496
Profit / (loss) from ordinary activities after tax attributable to members	Decrease	(2,385)%	(6,626)
	Decrease	(6,916)	(6,626)
Profit / (loss) for the period attributable to members	Decrease	(2,385)%	(6,626)
	Decrease	(6,916)	(6,626)

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 consolidated notes to the financial statements for further detail of the aforementioned results.

## Dividends (Distributions)

No dividend has been paid or declared for the years ended 30 June 2016 and 30 June 2015.

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

## A brief explanation of any of the figures noted above to enable the figures to be understood

The Group recorded a net loss after tax of \$6.63 million for the year ended 30 June 2016 after impairments of \$4.51million and one-off costs and provisions of \$1.74 million. The underlying loss before tax of \$2.92 million recorded before impairments, one-off costs and provisions compared to an underlying profit in the prior year of \$0.33 million.

Non-cash impairments of \$4.51 million before tax related to write downs in the value of plant and equipment \$2.84 million, goodwill \$1.52 million and trademarks \$0.15 million. Net one-off costs and provisions totalling \$1.74 million before tax related to the settlement of legal claims, due diligence costs, capital structure review costs, stock write offs and provisions, loss of margin from delisted products, product withdrawal, general indirect tax provision and recognition of deferred grant income.

Other factors affecting the result for this year included:

- A decline in Ginger Segment profitability of \$1.80 million before tax, excluding impairments. Sales of \$25.1 million to external customers remained steady. However, retail product deletions together with reduced profit margins in the Australian retail market and increased operating costs, including one-off costs and provisions totalling \$0.44 million, contributed to a decline in Ginger Segment profit. This resulted in a loss before tax of \$3.95 million excluding impairments.
- A decline in Macadamia Segment profitability of \$1.83 million excluding impairments and fair value adjustments, led to a loss before tax of \$0.85 million before impairments. Sales to external customers grew 17.4% to \$49.1 million. However profit was impacted by one-off costs and provisions totalling \$1.30 million. Margins were impacted by increased costs, including a significant increase in the farm gate price of Australian macadamias.
- A growth of 4.4% in visitor numbers to The Ginger Factory Tourism Park compared to the prior year contributed to a segment profit of \$0.16 million for the year.

## Net tangible assets

	30/06/2016	30/06/2015
Net tangible asset backing per ordinary share	\$0.91	\$0.95
Number of shares on issue at 30 June	43,363,090	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 ('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 \$56k (2015: \$20k).

# Results for announcement to the market

## Accounting standards

This report, and the accounts upon which the report is based, use the same accounting policies used in the last annual financial statements and the last half-year financial statements, refer note 1.

## Earnings per share

	30/06/2016	30/06/2015
Net profit/(loss) after tax attributable to ordinary shareholders of parent (\$'000)	(6,626)	290
Weighted average number of ordinary shares on issue	43,363,090	43,363,090
Basic and diluted earnings per share (cents per share)	(15.28)	0.70

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As Buderim Group Limited does not have preference shares or other dilutive potential ordinary shares, the diluted earnings per share is the same as the basic earnings per share.

## Results of significant segments of the business

Refer to note 2 of the attached notes to the consolidated financial statements for results of operating segments.

## Discussion on trends in performance, key factors affecting the results in the period or those likely to affect results in the future

For the year ended	2016	2015	2014	2013 (6 months)	2012
EBIT (\$'000)	(8,231)	3,326	(1,944)	(5,940)	4,181
EBITDA (\$'000)	(5,875)	5,519	125	(4,602)	6,858
Basic earning per share (cents)	(15.28)	0.67	(7.10)	(22.30)	8.91
Dividend per share (cents)	-	-	-	-	3.00
Dividend payout ratio (%)	-	-	-	-	33.70
Return on assets (%)	(7.14)	0.34	(1.91)	(6.30)	2.67
Return on equity (%)	(16.51)	0.67	(3.78)	(15.50)	5.34
Debt/equity (%)	60.50	51.23	57.20	77.90	57.20
Gearing ratio (%)	56.75	49.67	49.80	59.40	50.00
Current ratio (%)	128	207	130	103	156
Shares on issue (millions)	43.36	43.36	43.36	21.02	20.65
Net tangible asset backing per share (cents)	91	95	78	122	148

The 2016 financial year was extremely challenging and our financial result reflects the changing nature of our business.

