



2018

ANNUAL REPORT



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CHAIRMAN'S MESSAGE AND CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

Following the transformational acquisition of Royal Hawaiian Orchards (RHO), and the sale of the Agrimac business, Buderim Group (BUG) has significant opportunities for growth in both Macadamia and Ginger, the latter leveraging off the iconic Buderim Ginger brand.

It was these opportunities for growth and the significant commitment of major shareholders to support our go-forward strategy that attracted me to the business, following the retirement of our previous Chairman, Steve Morrow.

The group has a strong platform for its strategic refocus on the export potential for its products, notwithstanding aspects of the results have been disappointing, in part revenue and non-cash impairment related within the ginger segment, and in part as a result of necessary accounting changes following the RHO acquisition.

The acquisition of RHO retail branded macadamia business in the USA is a first step in this transformation and should provide the basis for growth in both the USA and China. The transaction positions the Group as the leading retail macadamia brand in continental USA.

Tourism has had a profitable year with increased visitor numbers and significant potential for more visitors from China. The Ginger Factory provides a unique shopfront for our products and for trialling some of the exciting new products. As well, we have successfully launched our Buderim Ginger Original energy drink domestically, and a range of ginger-based drinks into China.

We therefore enter the new financial year optimistic that the changes in the Macadamia business will have a positive and long-term benefit. We are also undertaking a complete review of the Ginger business and intend to announce our plans before the end of the calendar year. This will reposition our brands as representing premium healthier-for-you products, with a strong focus on the Chinese market which has a predilection for Australian owned and sourced foods.

There have been a number of changes at Board and Management. Andrew Bond replaced Roger Masters in late 2017 as CEO and Steve Morrow and Yigang Yang left the board with Dennis Lin joining. I am satisfied we have a strong team to lead us forward.

I should also like to thank the Board, management and staff for their hard work and commitment throughout the year and also shareholders for their support and patience as we reshape the business.



Guy Cowan
Chairman

Chief Executive Officer's Review

The 2018 financial year was a year of challenge and change for the Group that, while resulting in disappointing financial results for the year, has ended with what we believe to be a strong platform from which to generate growth following the acquisition of Royal Hawaiian Orchards brand, complementing the MacFarms business, and the sale of the commoditised domestic macadamia processing business.

Significant events during the year included:-

- The March 2018 transformative acquisition of the Royal Hawaiian Orchards retail branded macadamia business in the USA.
- The acquisition in September of the remaining fifty percent equity of Ginger Head Quarters Pty Ltd which operates the tourism rides Overboard and Moreton train within *The Ginger Factory* Tourism park.
- The divestment of the Australian macadamia business assets, (excluding stock) of Agrimac Macadamias Pty Ltd in December 2017.
- Board and Management changes.

Financial results from continuing operations showed:-

- The Group's total consolidated sale of goods to external customers increased 16% from \$47.15 million to \$56.41 million as a result of growth in both the macadamia and tourism segments, partially offset by a decline in sales in the ginger segment.
- The Group recorded a Net Loss Before Tax of \$(13.83) million compared with \$(5.07) million last year. The underlying loss before tax of \$(7.40) million before fair value adjustments, net one-off costs and provisions compared to an underlying loss in the prior year of \$(5.58) million.
- A non-cash favourable Fair Value Adjustment (FVA) of \$1.39 million before tax related to the change in fair value of the derivative component of the convertible notes pursuant to AASB 139 *Financial Instruments: Recognition and Measurement* as at 30 June 2018, compared to a favourable \$2.29 million adjustment the prior year.
- The result after tax includes de-recognition of deferred tax assets of \$3.76 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.
- Net one-off costs and provisions of \$1.13 million before tax related to, staff redundancies and terminations, stock write offs and provisions, acquisition costs and adjustments, professional fees, and share based payments.
- Non-cash impairments of \$4.66 million before tax related to a write down in the value of goodwill, buildings, plant and equipment within the ginger segment.

Summary of Group Results from Continuing Operations

	30/06/18 \$'000	30/06/17 \$'000
Revenue (external)	59,490	49,872
EBITDA	(9,060)	(1,758)
EBIT	(11,050)	(3,634)
Net Loss Before Tax	(13,831)	(5,074)
Net Loss After Tax	(16,506)	(8,647)

* The NLBT result includes the non-cash adjustments relating to FVA for asset write-downs and convertible note derivative liability component adjustments.

Reconciliation to Underlying Loss Before Tax from Continuing Operations

	30/06/18 \$'000	30/06/17 \$'000
Net Loss Before Tax	(13,831)	(5,074)
Fair Value Adjustments	(1,230)	(2,185)
Interest on Convertible Notes	1,876	524
Share Based Payments	342	-
Impairments	4,659	-
Bargain Purchase - GHQ	(280)	-
Other One-off Costs	1,069	1,151
Underlying Loss Before Tax	(7,395)	(5,584)

Segment Review

REPORTED	SEGMENT CONTRIBUTION	
	30/06/18 \$'000	30/06/17 \$'000
Ginger	(10,872)	(1,766)
Macadamia	(3,083)	(2,926)
Tourism	124	(382)
	(13,831)	(5,074)

Following the divestment of the Australian macadamia business, the Group has implemented a Residual Profit Split Transfer Pricing Methodology between the Australian and United States of America (USA) operations in compliance with legislative requirements. This resulted in a charge between the ginger and macadamia segments of \$2.05 million for the 2018 financial year. The segment results prior to the implementation of the revised transfer pricing methodology were as follows:-

PRIOR TO TRANSFER PRICING	SEGMENT CONTRIBUTION	
	30/06/18 \$'000	30/06/17 \$'000
Ginger	(8,822)	(1,766)
Macadamia	(5,133)	(2,926)
Tourism	124	(382)
	(13,831)	(5,074)

Ginger Division

Our traditional confectionary products continued to face strong competition from cheaper commodity private label and non-Australian origin products in the domestic and export markets while our more contemporary ginger beverage products faced aggressive pricing competition and suffered from a lack of brand awareness despite targeted marketing initiatives undertaken across the year. As a result, ginger sales to external customers declined 2.5 percent to \$24.59 million. The growing trend towards lower sugar products and market competition between major retailers in the domestic market added to the challenges faced and to which we will be responding as part of a strategic review of the business.

On a positive note we obtained approval for our non-alcoholic ginger beer, ginger beer & pear soft drinks and dark chocolate ginger for import into China. Our first full container of ginger beer left our warehouse at the end of June and more shipments are planned. We will attend the first China International Import Expo to be held in Shanghai in November this year to promote our products.

In March we launched Buderim Ginger Original Energy drink in the domestic market, a unique ginger based product in the fast growing energy drinks category.

Our marketing activities continued throughout the year through social media and targeted activations such as the hottest ginger competitions leading into summer.

Cost control remains a priority with a number of cost reduction initiatives undertaken during the year including reduction of labour resources, installation of warehouse racking reducing our level of reliance on external storage and enabling loading of export containers directly from the factory and processing improvements to reduce wastage. There has also been some relief in input costs with sugar prices pulling back from their recent highs and ginger prices remaining stable.



The Group has commenced a process to consider options to reduce costs including the potential divestment of the Morwell facility, as the savings anticipated from the in-house bottling capabilities were not achieved. This was due to lower sales and production volumes and significant increases in operational costs associated with the regional location of the site. Contract packing opportunities have not been easy to secure.

In January we undertook important refurbishments at the Frespac factory in Lami Bay, Fiji. Following the refurbishments we were successful in developing and winning new business.

Macadamia Division

Australia

The impact of competition for macadamia supply and high costs continued to weigh on the performance of Agrimac. The business was challenged by a lack of scale and vertical integration in an increasingly competitive market environment.

In December 2017 the Group announced the sale of the Agrimac macadamias business and plant & equipment for \$1.40 million dollars. Net proceeds were used to repay bank debt. The remaining inventory was sold through over the following six months and debtors were collected in the ordinary course of business, releasing working capital.

The financial results of the Agrimac business have been reported separately under Discontinued Operations (refer Note 21 of the Consolidated Financial Statements) in accordance with the requirements of accounting standard AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

USA

Sales in MacFarms grew from \$21.86 million in 2017 to \$26.15 million in 2018 following the acquisition of the Royal Hawaiian Orchards retail branded business in March 2018.

This transformational acquisition provides a platform for the Group to become a global leader, reflecting our renewed strategic focus on leading our chosen markets and segments. The transaction made us the no. 1 retail macadamia brand in continental USA, where there remains significant growth potential for this healthy leisure food, rich in vitamins and minerals. The MacFarms brand focuses on the provenance of "Fresh from Hawaii" whereas Royal Hawaiian Orchards focuses on the healthy-snack market with gluten-free, non-GMO products and USFDA approved heart healthy claims.



MacFarms' products are widely available in Hawaii and, in particular, Costco around the world. *Royal Hawaiian Orchards'* products are available in thousands of stores throughout the USA, such as Whole Foods Market, including a range of single serve products that are available in convenience stores, such as 7-Eleven, showing significant profitable growth throughout different distribution channels.

Our orchard benefited from another year of good rain fall with 29.73 inches received. Total crop harvested from the orchard increased to 9.89 million pounds from 9.62 million pounds the previous year. Nut in shell intake from independent growers of 1.98 million pounds remained steady.

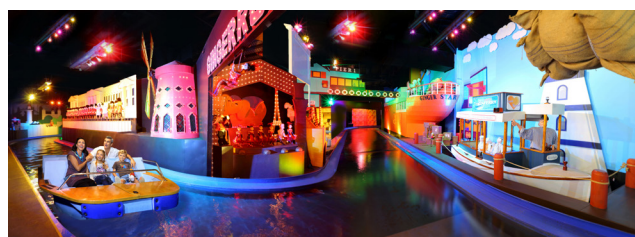
Despite good crop production the time taken to harvest the crop increased as result of the decrease in available labour as reported last year. The reduced harvest frequency impacted adversely on the quality of the crop and saleable kernel production was affected leading to higher processing costs, less kernel available for sale and ultimately lower profits.

The transaction completed with Royal Hawaiian Orchards LP also involved entering into a long-term supply agreement to ensure future supply of macadamia nuts in line with expected growth. MacFarms and Royal Hawaiian Orchards collectively produce approximately 65% of the annual Hawaiian macadamia production.

MacFarm's orchard is currently hand harvested. We are working on a feasibility study to determine whether a portion of the orchard can be converted to mechanical harvesting which may reduce production costs significantly. In the meantime we have been successful in recruiting more labour ahead of the coming season and are in the process of implementing strategies to increase the frequency of harvest and improve processing efficiencies in the factory.

Tourism

Our iconic Sunshine Coast, Queensland tourism park *The Ginger Factory* returned to profitability, benefiting from a 1.8 percent increase in visitors numbers, combined with increased visitor spend and additional profit contribution following the acquisition of the remaining fifty percent share of the Ginger Head Quarters joint-venture comprising the Overboard and Moreton train rides.



The park attracted just under 300,000 domestic and international visitors and has worked closer this year with other well-known attractions on the Sunshine Coast to promote the region and our product offerings.

Joint itineraries, new marketing collateral and closer relationships with inbound and domestic tourism operators have been developed, as well as undertaking targeted marketing activities specifically aimed at attracting more international tourists from growth markets such as China.

School holiday activities and the annual Ginger Food and Flower Festival, now in its 22nd year, held in January, continue to be drawcards for local visitors and a growing number of loyal VIP cardholders.

Outlook

The macadamia business is expected to continue to grow as the benefits from the acquisition of the Royal Hawaiian Orchards retail business are realised. Access to an increased volume of kernel supply will enable us to take advantage of our strategic position in the USA market and to expand into other markets, including China. Improved orchard management and harvesting frequency, combined with processing improvements in the factory are expected to reduce production costs. Our focus will be delivering high quality macadamia products for our customers in both the retail and bulk markets and strengthening our market leading position.

Traditional Buderim Ginger confectionery ginger products have faced increasing competition in recent years from cheaper non-Australian alternatives both in our domestic and export markets. This has resulted in poor returns as we compete to retain our customers and market position. We will look to unlock the intrinsic value of Buderim Ginger re-positioning it as a premium brand by increasing its differentiation from low margin commodity products.

Our new product development will focus on higher premium products for which ginger is highly qualified based on current health and wellness trends. We have engaged highly experienced strategic sales and marketing experts to support us with strategy development and execution of this transformation process. Following approval of our ginger beer range for import into China we will work closely with our investor shareholders to grow our China market.

Our tourism park *The Ginger Factory* on the Sunshine Coast, Queensland will continue to promote awareness of our brands and products providing a platform for sales growth both locally and internationally. We will look to increase the number of events held at the park commencing with the *2018 Ginger Pride Rally* to be held on 6 October 2018, having been held in Melbourne for the past two years. As the Sunshine Coast continues to develop as a major tourism destination, *The Ginger Factory* will continue to offer a unique food and agri-tourism experience.

A handwritten signature in black ink, appearing to read 'A Bond'.

Andrew Bond
Chief Executive Officer

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DIRECTORS' REPORT

Your directors present their report on the Group consisting of Buderim Group Limited and the entities it controlled at the end of or during the year which commenced on 1 July 2017 and ended on 30 June 2018.

DIRECTORS

Guy Michael Cowan
BSc(Hons)Engineering, FCA (UK) MAICD
Chairman and Non-executive Director

Mr Cowan was appointed non-executive Chairman and Director on 28 February 2018. Mr Cowan is a senior company director based in Queensland and is the Chair of Queensland Sugar Limited and the Chair of the Audit Committee of Santos Limited. He is Director of Winson Group a former director of Beak & Johnston, and was previously Chief Financial Officer at Fonterra Co-operative Group Limited from 2005 to 2009. Mr Cowan had a 23 year career in Shell and was Chief Financial Officer of Shell Oil US from 2003 to 2005, and Chief Financial Officer and Commercial Director of Shell Nigeria from 2000 to 2003. In the 1990s, Mr Cowan served as Treasurer of Shell Australia where he was also an Alternate Director of Woodside Petroleum Limited. His previous Directorships include UGL Limited, Ludowici Limited, Coffey International Limited, Soprole S.A.I.C. of Chile and Shell Petroleum Inc.