### Our business is changing

A significant number of our mature age ginger products have been deleted or delisted by our major customers since 2013. We said last year 'our focus is on sales growth and distribution which includes new products, new distribution channels and expanded market segments'. Our challenge has been to get distribution in what is a very competitive space for supermarket listings.

### Ginger Division

As our sales mix changed, an increasing level of rebates and discounts on our ginger and spread products weighed heavily on profitability, being \$0.7 million higher than last year. Product deletions cost us contribution of \$0.3 million compared with last year. In Frespac, we were unable to meet sales demand in the first quarter through insufficient ginger on hand, which affected profitability by an estimated \$0.5 million. We have taken steps to improve our forecasting in this respect. The change to the new ginger pouch formats introduced a higher contract packing cost until new pouch packing equipment was installed.

The outlook for our drinks business is positive, with non-alcoholic drinks listing in Coles nationally from September 2016. Our alcoholic drinks have already listed in First Choice and Vintage Cellars.

### Macadamia Division

The Macadamia contribution to group loss of \$2.5 million shown in note 2 Segment Information includes 'one-off' costs of \$1.3 million in MacFarms and asset impairment of \$1.6 million relating mainly to the write-off of good will in Agrimac. The comparative of \$4.5 million profit for 2015 includes the fair value adjustment of \$3.6 million. Sales to external customers grew 17.4% to \$49.1 million.

## Results for announcement to the market

The MacFarms orchard produced well and together with purchases from independent growers the intake was in the order of 12.9 million pounds. After a slow start in the first half, almost all was sold by financial year end.

One of the greatest challenges concerned Agrimac, our Australian macadamia business, where the cost of nut in shell from growers has risen by approximately A\$2.00 per kg in two years. At the same time we found our long standing customers were not accepting of our need to recover those price increases, since they in turn had difficulty at the consumer level recovering those prices.

### *Balance Sheet*

In May 2016 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities provided an increase of \$3.5 million in the working capital facility to \$7.0 million. As at 28 June 2016, the Group obtained a waiver from Rabobank in relation to the financial banking covenants due to the 2016 financial results not meeting budgeted EBITDA targets. Bank debt has been classified as current at 30 June 2016 because the Group was unable to secure the Rabobank requirements from third party warehouses, required as a condition of the waiver letter.

The consolidated statement of cash flows shows a decrease in cash and cash equivalents for the year ended 30 June 2016 of \$1.00 million down to \$3.53 million.

At the commencement of the year cash and cash equivalents amounted to \$4.53 million. During the year cash outflows included \$2.42 million from net operating activities and \$1.00 million from net investing outflows which included the purchase plant and equipment totalling \$1.1 million, partially offset by a \$0.1 million partial return of capital from Ginger Head Quarters Pty Ltd. Net cash inflows of \$2.43 million from financing activities resulted from debt repayments of \$4.75 million being offset by debt drawdowns of \$7.17 million. This increase in net debt primarily related to the increase in the Rabobank working capital facility to fund the 2016 Australian macadamia crop and also included net borrowings under insurance premium funding arrangements from other financiers.

### **Audit Status**

This preliminary report is based on the financial report which is in the process of being audited. The Directors believe it is likely the independent audit report will contain an emphasis of matter paragraph in respect of the going concern status of the Group, similar to that contained within the half-year report ended 31 December 2015.



**Andrew Bond**  
**Company Secretary**

**Brisbane, 31 August 2016**

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Notes	CONSOLIDATED	
		30/06/16	30/06/15
		\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	3,901	4,532
Trade and other receivables		13,358	9,597
Inventories		25,892	25,334
Current tax assets		319	179
Other current assets		962	1,054
Assets classified as held for sale	4	10,825	-
<b>TOTAL CURRENT ASSETS</b>		<b>55,257</b>	<b>40,696</b>
<b>NON-CURRENT ASSETS</b>			
Investment accounted for using the equity method		1,162	1,205
Property, plant and equipment	6	20,370	29,674
Biological assets		6,076	5,892
Deferred tax assets		9,533	6,098
Intangible assets		389	2,049
<b>TOTAL NON-CURRENT ASSETS</b>		<b>37,530</b>	<b>44,918</b>
<b>TOTAL ASSETS</b>		<b>92,787</b>	<b>85,614</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		18,664	14,715
Interest-bearing liabilities		23,951	4,327
Short-term provisions		587	637
<b>TOTAL CURRENT LIABILITIES</b>		<b>43,202</b>	<b>19,679</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities		89	16,697
Deferred tax liabilities		9,220	6,105
Long-term provisions		149	43
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,458</b>	<b>22,845</b>
<b>TOTAL LIABILITIES</b>		<b>52,660</b>	<b>42,524</b>
<b>NET ASSETS</b>		<b>40,127</b>	<b>43,090</b>
<b>EQUITY</b>			
Contributed equity		39,272	39,272
Reserves		11,038	7,375
Retained earnings/accumulated losses		(10,183)	(3,557)
<b>TOTAL EQUITY</b>		<b>40,127</b>	<b>43,090</b>

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 YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		30/06/16 \$'000	30/06/15 \$'000
<b>INCOME</b>			
Sale of goods		78,473	70,720
Cost of sales		(67,516)	(57,527)
<b>Gross profit</b>		<b>10,957</b>	<b>13,193</b>
Rental revenue		164	238
Other income	3(a)	859	5,102
Finance revenue		6	68
		<b>11,986</b>	<b>18,601</b>
Share of profit accounted for using the equity method		56	20
Selling and distribution expenses		(4,974)	(5,104)
Marketing expenses		(1,372)	(959)
Tourism expenses		(2,486)	(2,321)
Administration expenses		(6,895)	(6,700)
Impairment expense	7	(4,508)	-
Other expenses	3(b)	(32)	(142)
<b>PROFIT/(LOSS) BEFORE TAX and FINANCE COSTS</b>		<b>(8,225)</b>	<b>3,395</b>
Finance costs	3(c)	(938)	(879)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(9,163)</b>	<b>2,516</b>
Income tax (expense)/benefit		2,537	(2,226)
<b>NET PROFIT/(LOSS) FROM THE PERIOD</b>		<b>(6,626)</b>	<b>290</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Changes in fair value of land, net of tax		3,245	2,437
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange difference on translation of foreign operations, net of tax		418	885
Prior year adjustment		-	(42)
<b>Total other comprehensive income/(loss), net of tax</b>		<b>3,663</b>	<b>3,280</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(2,963)</b>	<b>3,570</b>
<b>Total net profit/(loss) is attributable to:</b>			
Equity holders of Buderim Group Limited		(6,626)	290
		<b>(6,626)</b>	<b>290</b>
<b>Total comprehensive income is attributed to:</b>			
Equity holders of Buderim Group Limited		(2,963)	3,570
		<b>(2,963)</b>	<b>3,570</b>
Basic and diluted earnings / (loss) per share (cents)		(15.28)	0.7
Basic and diluted earnings / (loss) per share from continuing operations (cents)		(15.28)	0.7
Basic and diluted earnings / (loss) per share from discontinued operations (cents)		-	-