Other listed directorships:
Santos Limited (ASX: STO)

Former listed directorships (last 3 years): None

Special responsibilities: Chairman of Remuneration Committee

Interests in shares: 69,670 ordinary shares held indirectly.

Qi (Christina) Chen
B.A. Econ, B.Com Fin (University of Manitoba)
Non-executive Director

Ms Chen was appointed a director on 28 July 2017. Ms Chen is a Director of ChaCha Food Co. Ltd and a Director and Vice Chairman of Hefei Huatai Group Co. Ltd. Ms Chen has relevant experience in fast moving consumer goods, E-commerce, and equity investment. She has held a number of senior positions previously including, CEO of Hefei ChaCha Weileyan E-Commerce Co. Ltd, Assistant President, Vice President of Anhui Huayuan Financial Group Co. Ltd. and as an Investment Manager and a partner in Harvest Capital Co. Ltd.

Other listed directorships:
ChaCha Food Co. Ltd (SHE: 002557)

Former listed directorships (last 3 years): None

Special responsibilities: None

Interests in shares: None

Peter Francis O'Keeffe
Non-executive Director

Mr O'Keeffe was appointed a director at the 2014 AGM on 31 October 2014. Mr O'Keeffe is an accounting professional, with both public practice and commercial accounting experience, within Australia and overseas, across the full range of small and medium to large sized business structures. Recent industry involvement includes manufacturing, wholesale and distribution within the food industry, service industries, IT services and database development and contract accounting services to a variety of enterprises.

Other listed directorships: None

Former listed directorships (last 3 years): None

Special responsibilities: Chairman of the Audit, Compliance & Safety Committee

Interests in shares: None

Dennis Lin
CA, Solicitor of the Supreme Court of Queensland

Non-executive Director
(appointed 3 November 2017)

Mr Lin was appointed a director on 3 November 2017. Mr Lin is Chairman and Director of listed consumer goods company, Bubs Australia Limited and a Director of eCargo Holdings Limited. He is a former Partner of BDO and was leader of the firm's China Advisory Services in Australia. As a Chartered Accountant and Solicitor, Mr Lin has been involved in a wide range of commercial transactions, merger and acquisitions, and capital market transactions between Australian and Chinese businesses and has a specialist focus on agriculture and consumer goods.

Other listed directorships: Bubs Australia Limited (ASX: BUB); eCargo Holdings Limited (ASX: ECG)

Former listed directorships (last 3 years): None

Special responsibilities: Member of the Remuneration Committee and Member of the Audit, Compliance & Safety Committee

Interests in shares: 75,000 ordinary shares held directly

Albert Yeuk Kuk Tse
CA, LLB, BBus, GradDipLegPrac, JP (Qual)
Non-executive Director

Mr Tse was appointed a director on 15 February 2017. Mr Tse is the founder of Wattle Hill Capital which manages a private equity fund investing in Australian and New Zealand companies that benefit from China's growth. Mr Tse was the former Legal Representative of Macquarie Group in Beijing and led transactions including the historic \$22.1bn Hong Kong and Shanghai initial public offering of the Agricultural Bank of China in 2010. Mr Tse is also a specialist in Chinese outbound investments across many different sectors. Mr Tse is a Director of SGSP (Australia) Assets Pty Ltd; Jemena, one of Australia's largest energy utilities. Prior to working in China, Mr Tse worked in London for Macquarie Capital, focused on European infrastructure as well as at PricewaterhouseCoopers in Australia where he qualified as a Chartered Accountant. Mr Tse is also admitted as a solicitor of the Supreme Court of Queensland.

Other listed directorships: None

Former listed directorships (last 3 years): None

Special responsibilities: Member of the Remuneration Committee and Member of the Audit, Compliance & Safety Committee

Interests in shares: 50,000 ordinary shares held directly; 12,500,000 convertible notes held by related party (Wattle Hill RHC)

COMPANY SECRETARY

Jessica Margaret McKinnon
BA LLB(Hons), GradDipAppCorpGov, FGIA

Ms McKinnon was appointed Company Secretary of all group companies on 2 February 2018. Ms McKinnon holds a Bachelor of Arts (Political Science) and a Bachelor of Laws (Honours) from the University of Queensland, is a Solicitor of the Supreme Court of Queensland and High Court of Australia, Member of the Queensland Law Society, Women on Boards and Association of Corporate Counsel. Ms McKinnon has over fifteen years' broad legal experience across a range of industries and is currently Senior Corporate Lawyer with the RACQ Group. Ms McKinnon recently completed a Graduate Diploma of Applied Corporate Governance and became a Fellow of the Governance Institute of Australia.

The following persons were Directors of Buderim Group Limited during the financial year under review and at the date of this report:

Name	Position held
G Cowan	Chairman (Non-executive Director) (appointed 28 February 2018)
D Lin	Non-executive Director (appointed 3 November 2017)
Q Chen	Non-executive Director (appointed 28 July 2017)
P O'Keeffe	Non-executive Director
A Tse	Non-executive Director
S Morrow	Chairman (Non-executive Director) (resigned 28 February 2018)
Y Yang	Non-executive Director (resigned 15 September 2017)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	DIRECTORS' MEETINGS		AUDIT, COMPLIANCE & SAFETY COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
G Cowan	6	6	-	-	1	1
S Morrow	9	9	-	-	-	-
D Lin	11	11	3	3	1	1
P O'Keeffe	14	14	4	4	-	-
A Tse	14	14	4	4	1	1
Y Yang	3	3	-	-	-	-
C Chen	14	13	-	-	-	-

Notes

- G Cowan attended the May 2018 Audit, Compliance & Safety Committee Meeting;
- P O'Keeffe attended the May 2018 Remuneration Committee Meeting; and
- S Morrow attended the August 2017, November 2017 and February 2018 Audit, Compliance & Safety Committee Meetings.

Committee membership

As at the date of this report, the company had an Audit, Compliance & Safety Committee and a Remuneration Committee of the board of directors.

Members acting on the committees of the board were:

AUDIT, COMPLIANCE & SAFETY COMMITTEE	REMUNERATION COMMITTEE
P O'Keeffe (Chair)	G Cowan (Chair)
D Lin	D Lin
A Tse	A Tse

DIVIDENDS

Dividends paid in the year:

There was no dividend paid during the 2018 year for the year ended 30 June 2017.

Dividends declared for current year:

A dividend has not been declared for the year which commenced on 1 July 2017 and ended on 30 June 2018.

DIRECTORS' REPORT (continued)

CORPORATE INFORMATION

Corporate structure

Buderim Group Limited is a company limited by shares that is incorporated and domiciled in Australia. As the ultimate parent entity, it has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 15 of these financial statements.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Group are conducted in the business segments of:

- **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** - production and processing in Australia (through to December 2017) and Hawaii of macadamia products and marketing to wholesale and retail customers throughout the world; and
- **Tourism** - the sale of ginger and other retail gift and food products, and the provision of leisure activities within the Australian tourism market.

The Group exited Australian based macadamia activities in December 2017. There have been no other significant changes in the nature of activities during the year.

EMPLOYEES

The Group employed 427 employees as at 30 June 2018 (2017: 486). The number of employees will vary from year to year, and during each year, due to seasonal factors. The ginger segment employed 226 employees (2017: 233). The ginger segment includes tourism and corporate staff members. The decrease in employees over last year is due to reduction in staff numbers at the Yandina site. Employees employed within the macadamia segment were 201 (2017: 253). The decrease in employees over last year primarily relates to sale of the Australian macadamia operations.

OPERATING AND FINANCIAL REVIEW

Summarised operating results from continuing operations attributable to equity holders of Buderim Group Limited are as follows:

	30/06/18		30/06/17 Restated*	
	Revenues \$'000	Results* \$'000	Revenues \$'000	Results* \$'000
<i>Business segments</i>				
Ginger operations	27,098	(9,984)	29,314	(833)
Macadamia operations	28,514	(2,147)	22,018	(2,284)
Tourism operations	5,750	296	4,691	(275)
Total	61,362	(11,835)	56,023	(3,392)
Consolidation adjustments	(1,872)	-	(6,151)	-
Corporate overhead expenses	-	(2,026)	-	(1,744)
Share of profit/(loss) of joint controlled entities and associates	-	30	-	62
Group income and loss from continuing operations before income tax	59,490	(13,831)	49,872	(5,074)
	30/06/18 \$'000		30/06/17 \$'000	
<i>Geographical location – revenue</i>				
Australia	22,094		29,839	
United States	29,173		16,067	
Other	10,095		10,117	
	61,362		56,023	
Consolidation adjustments	(1,872)		(6,151)	
Group income from continuing operations	59,490		49,872	

*Restated for discontinued operations

*Business segment results represent profit before corporate overheads, interest and tax

In Summary

The Group recorded a net loss after tax of \$16,506,000 from continuing operations for the year ended 30 June 2018 inclusive of a \$3,755,000 de-recognition of deferred tax assets expense, valuation impairments of \$4,659,000, one-off costs and provisions of \$3,134,000 and net favourable fair value adjustments of \$1,226,000. The underlying loss before tax of \$7,395,000 recorded before fair value adjustments, one-off costs and provisions compared to an underlying loss in the prior year of \$5,580,000.

The Income Tax Expense of \$2,675,000 for the year relates primarily to a non-cash \$3,755,000 de-recognition of previously recognised 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 derecognition in the financial statements.

Valuation impairments of \$4,659,000 before tax related to impairments in the Ginger Segment assets resulting from ongoing losses.

Favourable non-cash fair value adjustments of \$1,226,000 before tax related to a favourable \$1,387,000 fair value adjustment in relation to the derivative liability component of the convertible notes which is impacted by the change in the underlying value of the Group's shares during the year ended 30 June 2018, net change in fair value of biological assets of \$244,000 due to seasonal factors and a favourable \$87,000 gain on the investment in Ginger Head Quarters Pty Ltd prior to acquisition of the remaining shares.

Net one-off costs and provisions totalling \$3,134,000 before tax related to non-coupon finance costs in relation to convertible notes, due diligence costs, stock write offs and provisions, acquisition costs, bargain purchase recognition and employee redundancies.

Other factors affecting the result for this year included:

- A decline in Ginger Segment profitability of \$1,496,000 before tax, excluding fair value adjustments, impairments and Residual Profit Split Transfer Pricing Methodology. Sales to external customers declined 2.5 percent to \$24,587,000. Valuation impairments resulting from ongoing losses totalled \$4,659,000. The implementation of a profit share Transfer Pricing Methodology with the USA tax jurisdiction resulted in a \$2,050,000 charge against the ginger segment. Operational costs incurred in operating the bottling facility together with increased freight costs (due to location) and insufficient production volumes, outweighed the costs savings of in-house production. Increased production costs combined with selling price pressures due to market competition both domestically and in export markets contributed to a drop in profit. This resulted in a loss before tax of \$5,550,000 excluding fair value adjustments, impairments and Transfer Pricing arrangements compared to \$4,054,000 last year.
- A decline in Macadamia Segment profitability of \$157,000, led to a loss before tax of \$3,084,000 from continuing operations. Sales of goods to customers increased 19.6 percent to \$26,154,000 principally driven by accretive earnings following the acquisition of the Royal Hawaiian Orchards branded retail business. Earnings were impacted by a drop in the quality of the nuts harvested from the orchard as a result of labour shortages which resulted in a lower kernel yield and higher production costs.
- *The Ginger Factory* tourism park segment recorded a profit of \$124,000 compared to a loss of \$382,000 for the prior year. Revenues grew 22.6 percent following the acquisition of the remaining shares of Ginger Head Quarters Pty Ltd together with a 1.8 percent increase in visitor numbers. The results include one-off termination costs of \$55,000 following a management restructure.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Shareholder Returns and Performance measurements

For the year ended		30/06/18	Restated* 30/06/17	30/06/16	30/06/15	30/06/14
EBIT	(a)	(11,050)	(3,634)	(8,635)	3,326	(1,944)
EBITDA	(a)	(9,060)	(1,758)	(6,104)	5,519	125
Basic Earnings per share (cents)		(21.40)	(16.61)	(16.00)	0.67	(7.10)
Dividend per share (cents)	(b)	-	-	-	-	-
Dividend payout ratio (%)	(b)	-	-	-	-	-
Return on assets (%)	(c)	(24.71)	(11.61)	(7.94)	0.34	(1.91)
Return on equity (%)	(d)	(52.21)	(21.43)	(17.42)	0.67	(3.78)
Debt/equity (%)	(e)	48.42	33.39	60.97	51.23	57.20
Gearing ratio (%)	(f)	52.68	45.81	54.43	49.67	49.80
Current ratio (%)	(g)	191	214	131	207	130
Shares on issue (millions)		86.02	74.80	43.36	43.36	43.36
Net tangible asset backing per share (cents)	(h)	40	60	90	95	78

*Restated for discontinued operations

- (a) EBIT and EBITDA are used as measures of profitability and reflect earnings attributable to equity holders of Buderim Group Limited. EBIT is earnings before interest and tax. It represents the addition of profit before tax and net finance costs (finance costs less finance revenue). EBITDA is earnings before net interest cost, tax, depreciation and amortisation (EBIT plus depreciation and amortisation) (refer note 6).
- (b) These figures reflect the dividend amounts declared per share subsequent to reporting dates (refer note 9). The dividend payout ratio is calculated by dividing the dividend per share by the basic earnings per share, and as such, measures the percentage of earnings to be distributed to shareholders.
- (c) Return on assets is a measure of profitability which identifies how profitable a company is relative to its total assets. It is calculated by dividing net profit after tax by total assets and is displayed as a percentage.
- (d) Return on equity is also a measure of profitability which identifies net income returned on funds employed/invested by shareholders. It is calculated by dividing net profit after tax by equity and is expressed as a percentage.
- (e) The debt/equity ratio is a measure of borrowing or financial leverage calculated by dividing total interest-bearing liabilities by net equity (total equity less intangible assets), and as such represents the proportion of equity the company is using to finance its assets. It is expressed as a percentage.
- (f) Similarly, the calculation of total assets funded by external stakeholders is demonstrated on the following page. This ratio is calculated by dividing total liabilities by total assets and is expressed as a percentage.
- (g) The current ratio is a measure of liquidity. It is calculated by dividing current assets by current liabilities.
- (h) Net tangible asset backing per ordinary share (NTA) is a measure of the worth of a share. It can be compared to the market value of the share. The ratio is calculated by dividing total shares on issue into the sum of equity less intangible assets less net deferred tax assets. It is expressed as cents per share.