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 YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		30/06/16 \$'000	30/06/15 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		77,474	73,228
Payments to suppliers and employees (inclusive of GST)		(79,721)	(70,638)
Other receipts		731	(1,699)
Interest received		6	67
Interest and other finance costs paid		(938)	(886)
Income tax received/(paid)		44	53
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>(2,404)</b>	<b>145</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,124)	(5,015)
Purchase of biological assets		-	(2,185)
Purchase of intangible assets		-	(10)
Proceeds from sale of equipment		3	-
Return of equity from joint venture		100	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(1,021)</b>	<b>(7,210)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from borrowings		7,172	6,065
Repayments of borrowings		(4,746)	(7,102)
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>2,426</b>	<b>(1,037)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(999)</b>	<b>(8,102)</b>
Cash and cash equivalents at beginning of period		4,532	12,634
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5	<b>3,533</b>	<b>4,532</b>

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED	Contributed Equity \$'000	Reserves		Retained Earnings/ Accumulated Losses \$'000	Total Equity \$'000
		Asset Revaluation \$'000	Foreign Currency Translation \$'000		
<b>As at 1 July 2014</b>	39,272	4,553	(500)	(3,805)	<b>39,520</b>
<b>Total comprehensive income for the period</b>					
Net profit/(loss) for period	-	-	-	290	<b>290</b>
<b>Other comprehensive income</b>					
Exchange difference on translation of foreign operation	-	-	885	-	<b>885</b>
Change in fair value of land	-	2,542	-	-	<b>2,542</b>
Prior year adjustment	-	-	-	(42)	<b>(42)</b>
Income tax on other comprehensive income items	-	(105)	-	-	<b>(105)</b>
<b>Total comprehensive income for the period</b>	-	2,437	885	248	<b>3,570</b>
<b>Transactions with owners in their capacity as owners</b>					
Equity dividend	-	-	-	-	<b>-</b>
<b>As at 30 June 2015</b>	<b>39,272</b>	<b>6,990</b>	<b>385</b>	<b>(3,557)</b>	<b>43,090</b>
<b>As at 1 July 2015</b>					
<b>Total comprehensive income for the period</b>					
Net profit/(loss) for period	-	-	-	(6,626)	<b>(6,626)</b>
<b>Other comprehensive income</b>					
Exchange difference on translation of foreign operation	-	-	418	-	<b>418</b>
Change in fair value of land	-	5,278	-	-	<b>5,278</b>
Prior year adjustment	-	-	-	-	<b>-</b>
Income tax on other comprehensive income items	-	(2,033)	-	-	<b>(2,033)</b>
<b>Total comprehensive income for the period</b>	-	3,245	418	(6,626)	<b>(2,963)</b>
<b>Transactions with owners in their capacity as owners</b>					
Equity dividend	-	-	-	-	<b>-</b>
<b>As at 30 June 2016</b>	<b>39,272</b>	<b>10,235</b>	<b>803</b>	<b>(10,183)</b>	<b>40,127</b>

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of preliminary financial statements

The preliminary report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preliminary report does not include all the notes of the type normally included in annual financial statements. Accordingly, this preliminary report should be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by Buderim Group Limited during the year in accordance with the continuous disclosure requirements of the Australian Securities Exchange and the Corporations Act 2001.

The accounting policies applied in this preliminary report are the same as those applied by the company in the financial report as at and for the year ended 30 June 2015. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

The preliminary 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.

### (b) Going concern

The Group incurred a net loss of \$6,626,000 for the year ended 30 June 2016. As at 30 June 2016 the Group had cash reserves of \$3,901,000, a net current asset surplus of \$12,055,000 and net assets of \$40,127,000. The Group operates under finance facilities varied with Rabo Australia Limited ("Rabobank") in May 2016. Included in current liabilities are borrowings of \$2,000,000 that are set to expire on 31 August 2016, \$4,000,000 on 28 February 2017, and \$16,780,657 on 30 November 2017. These loans were classified as current liabilities as 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 with Rabobank for the period ended 30 June 2016. The Group received a waiver from Rabobank on 28 June 2016 in respect of the expected financial banking covenant breaches as at 30 June 2016. All Rabobank facilities have been classified as current because the Group was unable to secure Rabobank requirements from third party warehouses, required as a condition of the waiver letter.

The ability of the Group to continue as a going concern is principally dependent upon the continued support of its financiers and ability to generate future profits. Should the company not obtain the support of its financiers or generate future profits, there may be doubt that the Group will continue as a going concern. The directors believe that the going concern basis of preparation of the consolidated financial statements is appropriate given a waiver has been received from Rabobank for the covenants that have been breached, and that the Group's financiers will continue to support the Group following variation of the facilities on 24 May 2016. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that may differ, either more or less, from those stated in the consolidated financial statements.

## 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 period ended 30 June 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 not reviewed by the Board and executive management separately from the rest 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.

The Hawaiian macadamia business is not a reportable segment under AASB 8, since its results are not reviewed by Board and executive management separately from the rest 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 the annual financial report as at and for the year ended 30 June 2015. During the financial period, there were no changes in segment accounting policies that had a material effect on the segment information.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 2. SEGMENT INFORMATION (continued)

### Reportable segments

Segment information provided to the Board and executive management committee for the 12 month period ended 30 June 2016 and 30 June 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
<b>Income</b>								
Sales of goods to external customers	25,169	25,104	4,254	3,831	49,050	41,785	78,473	70,720
Sales of goods to internal segments	1,493	3,264	-	-	4,738	5,388	6,231	8,652
Other revenue / income	602	888	164	238	257	4,196	1,023	5,322
Total segment revenue	27,264	29,256	4,418	4,069	54,045	51,369	85,727	84,694
<b>Consolidated entity adjustments</b>	(1,493)	(3,264)	-	-	(4,738)	(5,388)	(6,231)	(8,652)
<b>Total Income</b>							79,496	76,042
<b>Results</b>								
Segment result	(6,424)	(1,682)	174	191	(1,622)	5,320	(7,872)	3,829
Share of profit/(loss) of jointly controlled entities'	-	-	56	20	-	-	56	20
Corporate overhead expenses	(432)	(473)	(71)	(72)	(843)	(788)	(1,347)	(1,333)
Contribution to group profit/(loss)	(6,850)	(2,155)	159	139	(2,465)	4,532	(9,163)	2,516
Finance costs	539	606	-	-	399	273	938	879
Finance revenue	(6)	(67)	-	-	-	-	(6)	(67)
Depreciation & amortisation	1,412	1,399	236	209	708	583	2,356	2,191
<b>EBITDA</b>	(4,912)	(217)	395	348	(1,358)	5,388	(5,875)	5,519
<b>Profit/(loss) before income tax</b>							(9,163)	2,516
Income tax (expense)/benefit	2,040	(410)	(48)	(63)	545	(1,753)	2,537	(2,226)
<b>Net profit/(loss) for the period</b>							(6,626)	290
Inventory write-downs	294	-	-	-	1,342	-	1,636	-
<b>Material abnormal items</b>								
Redundancies	-	36	-	-	-	-	-	36
Impairment expense	2,897	-	-	-	1,611	-	4,508	-
<b>Total</b>	2,897	36	-	-	1,611	-	4,508	36

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	50,733	52,975	3,658	3,525	24,082	14,220	78,473	70,720
Sales of goods to internal segments	451	392	1,042	2,872	4,738	5,388	6,231	8,652
Other revenue / income	2,761	2,934	(81)	(127)	(1,657)	2,515	1,023	5,322
Total segment revenue	53,945	56,301	4,619	6,270	27,163	22,123	85,727	84,694
<b>Consolidated entity adjustments</b>							(6,231)	(8,652)
<b>Total Income</b>							79,496	76,042
Non-Current Assets (excluding deferred tax)	5,686	20,865	1,606	1,493	20,705	16,462	27,997	38,820