REVIEW OF FINANCIAL CONDITION

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of debt, which includes borrowings (disclosed in note 23), cash and cash equivalents and equity attributable to the equity holders of the parent (comprising issued capital, reserves and retained earnings as disclosed in note 27, and on the face of the Consolidated Statement of Changes in Equity). There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

Liquidity and Capital Resources

The Consolidated Statement of Cash Flows shows a decrease in cash and cash equivalents for the year ended 30 June 2018 of \$1,990,000 from \$6,283,000 down to \$4,293,000.

During the year cash outflows included \$840,000 from net operating activities and \$1,735,000 net financing activities including repayment of \$2,559,000 of borrowings. The decrease in repayment of borrowings primarily related to repayment of \$1,800,000 of the Rabobank Term Debt facility and repayment of equipment finance. Net investing activity inflows of \$523,000 included the disposal of Agrimac Macadamia assets net of the purchase of plant and equipment totalling \$881,000.

REVIEW OF FINANCIAL CONDITION (continued)

As at 30 June 2018 the Group had \$4,293,000 cash and cash equivalents available as well as unused working capital facilities of \$4,000,000 in addition to bank overdraft facilities as set out in Note 3 to the Financial Statements.

Asset and capital structure

	CONSOLIDATED		
	30/06/18 \$'000	30/06/17 \$'000	30/06/16 \$'000
NET GEARING			
Debts			
Interest-bearing liabilities	14,004	13,824	24,040
Cash and cash equivalents	(4,293)	(6,283)	(3,901)
Net debt	9,711	7,541	20,139
Total equity	32,025	41,862	39,821
Total capital employed	41,736	49,403	59,960
	23.3%	15.3%	33.6%
ASSETS FUNDED BY EXTERNAL STAKEHOLDERS			
Total Assets	67,672	77,247	87,380
Total Liabilities	35,647	35,385	47,559
	52.7%	45.8%	54.4%
DEBT/EQUITY			
Total equity	32,025	41,862	39,821
Intangibles	(3,106)	(455)	(389)
	28,919	41,407	39,432
Interest-bearing liabilities	14,004	13,824	24,040
	48.4%	33.4%	61.0%

On 8 August 2018 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities include an extension of the following facilities through to 30 June 2020 (with annual reviews performed by Rabobank):

- Term loan facilities of \$2,145,000;
- At call, revolving working capital facility of \$4,000,000 (to be fully repaid by 31 December each year and may be fully redrawn after 31 January in the following year); and
- At call, Bank Guarantee Facility of \$1,000,000.

The interest margin on the term loan facility remained unchanged at 2.25% above the Bank Bill Swap Rate.

Changes to the covenants included the removal of the target EBITDA covenant and a change to the Asset Cover Ratio covenant reporting frequency, from monthly to quarterly.

In May 2018, the Group obtained a waiver from Rabobank in relation to the financial banking covenant due to the 2018 financial results not meeting budgeted EBITDA targets. Bank debt has been classified as current at 30 June 2018 because the facilities had an expiry date of 1 March 2019. As mentioned above, subsequent to year end the Group concluded discussions with Rabobank to extend the facilities until 30 June 2020.

The Group has 37,500,000 convertible notes (issued February 2017) that are treated as debt for accounting purposes, further details are provided below. As at 30 June 2018 the convertible notes were treated as debt for accounting purposes. Following the issue of shares in satisfaction of the Royal Hawaiian Orchards branded retail assets acquisition, the conversion ratio was adjusted from 1:1 to 1:1.037204.

DIRECTORS' REPORT (continued)

REVIEW OF FINANCIAL CONDITION (continued)

Shares issued during the year

During the twelve months ended 30 June 2018, the following shares were issued:

- A placement of 11,220,242 fully paid ordinary shares at \$0.36 per share on 14 March 2018.

Profile of Debts

The profile of the Group's debt finance below reflects the classification of the bank facilities as at 30 June 2018 as current on the basis of the facility agreement in place at 30 June 2018 requiring the repayment of the bank debt by 1 March 2019. The small portion of non-current bank loans relates to equipment loan funding for the bulk sugar handling equipment installed at Yandina.

The carrying amount of the convertible notes are split between interest-bearing liabilities for the host debt liability and other financial liabilities for the derivative component. Refer to note 23 for further information.

	CONSOLIDATED		
	30/06/18 \$'000	30/06/17 \$'000	30/06/16 \$'000
CURRENT			
Bank overdraft	-	-	368
Bank bill facility	2,245	4,045	22,781
Bank loans	796	673	802
Convertible notes	675	675	-
	3,716	5,393	23,951
NON-CURRENT			
Bank bill facility	-	-	-
Bank loans	7	26	89
Convertible notes	10,281	8,405	-
	10,288	8,431	89
	14,004	13,824	24,040

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The parent entity previously owned 50% of the shares in Ginger Head Quarters Pty Ltd which operates the rides at *The Ginger Factory* tourism park. On 29 September 2017, the parent entity acquired the remaining 50% of the business. Further details on this acquisition are provided in Note 20.

On 21 December 2017, the Group disposed of the assets, excluding inventory, of Agrimac Macadamias Pty Ltd, the Australian macadamia operations. The Group continued to sell remaining Australian macadamia inventory following sale of the assets. Further details on the disposal are provided in Note 21.

On 14 March 2018, the Group acquired the Royal Hawaiian Orchards branded retail business assets held by Royal Hawaiian Macadamia Nut Inc. Further details on this acquisition are provided in Note 20.

Following a review of the Morwell, Victoria bottling facility, the Board made a decision to review alternative uses for this facility, including sale. As such the assets are classified as held-for-sale in the current asset section of the Consolidated Statement of Financial Position.

It is the opinion of the Directors that there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review other than those disclosed in this report or the financial report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 8 August 2018 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities include an extension of the following facilities through to 30 June 2020:

- Term loan facilities of AUD \$2,145,000;
- At call, revolving working capital facility of AUD \$4,000,000 (to be fully repaid by 31 December each year and may be fully redrawn after 31 January in the following year); and
- At call Bank Guarantee Facility of AUD \$1,000,000

The interest margin on the term loan facility remained unchanged at 2.25% above the Bank Bill Swap Rate.

Changes to the covenants included the removal of the target EBITDA covenant and a change to the Asset Cover Ratio covenant reporting frequency, from monthly to quarterly.

Other than entering into the varied finance facilities, there is, at the date of this report no other matter, or circumstance which has arisen since 30 June 2018 that has significantly affected or may significantly affect:-

- i. the operations of the Group;
- ii. the results of those operations; or
- iii. the state of affairs of the Group in financial years subsequent to 30 June 2018.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The group will continue to focus on its three core businesses of Ginger, Macadamias and Tourism with a view to expanding into new markets, reducing costs and improving returns to shareholders.

Ginger

Following receipt of approval from Chinese Customs (CIQ) product registrations for existing beverage products, and the successful first shipment in July 2018, we will look to further develop our Chinese product offering and market. In addition, we will look to develop *healthier for you* ginger products for launch into domestic and overseas markets.

A review of the ginger brand and product positioning will be carried out with a view to improving product offerings and financial performance.

Macadamias

Following the successful integration of the Royal Hawaiian Orchards branded retail business, the group expects further growth in macadamia revenues and incremental sales growth.

The MacFarms orchard has received another year of good rain fall supporting next season's crop. Operationally the Group has implemented strategies to reduce costs, improve kernel recoveries and reduce production costs. We will continue to investigate opportunities to reduce production cost further.

Tourism

By working closer with other local attractions and focusing on marketing to international tourism markets, in particular the Chinese market, we will look to increase the number of visitors to *The Ginger Factory* tourism park.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In Australia, the Group holds licenses issued by the relevant government agencies which specify limits for discharges to the environment which are due to the Group's operations. These licenses regulate the management of discharges to the air and storm water run-off associated with the ginger processing operations as well as the storage of hazardous materials. The Group is also subject to local environmental laws and controls in respect of its overseas operations. There have been no known reportable breaches of the Group's license conditions.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

The remuneration report outlines the remuneration arrangements in place for the key management personnel, comprising of Non-executive Directors and senior executives, of Buderim Group Limited (the Group).

The key management personnel of the Group consisted of the following Directors of Buderim Group Limited:

Name	Position held
G Cowan	Chairman (Non-executive Director appointed 28 February 2018)
S Morrow	Chairman (Non-executive Director) (resigned 28 February 2018)
P O'Keeffe	Non-executive Director
A Tse	Non-executive Director
Y Yang	Non-executive Director (resigned 15 September 2017)
Q Chen	Non-executive Director (appointed 28 July 2017)
D Lin	Non-executive Director (appointed 3 November 2017)

And the following executives:

Name	Position held
R Masters	Chief Executive Officer (resigned 15 December 2017)
A Bond	Company Secretary/Chief Financial Officer (to 15 December 2017); Chief Executive Officer (appointed 16 December 2017)
R Hall	Chief Operations Officer (resigned 31 May 2018)
J Rao	Chief Financial Officer (appointed 16 December 2017)
J Wood	Group Operations Manager (appointed 1 June 2018)

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors and executives;
- Link executive rewards to shareholder value; and
- Provide, where appropriate, variable 'at risk' executive remuneration, dependent upon meeting pre-determined performance hurdles.

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the Executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

The Remuneration Committee meet at least once a year and more often as required.

Voting and comments made at the last AGM

The remuneration report resolution in regards to the remuneration report for the 2017 financial year was carried at the 2017 AGM. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (AUDITED) (continued)

Link between remuneration and the Group's performance

The table below indicates the earnings and shareholder value against the remuneration of key management personnel:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Earnings (\$'000)	(16,720)	(8,971)	(6,938)	290	(1,493)
Basic Earnings per share (cents)	(21.40)	(16.61)	(16.00)	0.67	(7.10)
Dividend paid per share (cents)	-	-	-	-	-
Net asset value (\$'000)	32,025	41,862	39,821	43,090	39,520
Net tangible asset backing per share (cents)	40	60	90	95	78
Share price (cents)	31	31	34.5	63	53
Key management personnel remuneration (\$)	1,704,785	1,268,401	1,164,148	1,208,768	1,951,220
Key management personnel remuneration excluding share-based payments (\$)	1,405,344	1,268,401	1,163,148	1,208,768	1,951,220

Non-executive Director remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Non-executive Directors do not receive any share based remuneration.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 October 2015 when shareholders approved an aggregate remuneration of \$300,000 per year. Actual fees paid to Non-executive Directors during the year totalled \$299,441.

The amount of aggregate remuneration approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers external remuneration surveys as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

The annualised fees for the year end 30 June 2018, as compared with the year end 30 June 2017, are outlined below:

	2018 \$	2017 \$
Chairman	108,180	82,125
Non-executive Director	47,955	49,275

Additional fees are not currently paid for any board sub-committee on which a director sits, although considerable time commitments have been afforded by directors serving on various board sub-committees.

Non-executive Directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company. The remuneration of Non-executive Directors for the year is provided later in this report.

Executive remuneration

Salary packages are measured by the company as Total Employment Cost (TEC). TEC includes all costs associated with employment, which may include, but not limited to, PAYG salary, provision of motor vehicles, FBT, superannuation, salary sacrifice arrangements, and any other approved expenditure, excluding employment oncosts such as payroll tax and workers compensation. Fringe benefits or non-deductible expenditure is grossed up to include the tax effect as part of the cost of providing such benefits in a salary package.

The Group aims to reward executives with a level and mix of TEC remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for the Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

In determining the level and make-up of Executive TEC remuneration, the Remuneration Committee makes reference to external remuneration surveys detailing market levels of remuneration for comparable executive roles, and internal relativities. From these deliberations, the Remuneration Committee makes its recommendations to the Board.

Depending upon the particular role undertaken by Executives, remuneration consists of one or all of the following key elements:

- Base salary and benefits;
- Short term incentives; and
- Long term incentives.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company wide, business division and individual performance, relevant comparative remuneration in the market, internal relativities and, where appropriate, external advice on policies and practices.

There is no guaranteed base remuneration increase included in any executives' contracts.

Variable Remuneration

The objective of the short-term incentive program (STI) is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to Executive officers where direct performance linkages can be established. This policy is reviewed annually.

Short-term incentives payable for executives are capped at a maximum, depending on seniority, of their fixed component of salary. The details of each executive's individual at risk short-term incentive is detailed in the table below under Details of Remuneration of Directors and Executives.

Actual incentive payments granted to relevant senior managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI) covering both revenue and profitability of their areas of responsibility.

The objective of the long-term incentive program (LTI) are designed to promote long-term stability to shareholder returns. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to the Chief Executive Officer (CEO).

LTI's payable to the CEO are capped at a maximum. The details of the long-term incentives are detailed in the table below under details of Remuneration of Directors and Executives.

STI's are payable at the Board's discretion.

Service agreements

It is the Remuneration Committee's policy that employment contracts are entered into with executives to protect the interest of both the Group and the employee. Details of the key terms of these agreements are as follows:

Executive	Position held	Term	Notice Period (required by the KMP)	Notice Period (required by the Group)
R Masters ⁽¹⁾	Former Chief Executive Officer	On-going	2 months	2 months
A Bond ⁽²⁾	Chief Executive Officer	On-going	2 months	2 months; or 6 months if termination is resulting from a take-over of the Group
R Hall ⁽³⁾	Chief Operations Officer	On-going	2 months	2 months; or 6 months if termination is resulting from a take-over of the Group
J Rao ⁽⁴⁾	Chief Financial Officer	On-going	1 month	1 month
J Wood ⁽⁵⁾	Group Operations Manager	On-going	1 month	1 month

(1) resigned 15 December 2017

(2) CFO until 15 December 2017, appointed CEO 16 December 2017

(3) resigned 31 May 2018

(4) appointed 16 December 2017

(5) appointed 1 June 2018

Amounts paid to key management personnel are disclosed in the relevant section below.

The consultancy services agreement entered into with the Former Chief Executive Officer provided no termination benefits.

Other than statutory leave entitlements, there are no specific termination benefits applicable to the other key management personnel's service agreements.