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 3. INCOME AND EXPENSES

	CONSOLIDATED	
	30/06/16	30/06/15
	\$'000	\$'000
<b>(a) Other income</b>		
Fair Value adjustment – biological assets	-	3,556
Net foreign exchange gains realised	29	-
Net foreign exchange gains unrealised	99	945
Sundry income	316	539
Government grants	415	62
<b>Total other income</b>	<b>859</b>	<b>5,102</b>
<b>(b) Other expenses</b>		
Net foreign currency losses realised	-	86
Sundry expenses	32	56
<b>Total other expenses</b>	<b>32</b>	<b>142</b>
<b>(c) Finance costs</b>		
Bill facility	924	866
Bank loans and overdraft	14	13
<b>Total finance costs</b>	<b>938</b>	<b>879</b>
<b>(d) Depreciation and amortisation</b>		
Depreciation of non-current assets		
Plant and equipment	1,912	1,784
Buildings	444	409
<b>Total depreciation and amortisation</b>	<b>2,356</b>	<b>2,193</b>
<b>(e) Operating lease payments</b>		
Minimum lease payments on operating leases	879	906
<b>(f) Employee benefits expense</b>		
Employee benefits expense (excluding superannuation costs)	14,511	11,976
Superannuation costs – defined contribution	930	757
<b>Total employee benefits expense</b>	<b>15,441</b>	<b>12,733</b>
<b>(h) Inventory write-downs and provisions</b>	<b>1,637</b>	<b>86</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 4. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	30/06/16 \$'000	30/06/15 \$'000
Freehold land and buildings on freehold land	10,825	-
	<b>10,825</b>	<b>-</b>

In June 2016 the Board commenced a plan for a sale and leaseback of the Group's Yandina property at its June 2016 meeting. M&A Partners were engaged in June 2016 to commence marketing the property. An Expressions of Interest campaign was agreed to commence in July 2016. The proceeds of sale are to be applied to retire senior debt, improving the use of capital employed in the business.

## 5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30/06/16 \$'000	30/06/15 \$'000
<b>Reconciliation of cash and cash equivalents</b>		
Cash balance comprises:		
– cash at bank and on hand	3,901	4,532
– overdraft	(368)	-
Closing cash balance	<b>3,533</b>	<b>4,532</b>

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

### Reconciliation of the profit/(loss) after tax to the net cash flows from operations

Net profit/(loss)	(6,626)	290
<i>Adjustments for:</i>		
Depreciation of non-current assets	2,356	2,193
Impairment of goodwill and fixed assets	4,508	-
FV on acquisition of biological assets	-	(1,688)
Inventory write-down and provisions	1,637	86
Share of profit of jointly controlled entities	(56)	(20)
Net exchange differences	130	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(3,761)	(1,329)
(Increase)/decrease in inventories	(2,195)	(111)
(Increase)/decrease in deferred tax assets	(3,435)	(230)
(Increase)/decrease in prepayments	92	(184)
(Decrease)/increase in trade and other creditors	3,948	951
(Decrease)/increase in tax provision	140	292
(Decrease)/increase in deferred income tax liability	1,082	788
(Decrease)/increase in other provisions	56	(893)
<b>Net cash flow from operating activities</b>	<b>(2,404)</b>	<b>145</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	30/06/16	30/06/15
	\$'000	\$'000
<i>Land</i>		
Leasehold land at fair value	719	515
Freehold land at fair value	11,825	13,429
Total land	12,544	13,944
<i>Buildings on leasehold land</i>		
At cost	1,166	1,126
Accumulated depreciation	(1,018)	(917)
	148	209
<i>Buildings on freehold land</i>		
At cost	1,098	11,897
Accumulated depreciation	62	(6,473)
	1,160	5,424
Total land and buildings	13,852	19,577
<i>Plant and equipment</i>		
At cost	27,815	29,825
Accumulated depreciation	(18,841)	(20,645)
Impairment	(2,845)	-
Total plant and equipment	6,129	9,180
Capital works in progress at cost	389	917
Total property, plant and equipment		
Fair value	12,544	13,944
Cost	30,468	43,765
	43,012	57,709
Accumulated depreciation and amortisation	(19,797)	(28,035)
Impairment	(2,845)	-
Total written down amount	20,370	29,674