Changes in key management personnel subsequent to year-end

On 13 July 2018, J Rao resigned.

REMUNERATION REPORT (AUDITED) (continued)

Details of Remuneration of Directors and Executives

Details of the remuneration of the directors and other key management personnel are set out in the following tables. The amounts shown are equal to the amount expensed in the Group's financial statements.

2018	Short Term Benefits			Post Employment Benefits	Long Term Benefits	Share-based payments	Termination benefits	Total	Proportion of remuneration that is performance based %
	Cash salary and fees ⁽¹⁾	Short-term incentives	Non-monetary benefits ⁽²⁾	Super-annuation	Employee leave				
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors									
S Morrow	56,750	-	-	18,531	-	-	-	75,281	-
G Cowan	33,417	-	-	3,175	-	-	-	36,592	-
P O'Keeffe	44,699	-	-	4,246	-	-	-	48,945	-
A Tse	44,699	-	-	4,246	-	-	-	48,945	-
Y Yang	12,319	-	-	-	-	-	-	12,319	-
C Chen	44,839	-	-	-	-	-	-	44,839	-
D Lin	32,520	-	-	-	-	-	-	32,520	-
Total Non-executive Directors	269,243	-	-	30,198	-	-	-	299,441	-
Executives									
R Masters	155,833	-	-	-	-	-	-	155,833	-
A Bond	242,919	100,000	618	21,690	3,805	341,700	-	710,732	14
R Hall	160,231	-	12,497	15,906	-	-	-	188,634	-
J Rao	162,838	-	-	14,989	2,744	-	-	180,571	-
J Wood	152,669	-	-	13,881	3,024	-	-	169,574	-
Total Executives	874,490	100,000	13,115	66,466	9,573	341,700	-	1,405,344	-
Total Remuneration	1,143,733	100,000	13,115	96,664	9,573	341,700	-	1,704,785	-

(1) 'Cash salary and fees' includes annual leave entitlements accrued during the reporting period.

(2) 'Non-monetary benefits' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, insurance and/or professional membership subscriptions.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Share-based payments

During the year, the Board granted options to the CEO in February 2018 for \$12,000 consideration received. In March 2018, these options were cancelled. The \$12,000 consideration received by the Group was retained and recognised in the Statement of Profit or Loss & Other Comprehensive Income. In accordance with AASB 2 *Share-based Payments* upon cancellation of the options, the full expense normally expected to be brought to account over the term of the options was expensed in the current year. The CEO received no payment or other form of remuneration in relation to these options.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

	Short Term Benefits			Post Employment Benefits	Long Term Benefits	Share- based payments	Termination benefits	Total	Proportion of remuneration that is performance based
	Cash salary and fees ⁽¹⁾ \$	Short-term incentives \$	Non-monetary benefits ⁽²⁾ \$	Super- annuation \$	Employee leave \$				
2017									
Non-executive Directors									
S Morrow	51,000	-	-	31,125	-	-	-	82,125	-
P O'Keeffe	45,000	-	-	4,275	-	-	-	49,275	-
A Tse	16,730	-	-	1,590	-	-	-	18,320	-
Y Yang	16,425	-	-	-	-	-	-	16,425	-
S Templeton	30,000	-	-	2,850	-	-	-	32,850	-
W Timms	7,500	-	-	712	-	-	-	8,212	-
Total Non-executive Directors	166,655	-	-	40,552	-	-	-	207,207	-
Executives									
R Masters	410,500	-	-	-	-	-	-	410,500	-
A Bond	227,567	-	680	30,190	3,801	-	-	262,238	-
R Hall	21,243	-	1,136	1,980	592	-	-	24,951	-
C Mikkelsen	108,081	-	-	10,951	1,857	-	-	120,889	-
M Henderson	36,120	-	-	-	-	-	-	36,120	-
H Christiansen	46,669	-	2,495	3,195	-	-	46,625	98,984	-
J Price	98,721	-	441	8,350	-	-	-	107,512	-
Total Executives	948,901	-	4,752	54,666	6,250	-	46,625	1,061,194	-
Total Remuneration	1,115,556	-	4,752	95,218	6,250	-	46,625	1,268,401	-

(1) 'Cash salary and fees' includes annual leave entitlements accrued during the reporting period.

(2) 'Non-monetary benefits' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, insurance and/or professional membership subscriptions.

The relative proportions of those elements of remuneration of key management personnel that are linked to performance are as follows:

Executive	Fixed Remuneration		At risk STI		STI awarded		STI forfeited		At risk LTI		LTI awarded		LTI forfeited	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
R Masters	77%	77%	23%	23%	0%	0%	100%	100%	-	-	-	-	-	-
A Bond	42%	71%	16%	29%	100%	0%	0%	100%	42%	0%	0%	0%	100%	0%
R Hall	90%	91%	10%	9%	-	-	100%	100%	-	-	-	-	-	-
J Rao	100%	100%	-	-	-	-	-	-	-	-	-	-	-	-
M Henderson	-	100%	-	-	-	-	-	-	-	-	-	-	-	-
J Wood	100%	100%	-	-	-	-	-	-	-	-	-	-	-	-
C Mikkelsen	-	91%	-	9%	-	-	-	100%	-	-	-	-	-	-

REMUNERATION REPORT (AUDITED) (continued)

Shareholdings

The number of ordinary shares held in Buderim Group Limited during the financial year by each Director and other members of key management personnel of the Group at 30 June 2018 is set out below:

Ordinary Shares	Interest	Balance 1 July 2017	Received as part of remuneration	Market Acquisition / (Sale)	Other	Balance 30 June 2018
Current Directors						
G Cowan	Indirect	-	-	69,670	-	69,670
D Lin	Direct	-	-	75,000	-	75,000
A Tse	Direct	-	-	50,000	-	50,000
Retired Directors						
S Morrow ⁽¹⁾	Indirect	119,022	-	-	(119,022)	-
Executives						
A Bond	Indirect	757,130	-	-	-	757,130
	Direct	139,000	-	-	(139,000)	-
R Masters ⁽¹⁾	Indirect	684,000	-	-	(684,000)	-

(1) Other represents shareholdings as at date of resignation as a director or key management person

All equity transactions with Non-executive Directors and Executives have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Other transactions and balances with directors and executives

Transactions between related directors and executives are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Global Foods

P O'Keeffe is a related party to substantial shareholder John Cheadle (ATF) Global Foods Group Pty Ltd. Global Foods group provided products to *The Ginger Factory* during the year to the value of \$1,935 (2017: nil). At 30 June 2018, no amounts were outstanding (2017: nil).

Maintenance Services

C Mikkelsen is a related party of M Mikkelsen, a sole trader operating under the trading name of Windows That Sparkle. Windows That Sparkle provided maintenance services to *The Ginger Factory* during the year to the value of \$NIL (2017: \$855). At 30 June 2018, no amounts were outstanding (2017: nil).

The Karand Family Trust

In February 2018, 3,000,000 options at an exercise price of \$0.40 were granted to the Karand Family Trust a related party of the CEO for \$12,000 consideration. The options were subsequently cancelled in March 2018. Neither the CEO or his related party received no payment or other form of remuneration in relation to these options.

Loans

There were no loans made to key management personnel during the year or prior year and there are no loans outstanding as at 30 June 2018.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

Buderim Group Limited and its subsidiaries have entered into Deeds of Indemnity, Insurance and Access. These deeds provide that the company indemnify all current and future directors and secretaries in accordance with the provisions of the *Corporations Act 2001*, and provide them with access to the company books and records for a period of seven years after they cease to be a director or secretary of the company.

During the financial year, the Group has paid premiums in respect of a contract insuring all the directors and officers of Buderim Group Limited against a liability incurred in their role as directors of the company, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of sections 232(5) or (6) of the *Corporations Act 2001*; and
- (c) as permitted by section 199B of the *Corporations Act 2001*.

The directors have not included details of the amount of the premium paid in respect of the Directors and Officers and Supplementary Legal Expenses policies as such disclosure is prohibited under the terms of the contract.

The Group has not, during or since the end of the financial year indemnified or agreed to indemnify the auditor of the Group against a liability incurred as auditor.

OPTIONS

In February 2018 the Group agreed a Long Term Incentive Scheme with the CEO for 3 million Options at a share price of \$0.40/share. These options were subsequently cancelled in March 2018 to facilitate the transaction with Royal Hawaiian Macadamia Nuts LP.

No other options over unissued shares or interests in the company or a controlled entity were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

ROUNDING

The amounts contained in this report and in the 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.

CORPORATE GOVERNANCE

Buderim Group Limited's Board of Directors believes that sound and ethical corporate governance practices are essential to both conformance and performance, and send a positive signal to our workforce, our suppliers, customers and our shareholders about our culture. We also believe that responsiveness to the interests of other stakeholders and the undertaking of responsible and sustainable practices, including the safety and welfare of our employees and the protection of the environment in which we work, will help build a long-term future for the Group.

The Corporate Governance Statement is provided on the corporate website www.bugcorporate.com under the Corporate Governance tab to inform shareholders and other stakeholders of the governance arrangements in the Group.

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 21.

NON-AUDIT SERVICES

There were no non-audit services provided by entities associated with the Group's auditor, PricewaterhouseCoopers.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



G Cowan
Director
Brisbane, 31 August 2018

AUDITORS' DECLARATION OF INDEPENDENCE



Auditor's Independence Declaration

As lead auditor for the audit of Buderim Group Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'P.J. Carney'.

Paddy Carney
Partner
PricewaterhouseCoopers

Brisbane
31 August 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	CONSOLIDATED	
		30/06/18 \$'000	Restated* 30/06/17 \$'000
CURRENT ASSETS			
Cash and cash equivalents	11	4,293	6,283
Trade and other receivables	12	9,710	9,329
Inventories	13	15,749	23,617
Current tax assets		18	29
Other current assets	14	1,184	1,071
Biological assets	18	1,008	1,252
Assets classified as held for sale	10	549	-
TOTAL CURRENT ASSETS		32,511	41,581
NON-CURRENT ASSETS			
Investment accounted for using the equity method	16	-	1,174
Property, plant and equipment	17	32,055	33,920
Deferred tax assets	7	-	117
Intangible assets	19	3,106	455
TOTAL NON-CURRENT ASSETS		35,161	35,666
TOTAL ASSETS		67,672	77,247
CURRENT LIABILITIES			
Trade and other payables	22	11,582	12,153
Interest-bearing liabilities	23	3,716	5,393
Employee entitlements	25	1,716	1,880
TOTAL CURRENT LIABILITIES		17,014	19,426
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	23	10,288	8,431
Other financial liabilities	24	2,723	4,110
Deferred tax liabilities	7	5,483	3,273
Long-term employee entitlements	25	139	145
TOTAL NON-CURRENT LIABILITIES		18,633	15,959
TOTAL LIABILITIES		35,647	35,385
NET ASSETS		32,025	41,862
EQUITY			
Contributed equity	27	54,626	50,628
Reserves		13,243	10,700
Accumulated losses		(35,844)	(19,466)
TOTAL EQUITY		32,025	41,862

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

*Reclassification of employee entitlements from trade and other payables to employee entitlements (refer note 25).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONSOLIDATED	
		30/06/18 \$'000	Restated* 30/06/17 \$'000
INCOME			
Sale of goods		56,413	47,153
Change in fair value of biological assets	18	3,087	3,844
Cost of sales		(52,958)	(42,544)
Gross profit		6,542	8,453
Rental revenue		78	132
Other income	6 (a)	2,998	2,587
Finance revenue		6	14
		9,624	11,186
Share of profit accounted for using the equity method		30	62
Selling and distribution expenses		(4,829)	(4,056)
Marketing expenses		(1,341)	(1,178)
Tourism expenses		(3,202)	(2,838)
Administration expenses		(6,670)	(6,289)
Impairment expense	29	(4,659)	-
Other expenses	6 (b)	(3)	(521)
LOSS BEFORE TAX AND FINANCE COSTS		(11,050)	(3,634)
Finance costs	6 (c)	(2,781)	(1,440)
LOSS BEFORE INCOME TAX		(13,831)	(5,074)
Income tax (expense)/benefit	7	(2,675)	(3,573)
NET LOSS FROM CONTINUING OPERATIONS		(16,506)	(8,647)
Loss from discontinued operations	21	(214)	(324)
NET LOSS FOR THE YEAR		(16,720)	(8,971)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of land, net of tax		2,559	-
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		(16)	(344)
Total other comprehensive (loss)/income, net of tax		2,543	(344)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(10,185)	(9,315)
Total net loss is attributable to:			
Equity holders of Buderim Group Limited		(12,728)	(8,971)
		(12,728)	(8,971)
Total comprehensive (loss) / income is attributed to:			
Equity holders of Buderim Group Limited		(10,185)	(9,315)
		(10,185)	(9,315)
Basic and diluted loss per share from continuing operations (cents)	8	(21.13)	(16.01)
Basic and diluted loss per share attributable to the ordinary equity holders of the Group (cents)	8	(21.40)	(16.61)

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

*See Note 21 for details regarding the restatement as a result of discontinued operations

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONSOLIDATED	
		30/06/18 \$'000	30/06/17 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		69,366	74,729
Payments to suppliers and employees (inclusive of GST)		(69,672)	(77,781)
Other receipts		382	387
Interest received		6	14
Interest and other finance costs paid		(896)	(622)
Income tax (paid)/received		(25)	(16)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	11	(840)	(3,289)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(881)	(683)
Consideration paid for business combination less cash receipts	20	(193)	(350)
Proceeds from businesses disposed, net of cash disposed		1,329	-
Proceeds from sale of equipment		26	10
Dividend received from joint venture		96	50
Return of equity from joint venture		146	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		523	(973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		-	11,578
Share issue transaction costs		(41)	(222)
Proceeds from issue of convertible notes		-	15,000
Convertible notes transaction costs		-	(594)
Proceeds from borrowings		865	2,157
Repayments of borrowings		(2,559)	(20,907)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,735)	7,012
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,052)	2,750
Cash and cash equivalents at beginning of the year		6,283	3,533
Foreign exchange difference on cash holdings		62	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	4,293	6,283
Cash flows of discontinued operations	21	(2,421)	(1,441)

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 2018

	CONSOLIDATED				
	Contributed Equity \$'000	RESERVES			Total Equity \$'000
		Asset Revaluation \$'000	Foreign Currency Translation \$'000	Accumulated Losses \$'000	
As at 1 July 2016	39,272	10,235	809	(10,495)	39,821
<i>Total comprehensive income for the year</i>					
Net loss for year	-	-	-	(8,971)	(8,971)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	(344)	-	(344)
Change in fair value of land	-	-	-	-	-
Income tax on other comprehensive income items	-	-	-	-	-
Total comprehensive income for the year	-	-	(344)	(8,971)	(9,315)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued, net of transaction costs	11,356	-	-	-	11,356
As at 30 June 2017	50,628	10,235	465	(19,466)	41,862
As at 1 July 2017	50,628	10,235	465	(19,466)	41,862
<i>Total comprehensive income for the year</i>					
Net loss for year	-	-	-	(16,720)	(16,720)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	(246)	-	(246)
Change in fair value of land	-	1,455	-	-	1,455
Income tax on other comprehensive income items	-	1,104	230	-	1,334
Total comprehensive income for the year	-	2,559	(16)	(16,720)	(14,177)
<i>Transactions with owners in their capacity as owners</i>					
Share based payments expense	-	-	-	342	342
Shares issued, net of transaction costs	3,998	-	-	-	3,998
As at 30 June 2018	54,626	12,794	449	(35,844)	32,025

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 2018

1. CORPORATE INFORMATION

The consolidated financial statements of Buderim Group Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 31 August 2018. Buderim Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in note 5.

The consolidated financial statements covers the consolidated group of Buderim Group Limited and its controlled entities (the "Group").

2. SIGNIFICANT ACCOUNTING POLICIES

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(a) Basis of preparation	(l) Property, plant and equipment	(x) Government grants
(b) Going concern	(m) Assets classified as held for sale	(y) Income tax
(c) Statement of compliance	(n) Biological assets	(z) Goods and services tax and other value-added taxes
(d) Changes in accounting policies, disclosures, standards and interpretations	(o) Intangible assets	(aa) Derecognition of financial instruments
(e) Basis of consolidation	(p) Impairment of non-financial assets	(ab) Impairment of financial assets
(f) Segment reporting	(q) Interest-bearing liabilities	(ac) Contributed equity
(g) Investment in jointly controlled entities	(r) Other financial liabilities	(ad) Earnings per share
(h) Foreign currency	(s) Trade and other payables	(ae) Fair value measurement
(i) Cash and cash equivalents	(t) Provisions	(af) New, revised or amended Accounting Standards and Interpretations adopted
(j) Trade and other receivables	(u) Employee benefits	
(k) Inventories	(v) Leases	
	(w) Revenue recognition	

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, including Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have also been prepared on an accruals basis and are based on historical costs, except for investments, land, biological assets and derivative liability that have been measured at fair value.

The Group has adopted all the new, revised or amended Australian Accounting Standards and AASB Interpretations that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations has impacted the financial performance and position of the Group. Refer to note 2(af) for further information.

The consolidated financial statements are 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 \$16,720,000 for the year ended 30 June 2018. As at 30 June 2018 the Group had cash reserves of \$4,293,000, a net current asset surplus of \$15,497,000 and net assets of \$32,025,000. The Group operates under finance facilities varied with Rabo Australia Limited ("Rabobank") on 9 August 2017. Included in current liabilities are borrowings of \$2,245,000 that were set to expire on 1 March 2019. These loans were classified as current liabilities as they were set to expire within 12 months. The Group did not meet its forecasted Debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") banking covenant ratio with Rabobank for the period ended 30 June 2018. The Group received a waiver from Rabobank on 17 May 2018 in respect of the expected financial banking covenant breaches as at 30 June 2018.

On 8 August 2018 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities include an extension of the facilities through to 30 June 2020 as detailed in Note 30. The interest margin on the term loan facility remained unchanged at 2.25% above the Bank Bill Swap Rate. The Group has access to a repayable at call \$4,000,000 in undrawn working capital facility.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to 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 8 August 2018. 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.

(c) Statement of compliance

The consolidated financial statements of Buderim Group Limited and controlled entities comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the consolidated financial statements comply with International Financial Reporting Standards ('IFRS').

(d) Changes in accounting policies, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial reporting period, except for the adoption of new and amended standards as set out in note 2(af).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of consolidation

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised directly in equity as attributable to owners of Buderim Group Limited.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are re-classified to profit or loss.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance

of the operating segments, has been identified as the Chief Executive Officer (note 5).

(g) Investment in jointly controlled entities

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investee became a joint venture. Under the equity method, an investment in a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture. The joint venture (business combination occurred during the year) operated the boat ride "Overboard" and the "Ginger Train" at the tourism facility, *The Ginger Factory* at Yandina.

Where necessary, the entire carrying amount of the investment is tested for impairment.

When a group entity transacts with the joint venture, profits and losses resulting from the transactions within the joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the joint venture is not related to the group.

(h) Foreign currency

Functional and presentational currency

The functional currency of each entity of the Group is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars (AUD) or (\$), which is Buderim Group Limited's functional and presentational currency.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign monetary assets and liabilities are translated using the exchange rates prevailing as at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate as at the date of the fair value determination.

Exchange differences arising from the translation of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Exchange differences arising from the translation of non-monetary items are recognised in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and 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.

Bank overdrafts are shown within interest-bearing liabilities in current liabilities in the Consolidated Statement of Financial Position.

(j) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an impairment loss for any uncollectible amounts.

An impairment is recognised where there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value, except for Macadamia produce, which are measured at fair value less costs to sell at the point of harvest.

Macadamias cease to be agricultural produce after picking and are subsequently classified as raw materials, measured at cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Macadamia produce** – fair value less costs to sell at the point the Macadamia crop becomes non-living. This measurement then becomes the cost recognised under raw materials;
- **Raw materials** – purchase cost on a first-in, first-out basis; and
- **Finished goods and work-in-progress** – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment

Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is measured at fair value. Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, over the estimated useful life of the assets as follows:

• Tourism buildings	15 years
• Freehold buildings	50 years
• Bearer plants	65 years
• Plant and equipment	3 – 20 years

The asset's residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end.

The useful lives of assets and major depreciation periods used in 2018 are consistent with those used in the prior year.

Refer to note 2(ae) for the fair value measurement.

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the land are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the land; all other decreases are charged to profit or loss.

Upon disposal, any revaluation reserve relating to the land being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the lands' fair value at the reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

(m) Assets classified as held for sale

Non-current assets are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally

through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when management has committed to a plan for immediate sale; the sale is expected to occur within one year from date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(n) Biological assets

Macadamia produce

The growing macadamia crop is valued in accordance with AASB 141 *Agriculture*. The fair value of the macadamia nuts on trees takes into account current macadamia selling prices and current growing, processing and selling costs. The calculated crop value is then discounted to take into account that it is only partly developed, and then further discounted by a suitable factor to take into account the agricultural risk until crop maturity.

(o) Intangible assets

Goodwill

Goodwill is carried at cost, less any accumulated impairment losses. Goodwill is recognised as the excess of the consideration transferred over the acquisition date fair value of identifiable net assets acquired. Goodwill is not amortised, and is tested for impairment at least annually and is allocated to the cash-generating units for which it relates.

Impairment losses recognised for goodwill are not subsequently reversed.

Trade marks

Trade marks are carried at cost, less any accumulated impairment losses and amortisation. Trade marks have been assessed by the directors as having indefinite useful lives as the related products and brand names will generate net inflows for the Group for an indefinite period. Trade marks are assessed for impairment at least annually and is allocated to the cash-generating unit for which they relate.

Disposals

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(p) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite useful lives regardless of whether any impairment indicators exist.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether a previously recognised impairment loss in respect of a non-financial asset other than goodwill, can be reversed.

(q) Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(r) Other financial liabilities

The derivative liability component recognised in other financial liabilities represent the value attributable to the potential adjustments to conversion ratio of the convertible notes issued. They are initially recognised at fair value and subsequently remeasured at each reporting date. Refer to note 4 and 23 for further information.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(u) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using corporate bond rates.

(v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of shipment of the goods to the customer.

Interest

Revenue is recognised as the interest accrues using the effective interest method.

Rental income

Rental income is recognised in line with lease commitments defined in lease agreements which is a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(x) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments

(y) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences are associated with investments in subsidiaries, associates and interest in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences are associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and
- taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(z) Goods and services tax ('GST') and other value-added taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(aa) Derecognition of financial instruments

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the contractual rights to the cash flows expire, the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the relevant derecognition criteria of AASB 139 are satisfied. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(ab) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost (assuming no impairment has been recognised) at the reversal date.

(ac) Contributed equity

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

(ad) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. The convertible notes issued in 2017 have the potential to have a dilutive impact on ordinary shares. As the Group incurred losses for the period, these options are considered antidilutive and are therefore not utilised in dilutive earnings per share calculations.

(ae) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison where applicable, with external sources of data.

Refer to note 26 for further information

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

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The effectiveness of the processes put in place and the appropriateness of the objectives and policies are discussed regularly at Board level. Management also reviews the risk management policies and processes and reports their findings to the Audit, Compliance Safety Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

The Group's principal financial instruments comprise bank loans, convertible notes, overdraft, payables, cash and short-term deposits and receivables.

The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the reporting period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risks including interest rate risk foreign currency risk. Other risks include liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's accounting policies in relation to financial instruments are set out in note 2.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

As at reporting date the Group had the following variable rate borrowings:

	CONSOLIDATED			
	30/06/18 Effective Interest Rate %	30/06/18 Balance \$'000	30/06/17 Effective Interest Rate %	30/06/17 Balance \$'000
Bank overdraft (FJD)	9.49%	-	9.49%	-
Bank bill facility (AUD)	4.18%	2,245	3.67%	4,045

An analysis of maturities is provided in (e) below.

At reporting date, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining consistent would be as follows:

	30/06/18			30/06/17		
	Exposure at 30 June \$'000	+1% \$'000	-1% \$'000	Exposure at 30 June \$'000	+1% \$'000	-1% \$'000
Interest-bearing liabilities	2,245	(22)	22	4,045	(40)	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

As a result of significant investment operations in Fiji and the United States, the Group's Consolidated Statement of Financial Position can be affected significantly by movements in the USD/AUD and FJD/AUD exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 20% (2017: 32%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 82% (2017: 89%) of costs are denominated in the unit's functional currency.

At 30 June, the effect on profit and equity as a result of changes in the rates between the AUD and foreign currencies, with all other variables remaining consistent would be as follows:

	30/06/18			30/06/17		
	Exposure at 30 June \$'000	+10% \$'000	-10% \$'000	Exposure at 30 June \$'000	+10% \$'000	-10% \$'000
Balances held in USD	27,570	(2,506)	3,063	18,296	(1,663)	2,033
Balances held in FJD	535	(18)	22	543	(49)	60
Balances held in GBP	-	-	-	36	(3)	5
Balances held in CAD	197	(18)	22	236	(21)	26
Balances held in NZD	87	(8)	10	71	(6)	8

(c) Commodity risk

The Group is exposed to commodity risks in the ginger and macadamia segments.

Processes are in place to monitor the price risks associated with commodities such as ginger, macadamias and other ingredients such as sugar. Where appropriate forward contracts are established to minimise exposure to price risks for these commodities.

Commodity production risk is minimised through crop insurance and where appropriate, sourcing commodities from multiple geographical locations.

At 30 June, the effect on profit and equity as a result of an increase/(decrease) in commodity prices by 1% would be (\$147,000)/\$147,000 respectively.

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the entity. Credit risk arises principally from trade and other receivables and derivatives.

The objective of the Group is to minimise risk of loss from credit risk exposure. To achieve this, the Group has established a number of policies and processes to manage credit risk from receivables and derivatives. The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the objective that the Group's exposure to bad debts is minimised.

Credit risk from receivables is measured through the use of credit agency reports on worthiness, trading history and days sales outstanding ratios.

Credit risk from derivatives is measured through monitoring of foreign exchange and interest rate movements. The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and bill facilities. The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers.

The Group has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring actual and daily cashflows of all Group entities;
- Continuously monitoring longer-term forecast cashflow requirements of the Group;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows;
- Maintaining adequate borrowing facilities such as unused credit or overdraft facilities;
- Monitoring measures of borrowing such as EBIT/Interest, EBIT/Sales, Gearing and Debt to Equity ratios;
- Monitoring liquidity ratios such as working capital;
- Managing the timing of outflows designated for reduction for liabilities in accordance with usual industry practice; and
- Liquidity risk is measured using liquidity ratios such as working capital.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

The Group has access to debt facilities held with Rabobank and Westpac Banking Corporation. The facility limits and undrawn balances as at reporting date are noted below:

Debt facility	Expiry Date	30/06/18		30/06/17	
		Facility Limit \$'000	Undrawn \$'000	Facility Limit \$'000	Undrawn \$'000
Bank overdraft (AUD) ¹	1/03/2019	455	455	455	455
Bank overdraft (FJD) ¹	1/03/2019	308	308	312	312
Bank overdraft (USD) ¹	1/03/2019	203	203	194	194
Working capital facility ²	1/03/2019	4,000	4,000	4,000	4,000
Bank bill facility (AUD) ²	1/03/2019	2,245	-	4,045	-

1: Held with Westpac Banking Corporation

2: Held with Rabobank

The Group had access to the following undrawn borrowing facilities at the reporting date:

Bank Guarantee Facility

Rabobank provides for the issue of a \$1,000,000 guarantee(s) in favour of the Group's nominated banks in Australia and Fiji in connection with overdraft, rental performance guarantees and transactional facilities.

Westpac has provided rental guarantees totalling \$35,000 for the leases at Princes Drive and Russell Street, Morwell, Victoria.

Financiers

Rabobank is the Group's principal financiers, whilst Westpac Banking Corporation, Bank of Hawaii and Key Bank supply retail banking facilities such as overdraft, dividend, share purchase plan accounts, credit cards, business and corporate on-line facilities to group entities.

Maturity analysis

Financial liabilities have differing maturity profiles depending on contractual term and in the case of borrowings, different repayment amounts and frequency. The periods in which the principal and interest (where applicable) of recognised and unrecognised financial liability balances will be paid based on the remaining period to repayment date assuming contractual repayments are maintained, may vary from carrying amounts due to future interest to be incurred on amortising liability amounts. The bank overdraft and working capital bill facilities, which are repayable at call, may be drawn down at any time.