### (a) Valuations

Fair value of land is determined by what the asset can be exchanged for in an orderly transaction between market participants to sell the asset at the measurement date under current market conditions. The leasehold land in Fiji was valued on the 20 May 2016 by Rolle Associates (Fiji), resulting in a \$186,000 revaluation increase at 30 June 2016. The freehold land in Hawaii was valued on 31 May 2016 by CBRE Valuation and Advisory Services, with a revaluation increase of \$5,092,000 recognised on 30 June 2016. The directors do not believe there has been a material movement in fair value since the valuations were conducted. The freehold land in Yandina was valued on 30 June 2016 by Colliers International (Australia), with no movement recognised. This land was subsequently transferred to Assets Classified as Held For Sale. Refer to note 4 for further information.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 7. IMPAIRMENT TESTING

Management perform an impairment assessment annually for goodwill, intangible assets with indefinite useful life, and for property, plant and equipment when indicators of impairment exist. Given the nature of assets held by the Group, including intangible assets and factory plant and equipment which do not generate cash inflows that are largely independent of other assets, the Group must determine the recoverable amount for the cash-generating unit to which the asset belongs. The identified cash generating units, which are consistent with prior financial periods, comprise the Australian and Fijian Ginger divisions, Tourism division and Australian and Hawaiian Macadamia divisions. The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. This calculation utilises the financial budget approved by the board of directors to determine future net cash flows arising from the assets of the cash-generating units. These cash flows are then discounted to present value utilising pre-tax weighted average cost of capital rates. For the purposes of impairment assessment, goodwill acquired through business combinations is allocated to individual cash generating units for which it relates.

The key assumptions utilised in managements discounted cash flow forecasts are detailed below.

### *Pre-tax discount rate applied for each cash-generating unit*

• Ginger Australia	12.0%	(2015: 10.5%)
• Ginger Fijian	13.6%	(2015: 13.0%)
• Tourism	12.0%	(2015: 10.5%)
• Macadamias Australia	12.0%	(2015: 10.5%)
• Macadamias Hawaii	12.7%	(2015: 12.6%)

### *Other key assumptions*

- Revenue – Current sales forecasts based on expected macadamia and ginger intakes and expected tourism sales. This includes an evaluation of volume of supply and demand in each segment, combined with anticipated price increases.
- Gross margins – Current percentage achievements assumed going forward. Adjustment has been made based on anticipated movements in labour rate and supply contracts.
- Overheads – Inflation increase applied along with known contract revisions, assessed by each segment and department.
- Currency and interest rate forecasts applied throughout the group based on market expectations of the AUD and interest rates.
- Growth averaging 3% (2015: 3%), has been applied to cash forecasts including the period beyond five years which does not exceed the long-term average growth rate in any of the locations, markets or industry in which operations are conducted.

A shortfall was noted in comparing carrying amounts of intangible assets to their value in use in Ginger Australia and Macadamias Australia cash-generating units, resulting in impairments of intangible assets noted below.

Shortfalls were noted within the Ginger Australia and Macadamias Australia cash-generating units in the value in use calculations relating to plant and equipment. The carrying amounts of plant and equipment were then impaired to the higher of fair value less costs to sell, value in use and zero. Fair value less costs to sell values were determined from independent valuations obtained from Hyman's Valuers and Auctioneers as the amount of money at which a given property or chattel would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that the earnings support the value reported. The resulting impairments recognised were:

<b>CONSOLIDATED</b>	<b>Ginger Australia</b>		<b>Macadamia Australia</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Goodwill	-	-	1,517	-	1,517	-
Trademarks	147	-	-	-	147	-
Plant and equipment	2,750	-	94	-	2,844	-
	<b>2,897</b>	<b>-</b>	<b>1,611</b>	<b>-</b>	<b>4,508</b>	<b>-</b>