Maturity Analysis – Group – 2018

FINANCIAL LIABILITIES	CARRYING AMOUNT \$'000	CONTRACTUAL CASH FLOWS \$'000	< 6 MTHS \$'000	6-12 MTHS \$'000	1-3 YEARS \$'000	> 3 YEARS \$'000
Non-derivatives						
Trade and other payables	12,805	12,805	12,805	-	-	-
Interest-bearing liabilities	14,004	19,870	2,804	941	16,125	-
Total Non-derivatives	26,809	32,675	15,609	941	16,125	-

Maturity Analysis – Group – 2017

FINANCIAL LIABILITIES	CARRYING AMOUNT \$'000	CONTRACTUAL CASH FLOWS \$'000	< 6 MTHS \$'000	6-12 MTHS \$'000	1-3 YEARS \$'000	> 3 YEARS \$'000
Non-derivatives						
Trade and other payables	13,398	13,398	13,398	-	-	-
Interest-bearing liabilities	13,824	21,483	4,395	712	16,376	-
Total Non-derivatives	27,222	34,881	17,793	712	16,376	-

Refer to note 23 interest-bearing liabilities for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact of the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are outlined below:

(i) Significant accounting judgments

Going concern assessment

The Group has prepared the consolidated financial statements on a going concern basis. Refer to note 2(b) for further information.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and accumulated tax losses to the extent they are available to be offset with deferred tax liabilities.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumption of future events.

(ii) Significant accounting estimates and assumptions

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Impairment of goodwill and intangibles

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimate of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 29.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is either based on supportable past collection history and historical write-offs of bad debts and/or known occurrences of debtor's inability to honour commitments.

Macadamia produce

The current year macadamia crop is not considered harvested as this crop is attached to the trees and therefore classified as a biological asset and valued in accordance with *AASB 141 Agriculture*. In applying this standard, the Group has made various assumptions at the reporting date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The assumptions are detailed in note 18.

Other financial liabilities

The Group is required to measure its other financial liabilities, being the derivative liability component of the convertible notes issued at fair value. In determining the fair value of the derivative liability component, a number of key assumptions are required to be made. Refer to note 23 for further information on these assumptions.

5. 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 forms the basis of the reports reviewed by the Board and the executive management committee.

The Chief Executive Officer reviews each segments performance and is the Chief Operational Decision Maker (CODM).

The reportable segments for the year ended 30 June 2018 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 - production and processing in Australia and Hawaii of macadamia products and marketing to wholesale and retail customers throughout the world;

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

Other

The Fiji ginger business is not a reportable segment under AASB 8, since its results are not reviewed by the CODM 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 the CODM 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 note 2. There were no other changes in segment accounting policies that had a material effect on the segment information.

5. SEGMENT INFORMATION (continued)

Reportable segments

Segment information provided to the Chief Operational Decision Maker for the years ended 30 June 2018 and 30 June 2017 is as follows:

REPORTABLE SEGMENTS	Ginger		Tourism		Macadamias		Total	
	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000
Income								
Sales of goods to external customers	24,587	25,221	5,672	4,559	26,154	17,373	56,413	47,153
Sales of goods to internal segments	1,872	1,662	-	-	-	4,489	1,872	6,151
Other revenue / income	639	2,431	78	132	2,360	156	3,077	2,719
Total segment revenue	27,098	29,314	5,750	4,691	28,514	22,018	61,362	56,023
Consolidation adjustments	178	(1,662)	-	-	(2,050)	4,489	(1,872)	(6,151)
Total income from continuing operations							59,490	49,872
Results								
Segment result	(9,984)	(833)	296	(275)	(2,147)	(2,284)	(11,835)	(3,392)
Share of profit of jointly controlled entities'	-	-	30	62	-	-	30	62
Corporate overhead expenses	(888)	(933)	(202)	(169)	(936)	(642)	(2,026)	(1,744)
Contribution to group (loss)/profit	(10,872)	(1,766)	124	(382)	(3,083)	(2,926)	(13,831)	(5,074)
Finance costs	2,352	1,058	-	-	429	382	2,781	1,440
Finance revenue	(6)	(14)	-	-	-	-	(6)	(14)
Depreciation & amortisation	1,085	1,066	279	185	632	639	1,996	1,890
EBITDA	(7,441)	344	403	(197)	(2,022)	(1,905)	(9,060)	(1,758)
Loss before income tax							(13,231)	(5,074)
Income tax (expense)/benefit	(2,531)	(3,642)	55	68	(199)	1	(2,675)	(3,573)
Net loss from continuing operations							(16,506)	(8,647)
Inventory write-downs and provisions	622	242	-	-	611	415	1,233	657
Material other items								
Fair value gain on other financial liabilities	(1,387)	(2,288)	-	-	-	-	(1,387)	(2,288)
Residual profit split transfer pricing methodology charge	2,050	-	-	-	(2,050)	-	-	-
Impairment expense	4,659	-	-	-	-	-	4,659	-
Total	5,322	(2,288)	-	-	(2,050)	-	3,272	(2,288)

*See Note 21 for details regarding the restatement as a result of discontinued operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

5. SEGMENT INFORMATION (continued)

GEOGRAPHICAL LOCATION	Australia		USA		Other		Total	
	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000	30/06/18 \$'000	Restated* 30/06/17 \$'000
Sales of goods to external customers	19,414	19,119	26,813	17,919	10,186	10,115	56,413	47,153
Sales of goods to internal locations	1,872	6,151	-	-	-	-	1,872	6,151
Other revenue / income	808	4,569	2,360	(1,852)	(91)	2	3,077	2,719
Total geographical revenue	22,094	29,839	29,173	16,067	10,095	10,117	61,362	56,023
Consolidation adjustments	178	(6,151)	(2,050)	-			(1,872)	(6,151)
Total income							59,490	49,872
Total geographical assets	43,886	57,237	20,009	15,030	3,777	4,980	67,672	77,247
Total geographical liabilities	22,596	25,212	12,732	9,831	319	342	35,647	35,385

*See Note 21 for details regarding the restatement as a result of discontinued operations

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

'Other' represents sales to foreign countries that are not individually material to the Group and include the Asia, Europe and the South Pacific regions.

Major Customers (defined as > 10% of Group turnover)

During the period ended 30 June 2018, revenues of \$6,142,000 (2017: \$6,402,000) were derived from sales to Customer A through the ginger and macadamia segment. In total, the 2018 revenue recorded through sales to Customer A amounted to more than 9% (2017: 9%) of the Group's revenues from external customers. Revenues of \$11,225,000 (2017: \$9,461,000) were derived from sales to Customer B through the ginger and macadamia segment. In total the 2018 revenue recorded through sales to Customer B amounted to more than 17% (2017: 13%) of the Group's revenue from external customers.

6. INCOME AND EXPENSES

		CONSOLIDATED	
	Note	30/06/18 \$'000	30/06/17 \$'000
(a) Other income			
Net foreign exchange gains		1,009	-
Profit on disposal of plant and equipment		9	-
Fair value gain on Investment accounted for using the equity method		87	-
Bargain purchase		280	-
Sundry income		190	267
Fair value gain on other financial liabilities	24 (b)	1,387	2,288
Government grants		36	32
Total other income		2,998	2,587
(b) Other expenses			
Net foreign exchange losses		3	510
Sundry expenses		-	11
Total other expenses		3	521
(c) Finance costs			
Bill facility		225	602
Bank loans and overdraft		5	20
Convertible notes		2,551	818
Total finance costs		2,781	1,440
(d) Depreciation			
Depreciation of non-current assets			
Plant and equipment		1,356	1,282
Bearer plants		168	173
Buildings		472	435
Total depreciation	17	1,996	1,890
(e) Operating lease payments			
Minimum lease payments on operating leases		922	898
		922	898
(f) Employee benefits expense			
Employee benefits expense (excluding superannuation costs)		16,519	14,498
Superannuation costs – defined contribution		952	900
Total employee benefits expense		17,471	15,398
(g) Inventory write-downs and provisions		1,233	790
(h) Impairment expenses			
Goodwill		127	-
Buildings		2,044	-
Plant and equipment		2,488	-
Total impairment expenses		4,659	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. INCOME TAX

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Major components of income tax expense/(benefit) for the years ended 30 June 2018 and 30 June 2017 are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax expense/(benefit)	-	-
Adjustments in respect of current income tax of previous years	904	(22)
<i>Deferred income tax</i>		
Derecognition of previously recognised deferred tax assets	3,588	4,262
Relating to origination and reversal of temporary differences	(1,817)	(667)
	2,675	3,573

A reconciliation of income tax expense/(benefit) to accounting loss before income tax at the statutory income tax rate for the years ended 30 June 2018 and 30 June 2017 is as follows:

	CONSOLIDATED	
	30/06/18 \$'000	Restated 30/06/17 \$'000
Accounting loss before tax	(13,831)	(5,074)
At the statutory income tax rate of 30% (2017: 30%)	(4,149)	(1,522)
Australia (under)/over provision	(904)	28
USA (under)/over provision	3	(6)
Tax adjustment due to tax in foreign jurisdictions	(12)	143
Australian deferred tax assets derecognised from prior years	3,588	4,262
Australian deferred tax assets not brought to account for the year	3,980	666
USA deferred tax assets derecognised from prior years	167	-
Other	3	2
	2,675	3,573

Deferred tax benefits are recognised for deductible temporary differences and accumulated losses incurred in both the Ginger and the Macadamia segments in the current and preceding period to the extent they are available to be offset with deferred tax liabilities.

At 30 June 2018, there is no recognised or unrecognised deferred income tax liability (2017: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures, as the Group has no liability for additional taxation should such amounts be remitted.

Tax on other comprehensive income

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Income tax on other comprehensive income items	894	-
	894	-

Tax consolidation

Buderim Group Limited and its wholly owned Australian resident subsidiaries are a tax consolidated group. All members of the tax consolidated group are taxed as a single entity from the date they enter the group. Members of the group apply the group allocation approach in determining the amount of current tax and deferred taxes recognised by members of the tax consolidation group. The head entity and other members of the tax consolidated group have entered into a tax sharing agreement. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Buderim Group Limited.

7. INCOME TAX (continued)

Movement in deferred tax balances for the years ended 30 June 2018 and 30 June 2017

CONSOLIDATED					
	Revaluation of Land \$'000	Accelerated Depreciation \$'000	Employment Benefits \$'000	Tax Losses to Offset / Other \$'000	Total \$'000
<i>Deferred tax assets</i>					
As at 1 July 2017	-	-	394	6,110	6,504
Recognition in equity	-	-	-	-	-
Recognition in profit	-	-	181	(4,736)	(4,555)
As at 30 June 2018	-	-	575	1,374	1,949
Set-off of deferred tax liabilities pursuant to set-off provisions					(1,949)
Net deferred tax assets at 30 June 2018					-
<i>Deferred tax liabilities</i>					
As at 1 July 2017	(7,026)	(1,686)	-	(948)	(9,660)
Recognition in equity	720	-	-	174	894
Recognition in profit	-	1,153	-	181	1,334
As at 30 June 2018	(6,306)	(533)	-	(593)	(7,432)
Set-off of deferred tax assets pursuant to set-off provisions					1,949
Net deferred tax liabilities at 30 June 2018					(5,483)

CONSOLIDATED					
	Revaluation of Land \$'000	Accelerated Depreciation \$'000	Employment Benefits \$'000	Tax Losses to Offset / Other \$'000	Total \$'000
<i>Deferred tax assets</i>					
As at 1 July 2016	-	-	633	9,140	9,773
Recognition in equity	-	-	-	-	-
Recognition in profit	-	-	(239)	(3,030)	(3,269)
As at 30 June 2017	-	-	394	6,110	6,504
Set-off of deferred tax liabilities pursuant to set-off provisions					(6,387)
Net deferred tax assets at 30 June 2017					117
<i>Deferred tax liabilities</i>					
As at 1 July 2016	(7,208)	(1,033)	-	(979)	(9,220)
Recognition in equity	182	-	-	-	182
Recognition in profit	-	(653)	-	31	(622)
As at 30 June 2017	(7,026)	(1,686)	-	(948)	(9,660)
Set-off of deferred tax assets pursuant to set-off provisions					6,387
Net deferred tax liabilities at 30 June 2017					(3,273)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. INCOME TAX (continued)

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

- Tax losses: operating losses \$29,982,000 (2017: \$15,400,000)
- Tax losses: capital losses \$2,016,000 (2017: \$2,016,000)

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

8. EARNINGS PER SHARE

The following reflects the income and share data used in the basic earnings per share computations:

	CONSOLIDATED	
	30/06/18	Restated 30/06/17
Net loss after tax attributable to ordinary shareholders of Buderim Group Limited from continuing operations, used in the calculation of basic and diluted earnings per share (\$'000)	(16,506)	(8,647)
Net loss from discontinued operations	(214)	(324)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share.	78,121,580	54,019,803
Basic and diluted earnings per share from continuing operations (cents per share)	(21.13)	(16.01)
Basic and diluted earnings per share from discontinued operations	(0.27)	(0.60)
Total basic and diluted earnings per share attributable to ordinary shareholders of Buderim Group Limited	(21.40)	(16.61)

The following potential ordinary shares are antidilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	CONSOLIDATED	
	30/06/18 Number of Notes	30/06/17 Number of Notes
Convertible notes issued 15 February 2017	37,500,000	37,500,000
	37,500,000	37,500,000

The acquisition of the Royal Hawaiian Orchards branded retail assets resulted in an adjustment event for the Convertible Notes. This adjustment event changed the conversion ratio from 1:1 to 1:1.037204. 37,500,000 notes remain on issue. Upon conversion, 38,895,152 shares will be issued.

9. DIVIDENDS PAID OR PROPOSED

No dividends have been paid during the 2018 year for the year ended 30 June 2018 (2017: nil). No dividend has been declared for the year ended 30 June 2018 (2017: nil).

10. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Property, plant and equipment	549	-
	549	-

The Group's Morwell assets were classified as held for sale at 30 June 2018 as the Board had commenced a plan for sale of the assets.

11. CASH AND CASH EQUIVALENTS

Reconciliation of profit after income tax to net cash outflow from operating activities

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Reconciliation of cash and cash equivalents		
Cash balance comprises:		
— cash at bank and on hand	4,293	6,283
— overdraft	-	-
Closing cash balance	4,293	6,283

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

Reconciliation of loss after tax to the net cash flows from operations

Net loss	(16,720)	(8,971)
<i>Adjustments for:</i>		
Depreciation of non-current assets	2,104	2,152
Amortisation of intangibles	102	-
Impairment of goodwill and fixed assets	4,659	-
Change in fair value of biological assets	(3,087)	(3,844)
Fair value gain on other financial liabilities	(1,387)	(2,288)
Share of profit of jointly controlled entities	(30)	(62)
Recognition of share based payments	342	-
Net exchange differences	1,441	283
Transaction fees for derivative liability	-	253
Interest expense on debt-host liability	2,551	818
Government grants	(36)	(32)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(381)	4,029
(Increase)/decrease in inventories	7,868	6,016
(Increase)/decrease in biological assets	244	103
(Increase)/decrease in deferred tax assets	117	4,553
(Increase)/decrease in prepayments	(113)	(109)
(Decrease)/increase in trade and other payables	(571)	(5,534)
(Decrease)/increase in tax provision	11	146
(Decrease)/increase in deferred tax liability	2,210	(846)
(Decrease)/increase in other provisions	(164)	44
Net cash flow from operating activities	(840)	(3,289)

(i) Disclosure of financing facilities - refer to note 23.

(ii) Disclosure of non-cash financing and investing activities - There has been no plant and equipment acquired by way of lease during 2018 or 2017.

(iii) All cash and cash equivalents are categorised as "loans and receivables". They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

11. CASH AND CASH EQUIVALENTS (continued)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Cash and cash equivalents	4,293	6,283
Borrowings – repayable within one year (including overdraft)	(3,716)	(5,393)
Borrowings – repayable after one year	(10,288)	(8,431)
Net debt	(9,711)	(7,541)
Cash	4,293	6,283
Gross debt – fixed interest rates	(10,956)	(9,080)
Gross debt – variable interest rates	(3,048)	(4,744)
Net debt	(9,711)	(7,541)

	CONSOLIDATED				
	Other assets		Liabilities from financing activities		Total \$'000
	Cash/bank overdraft \$'000	Liquid investments \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000	
Net debt as at 1 July 2017	6,283	32,946	(5,393)	(8,431)	25,405
Cash flows	(2,050)	-	1,677	-	(373)
Foreign exchanges adjustments	60	-	-	-	60
Other non-cash movements	-	(7,487)	-	(1,857)	(9,344)
Net debt as at 30 June 2018	4,293	25,459	(3,716)	(10,288)	15,748

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Trade receivables ⁽ⁱ⁾	9,533	8,993
Provision for impairment	(141)	-
Deposits and other loans	94	32
Other receivables	224	166
	9,710	9,191
Related party receivables ⁽ⁱⁱ⁾		
Jointly controlled entities	-	138
	-	138
Carrying amount of trade and other receivables	9,710	9,329

(i) Trade receivables are non-interest bearing and are generally on 30-60 day terms. An impairment loss is made when there is objective evidence that a trade receivable is impaired. The amount of impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

All receivables that are neither past due or impaired are with long standing clients who have a good credit history with the Group.

The carrying amounts of trade and other receivables are assumed to approximate their fair values due to their short-term nature.

There are no significant concentrations of credit risk, whether through exposure to individual customers or specific industry sectors.

Aging analysis of "past due, not impaired" trade receivables:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
61 - 90 days	139	34
> 90 days	48	41
Total	187	75

(ii) For items and conditions relating to related party receivables refer to note 32.

13. INVENTORIES (CURRENT)

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Raw materials (at lower of cost and net realisable value)	5,860	12,202
Work-in-progress (at lower of cost and net realisable value)	396	464
Finished goods (at lower of cost and net realisable value)	9,493	10,951
	15,749	23,617

Refer to note 6(g) for the recognised expenses for inventories carried at net realisable value. This is recognised in cost of sales in the profit or loss.

14. OTHER CURRENT ASSETS

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Prepayments	1,184	1,071
	1,184	1,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

15. INVESTMENT IN CONTROLLED ENTITIES

Name		Country of incorporation	Percentage of equity interest held by the Group	
			30/06/18 %	30/06/17 %
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia	100	100
Buderim Baking Company Pty Ltd	(i)	Australia	100	100
Buderim Ginger America, Inc.	(ii)	United States	100	100
Ginger Head Quarters Pty Ltd	(i)	Australia	100	50
Frespac Ginger (Fiji) Ltd	(ii)	Fiji	100	100
Agrimac Macadamias Pty Ltd	(i)	Australia	100	100
MacFarms, LLC	(iii)	United States	100	100

(i) Investment by Buderim Group Limited

(ii) Investment by Buderim Ginger (Overseas) Holdings Pty Ltd

(iii) Investment by Buderim Ginger America, Inc.

Acquisition and disposals of controlled entity

During the year ended 30 June 2018, Buderim group Limited acquired the remaining 50% of shares, resulting in a business combination, with Ginger Head Quarters Pty Ltd, a tourism business.

No other acquisitions or disposals occurred during the year ended 30 June 2018 (2017: nil).

16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Name		Country of incorporation	Percentage of equity interest held by the entity		Investment Consolidated	
			30/06/18 %	30/06/17 %	30/06/18 \$'000	30/06/17 \$'000
Ginger Head Quarters Pty Ltd	(i)	Australia	100	50	-	1,174
					-	1,174

(i) On 29 September 2017, Buderim Group Limited acquired the remaining 50% of shares, resulting in a business combination, with Ginger Head Quarters Pty Ltd.

16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

The reporting date of Ginger Head Quarters Pty Ltd is the same as Buderim Group Limited. There were no impairment losses, capital commitments or contingent liabilities relating to the investment in this entity. The following table illustrates summarised information of the investment in Ginger Head Quarters Pty Ltd.

On 29 September 2017, Buderim Group Limited acquired the additional 50% of shares in Ginger Head Quarters Pty Ltd.

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
<i>Share of joint venture's balance sheet:</i>		
Current assets	-	337
Non-current assets	-	889
Current liabilities	-	(99)
Net assets	-	1,127
<i>Share of joint venture's revenues and profit:</i>		
Revenue	137	473
Expenses	(96)	(384)
Profit before income tax	41	89
Income tax expense	(11)	(27)
Profit after income tax	30	62
Other comprehensive income	-	-
Total comprehensive income for the year	30	62
<i>Reconciliation of movement in investment</i>		
Opening balance	1,174	1,162
Return of capital	(151)	-
Dividend paid	(96)	(50)
Profit/(loss) after tax	30	62
FV gain on investment	87	-
Transfer from investment accounted for using the equity method to consolidated investment	(1,044)	-
Closing balance	-	1,174
<i>Major components included in joint venture financial statements</i>		
Balance sheet		
Cash at bank and on hand	-	247
Buildings and plant and equipment	-	794
Goodwill	-	95
Revenues and expenses		
Depreciation and amortisation	-	66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

17. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED								
	Leasehold land \$'000	Freehold land \$'000	Buildings on leasehold land \$'000	Buildings on freehold land \$'000	Bearer Plants \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2017								
Cost or fair value	698	18,312	1,132	11,739	4,340	29,080	63	65,364
Accumulated depreciation	-	-	(1,057)	(7,064)	(339)	(20,139)	-	(28,599)
Accumulated impairment	-	-	-	-	-	(2,845)	-	(2,845)
Net book amount	698	18,312	75	4,675	4,001	6,096	63	33,920
Year ended 30 June 2018								
Opening net book amount	698	18,312	75	4,675	4,001	6,096	63	33,920
Exchange differences	14	522	5	46	174	39	-	799
Revaluation surplus	197	1,642	-	-	-	-	-	1,839
Additions	-	-	171	816	-	2,120	50	3,157
Disposals	-	-	-	(14)	-	(461)	-	(475)
Transfers	-	-	-	-	-	(488)	(61)	(549)
Transfers from classified as held for sale	-	-	-	-	-	-	-	-
Depreciation charge from continuing operations	-	-	(68)	(404)	(168)	(1,356)	-	(1,996)
Depreciation charge from discontinued operations	-	-	-	(1)	-	(107)	-	(108)
Impairment	-	-	-	(2,318)	-	(2,214)	-	(4,532)
Closing net book amount	909	20,476	183	2,800	4,007	3,628	52	32,055
At 30 June 2018								
Cost or fair value	909	20,476	1,330	12,577	4,538	27,188	52	67,070
Accumulated depreciation	-	-	(1,147)	(7,459)	(531)	(18,596)	-	(27,733)
Accumulated impairment	-	-	-	(2,318)	-	(4,964)	-	(7,282)
Net book amount	909	20,476	183	2,800	4,007	3,628	52	32,055

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED							
	Leasehold land \$'000	Freehold land \$'000	Buildings on leasehold land \$'000	Buildings on freehold land \$'000	Bearer Plants \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2016								
Cost or fair value	719	11,825	1,166	1,251	4,497	27,815	389	47,662
Accumulated depreciation	-	-	(1,018)	(91)	(176)	(18,841)	-	(20,126)
Accumulated impairment	-	-	-	-	-	(2,845)	-	(2,845)
Net book amount	719	11,825	148	1,160	4,321	6,129	389	24,691
Year ended 30 June 2017								
Opening net book amount	719	11,825	148	1,160	4,321	6,129	389	24,691
Exchange differences	(21)	(413)	(7)	(39)	(147)	(68)	-	(695)
Revaluation surplus	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	1,198	63	1,261
Disposals	-	-	-	-	-	(10)	-	(10)
Transfers	-	-	-	-	-	389	(389)	-
Transfers from classified as held for sale	-	6,900	-	3,925	-	-	-	10,825
Depreciation charge from continuing operations	-	-	(66)	(368)	(173)	(1,283)	-	(1,890)
Depreciation charge from discontinuing operations	-	-	-	(3)	-	(259)	-	(262)
Impairment	-	-	-	-	-	-	-	-
Closing net book amount	698	18,312	75	4,675	4,001	6,096	63	33,920
At 30 June 2017								
Cost or fair value	698	18,312	1,132	11,739	4,340	29,080	63	65,364
Accumulated depreciation	-	-	(1,057)	(7,064)	(339)	(20,139)	-	(28,599)
Accumulated impairment	-	-	-	-	-	(2,845)	-	(2,845)
Net book amount	698	18,312	75	4,675	4,001	6,096	63	33,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Assets pledged as security

Rabobank holds a registered equitable first mortgage over the Group's assets. The terms of this first mortgage preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times. The convertible noteholders hold a registered equitable second mortgage over the Group's property assets through the Buderim Security Trust.

(b) Valuations of leasehold and freehold land

Information about the valuation of leasehold and freehold land is provided in note 26.

The leasehold land in Fiji was valued on the 11 April 2018 by Rolle Associates (Fiji), the freehold land in Hawaii was valued on 12 April 2018 by CBRE Valuation and Advisory Services, and the freehold land in Yandina was valued on 4 April 2018 by Colliers International (Australia). The directors do not believe there has been a material movement in fair value since the valuations were conducted.

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold and leasehold land were stated on the historical cost basis, the amounts would be as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Leasehold land at cost	94	94
Freehold land at Cost	2,585	2,585

18. BIOLOGICAL ASSETS

Biological assets comprise of macadamia nuts growing on macadamia trees.

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Balance as at 1 July	1,252	1,355
Change in fair value due to biological transformation	3,087	3,844
Transfer of harvested macadamia nuts to inventory	(3,331)	(3,947)
Balance as at 30 June	1,008	1,252

As part of its operations, the Group grows, harvests, processes and sells macadamia nuts. As at 30 June 2018, the Group owned a total of 4,013 acres of macadamia orchard located on the Big Island of Hawaii (2017: 4,013 acres). The orchard produced a total of 9.89m lbs of wet in shell macadamia nuts for the year ended 30 June 2018 (2017: 9.62m lbs).

(a) Asset pledged as security

Information about assets pledged as security is provided in note 17(a).

(b) Fair value

Information about the valuation of macadamia nuts growing on trees is provided in note 26.

19. INTANGIBLE ASSETS

	CONSOLIDATED			
	Goodwill \$'000	Relationships* \$'000	Trade marks \$'000	Total \$'000
Balance as at 1 July 2017				
Cost (gross carrying amount)	2,007	-	218	2,225
Accumulated amortisation and impairment	(1,553)	-	(217)	(1,770)
Net carrying amount	454	-	1	455
Year ended 30 June 2018				
At 1 July 2017, net of accumulated amortisation	454	-	1	455
Additions	213	1,344	1,172	2,729
Amortisation	-	(46)	(58)	(104)
Impairment expense	(127)	-	-	(127)
Foreign exchange movement / other	19	73	61	153
At 30 June 2018, net of accumulated amortisation	559	1,371	1,176	3,106
Balance as at 30 June 2018				
Cost (gross carrying amount)	726	1,417	1,451	3,594
Accumulated amortisation and impairment	(167)	(46)	(275)	(488)
Net carrying amount	559	1,371	1,176	3,106

	CONSOLIDATED			
	Goodwill \$'000	Relationships* \$'000	Trade marks \$'000	Total \$'000
Balance as at 1 July 2016				
Cost (gross carrying amount)	1,945	-	218	2,163
Accumulated amortisation and impairment	(1,557)	-	(217)	(1,774)
Net carrying amount	388	-	1	389
Year ended 30 June 2017				
At 1 July 2017, net of accumulated amortisation	388	-	1	389
Additions	69	-	-	69
Disposals	-	-	-	-
Amortisation	-	-	-	-
Impairment expense	-	-	-	-
Foreign exchange movement / other	(3)	-	-	(3)
At 30 June 2018, net of accumulated amortisation	454	-	1	455
Balance as at 30 June 2017				
Cost (gross carrying amount)	2,007	-	218	2,225
Accumulated amortisation and impairment	(1,553)	-	(217)	(1,770)
Net carrying amount	454	-	1	455

* Relationships relate to customer and distributor relationships.

(a) Asset pledged as security

Information about assets pledged as security is provided in note 17(a).

(b) Impairment testing

Refer note 29 for information about the impairment assessment of goodwill and intangible assets with indefinite useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

20. BUSINESS COMBINATIONS

Ginger Head Quarters Pty Ltd

The parent entity previously owned 50% of the shares in Ginger Head Quarters Pty Ltd (GHQ), a tourism business. On 29 September 2017, the parent entity acquired the remaining 50% of the shares. The cost of acquisition was \$764,000 to be paid in cash, with deferred consideration payable over two years.

Purchase consideration	\$'000
Cash paid	250
Deferred consideration	514
Total purchase consideration	764

The provisional fair value of the assets and liabilities, as at the date of acquisition, are as follows:

Fair value of assets acquired and liabilities assumed	\$'000
Total purchase consideration	764
Fair value of initial 50% ownership	1,044
	1,808
<i>Less identifiable assets acquired</i>	
Cash and cash equivalents	(57)
Trade and other receivables	(108)
Inventories	(7)
Other current assets	(14)
Property, plant & equipment	(2,288)
Other non-current assets	(8)
Trade and other payables	58
Other current liabilities	22
Current tax liabilities	36
Deferred tax liabilities	278
Net identifiable assets acquired	(2,088)
Gain on acquisition	280

The gain on acquisition is attributable to the unique pre-existing relationship with GHQ and revenue generating capacities of the Tourism segment and GHQ being closely linked with the assets held by GHQ being unlikely to attract the same value if relocated outside their existing locations (*The Ginger Factory*).

(a) Acquisition costs

Acquisition-related costs of \$49,000 are included in Administration expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(b) Acquisition receivables

The fair value of the acquired trade and other receivables are \$108,000. These are expected to be fully recovered.

(c) Revenue and profit contribution

The acquired businesses contributed revenues of \$810,000 and a profit of \$209,000 to the Group for the period 29 September 2017 to 30 June 2018. If the acquisition had occurred on 1 July 2017, the acquisition would have contributed to the Group revenues for the year of \$1,082,000 and a profit of \$269,000. These figures are management's best estimates, with the information available at the date of this report.

20. BUSINESS COMBINATIONS (continued)

Royal Hawaiian Macadamia Nut, Inc (subsidiary of Royal Hawaiian Orchard, LP)

On 14 March 2018, MacFarms LLC acquired the retail business from Royal Hawaiian Macadamia Nut Inc. The consideration for acquisition was 11,220,242 shares in Buderim Group Limited at a share price of AUD\$0.36.

Purchase consideration	\$'000
Ordinary shares issued	4,039
Total purchase consideration	4,039

The provisional fair value of the assets and liabilities of acquisitions, as at the date of acquisition, are as follows:

Fair value of assets acquired and liabilities assumed	\$'000
Inventories	1,318
Property, plant & equipment	25
Intangible assets: Trademarks	1,157
Intangible assets: Distributor relationships	860
Intangible assets: Retail customer relationships	466
Net identifiable assets acquired	3,826
<i>add</i> Goodwill	213
Net assets acquired	4,039

The goodwill is attributable to the branded retail business acquired.

(d) Acquisition costs

Acquisition related costs of \$41,000 are included in Contributed Equity in the Statement of Financial Position.

(e) Revenue and profit contribution

The acquired business contributed revenues of \$5,752,000 and profit of \$239,000 to the Group for the period 14 March to 30 June 2018. If the acquisition had occurred on 1 July 2017, the acquisition would have contributed to the Group revenues for the year of \$17,256,000 and a profit of \$717,000. These figures are management's best estimates, with the information available at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

21. DISCONTINUED OPERATIONS

On 21 December 2017, the Group disposed of the assets of Agrimac Macadamias Pty Ltd excluding inventory, the Australian macadamia operations. The proceeds on disposal of \$1,400,000, net of GST, were received in cash. The Group continued to sell the remaining Australian macadamia inventory following sale of the assets.

The (loss)/profit for the year from the discontinued operations is analysed as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Revenue	11,136	21,434
Other income	44	88
Operating expenses	(12,135)	(21,550)
Gain on sale of assets	856	-
Profit before income tax	(99)	(28)
Income tax expense	(115)	(296)
(Loss)/profit from discontinued operations	(214)	(324)

The assets of Agrimac Macadamias Pty Ltd disposed of, included the following:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Property, Plant and Equipment	(459)	-
Buildings	(14)	-
WDV of disposed assets	(473)	-
Disposal costs	(71)	-
Cash received	1,400	-
Gain on sale of assets	856	-

The net cash flows attributable to the operating, investing and financing activities of the discontinued operations were as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Net cash inflow/(outflow) from operating activities	98	(1,803)
Net cash inflow/(outflow) from investing activities	1,540	(68)
Net cash inflow/(outflow) from financing activities	(4,059)	430
Net increase/(decrease) in cash generated by the discontinued operations	(2,421)	(1,441)

The amount of comprehensive income from continuing operations and from discontinued operations attributable to the owners of Buderim Group Limited was as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Total comprehensive income is attributed to equity holders of Buderim Group Limited		
Continuing operations	(16,506)	(8,647)
Discontinued operations	(214)	(324)
	(16,720)	(8,971)

22. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30/06/18 \$'000	Restated* 30/06/17 \$'000
CURRENT		
Trade payables ⁽ⁱ⁾	7,450	8,203
Other payables ⁽ⁱⁱ⁾	4,123	3,812
Interest payable ⁽ⁱⁱⁱ⁾	9	1
	11,582	12,016
Related party payables ^(iv)		
Joint venture entities	-	137
	-	137
Carrying amount of trade and other payables	11,582	12,153

*Reclassification of employee entitlements from trade and other payables to employee entitlements.

- (i) Trade and other payables are non-interest bearing and are normally settled on 30 – 45 day terms.
The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.
- (ii) The carrying amounts of trade and other payables are assumed to approximate their fair values due to their short-term nature.
- (iii) Interest payable is normally settled monthly throughout the financial year.
- (iv) For terms and conditions relating to related parties refer to note 33.
- (v) All trade and other payables are categorised as “other financial liabilities”. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

23. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
CURRENT		
<i>Secured</i>		
Bank overdraft (a)	-	-
Bank bill facility (b)	2,245	4,045
Bank loans (b)	796	673
Convertible notes (c)	675	675
	3,716	5,393
NON-CURRENT		
<i>Secured</i>		
Bank loans (b)	7	26
Convertible notes (c)	10,281	8,405
	10,288	8,431

(a) Bank overdraft

The bank overdraft facilities are secured by a bank guarantee provided by Rabobank. The interest rate on the overdraft facilities is approximately 9.49% (2017: 9.49%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

23. INTEREST-BEARING LIABILITIES (continued)

(b) Bank loans and bill facilities

On the 9 August 2017 Buderim Group Limited entered into a restated letter of offer with its principal financier, Rabobank. The restated facilities included term loan facilities of AUD\$3.95 million, expiring 1 March 2019 and an at call revolving working capital facility of AUD\$4.00 million to be fully repaid by 31 December each year and may be redrawn to \$4.00 million after 31 January in the following year. The provision of an at call bank guarantee facility of \$1.00 million remained unchanged with the exception of an extension of its expiry date from 30 November 2017 to 1 March 2019. Changes to the covenants included the removal of the Debt Service Coverage ratio and modification of the target EBITDA covenant.

The Group did not meet its forecast Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") banking covenant with Rabobank for the period ended 30 June 2018. The Group received a waiver from Rabobank on 17 May 2018 in respect of the expected financial banking covenant breach as at 30 June 2018. Refer to note 30 for information regarding varied finance facilities entered into on 8 August 2018.

Other bank loans include:

- MacFarms LLC loan facilities are at an average interest rate of 3.78% (2017: 3.78%) which are supported by a guarantee from the parent entity. This loan represents funding of general insurance premiums
- Buderim Group Limited's loan is at an average interest rate of 5.12% (2017: 5.12%). This loan represents funding of equipment purchases.

(c) Convertible notes

On 15 February 2017, the parent entity issued the following convertible notes at \$0.40 per note with a coupon rate of 4.5% per annum:

- 25,000,000 to Wattle Hill RHC Fund 1 SPV Ltd (WHC); and
- 12,500,000 to Asia Mark Development Limited (AMD)

The notes are convertible into fully paid ordinary shares of the parent entity, at the option of the noteholder, or repayable on 15 February 2020. The conversion ratio for each note held is one note to one fully paid ordinary share, but subject to adjustments for re-organising or reconstructions of equity. The acquisition of the Royal Hawaiian Orchards branded retail business assets resulted in an adjustment event for the convertible notes. This adjustment event changed the conversion ratio from 1:1 to 1:1.037204. 37,500,000 notes remain on issue. Upon conversion, 38,895,152 shares will be issued.

The convertible notes are presented in the consolidated statement of financial position as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Face value of notes issued	-	15,000
Amount recognised as other financial liabilities	-	(6,398)
less Amortised transaction costs	-	(340)
	-	8,262
Opening balance	9,080	-
Interest expense ¹	2,551	818
Interest paid	(675)	-
	10,956	9,080
Current liability ²	675	675
Non-current liability	10,281	8,405
	10,956	9,080

1) Interest expense is calculated by applying the effective interest rate of 25.59% to the host debt liability component.

2) Current liability portion represents the 4.5% coupon payable on the anniversary of the issue of convertible notes. The balance is presented as non-current.

The initial fair value of the host debt liability portion of the convertible notes was determined as the residual balance between the face value of the notes issued and the fair value of the derivative liability recognised. The derivative liability represents the value attributable to the potential adjustment to the conversion ratio on conversion of the notes. The host debt liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes.

(d) Fair value

The carrying amount of bank related interest-bearing liabilities reasonably approximate their fair values due to the relatively short-term nature of these liabilities.

23. INTEREST-BEARING LIABILITIES (continued)

The host debt liability portion of the convertible notes are held at amortised cost. This host debt liability represents the 4.5% annual coupon payable and \$15,000,000 payable at the maturity of the notes. The fair value of this host debt liability, as at 30 June 2018, is considered to be \$14,988,000 (2017: \$14,858,000), representing the net present value of future cash flows. The key assumption utilised in determining the fair value of host debt liability is the rate utilised in discounting the future cash flows. The Group has utilised 5.50%, representing the interest rate applicable to a similar debt-instrument in determining this fair value.

24. OTHER FINANCIAL LIABILITIES

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Derivative liability component	2,723	4,110
	2,723	4,110

On 15 February 2017, the parent entity issued 37,500,000 convertible notes.

(a) Adjustment event

The acquisition of the retail branded RHO assets resulted in an adjustment event for the Convertible Notes. This adjustment event changed the conversion ratio from 1:1 to 1:1.037204. 37,500,000 notes remain on issue. Upon conversion, 38,895,152 shares will be issued.

(b) Fair value

The derivative liability component of the convertible notes are to be measured at fair value on each reporting date. Information about the valuation of the derivative component is provided in note 26.

The fair value recognised at 30 June 2018 was \$2,723,000 (2017: \$4,110,000). The valuation as at 30 June 2018 resulted in a \$1,387,000 (2017: \$2,288,000) fair value gain recognised in the consolidated statement of profit or loss and other comprehensive income.

Refer note 23 for further details on issue of convertible notes.

25. EMPLOYEE ENTITLEMENTS

	CONSOLIDATED	
	30/06/18 \$'000	Restated* 30/06/17 \$'000
CURRENT		
Employee benefits	1,716	1,880
	1,716	1,880
NON-CURRENT		
Employee benefits	139	145
	139	145

*Reclassification of employee entitlements from trade and other payables to employee entitlements so as to provide greater transparency of total employee liabilities of the Group. The amount reclassified for the prior year totals \$1,245,000.

The employee benefits cover the Group's liability for annual leave, sick leave and long service leave.

The current portion of this liability includes all of the accrued annual leave, sick leave, unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

26. FAIR VALUE MEASUREMENT

This note explains the judgements and estimates made in determining the fair values of the assets and liabilities that are recognised and measured at fair value in the financial statements.

(a) Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated 2018	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets					
Leasehold land	17	-	909	-	909
Freehold land	17	-	20,476	-	20,476
Macadamia nuts growing on trees	18	-	-	1,008	1,008
Total non-financial assets		-	21,384	1,008	22,392
Other financial liabilities					
Derivative liability component	24	-	-	2,723	2,723
Total other financial liabilities		-	-	2,723	2,723

Consolidated 2017	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets					
Leasehold land	17	-	698	-	698
Freehold land	17	-	18,312	-	18,312
Macadamia nuts growing on trees	18	-	-	1,252	1,252
Total non-financial assets		-	19,010	1,252	20,262
Other financial liabilities					
Derivative liability component	23	-	-	4,110	4,110
Total other financial liabilities		-	-	4,110	4,110

(b) Transfers between fair value hierarchy

There were no movements between any of the three-level hierarchy classifications.

26. FAIR VALUE MEASUREMENT (continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following tables present the changes in level 3 items for the years ended 30 June 2018 and 30 June 2017 for recurring fair value measurements:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
<i>Macadamia nuts growing on trees</i>		
Balance as at 1 July	1,252	1,355
Gains recognised in profit or loss	3,087	3,844
Reclassification to inventory	(3,331)	(3,947)
Balance as at 30 June	1,008	1,252
<i>Derivative liability component</i>		
Balance as at 1 July	4,110	-
Initial recognition of convertible notes	-	6,398
Gain recognised in profit or loss	(1,387)	(2,288)
Balance as at 30 June	2,723	4,110

(d) Valuation processes

Leasehold and Freehold land

The Group engages external, independent and qualified valuers to determine the fair value of the Group's leasehold and freehold land at least every three years. A directors' valuation has been performed for the leasehold and freehold land as at 30 June 2018. The last independent valuations of these leasehold and freehold lands were performed as follows:

- The leasehold land in Fiji was valued on 11 April 2018 by Rolle Associates (Fiji);
- The freehold land in Hawaii was valued on 29 March 2018 by CBRE Valuation and Advisory Services; and
- The freehold land in Yandina was valued on 4 April 2018 by Colliers International (Australia).

The directors do not believe there has been a material movement in fair value since the valuations were conducted. The independent valuations were determined by the direct comparison approach, utilising recent observable market data for similar properties. Key inputs include the price per square metre. There were no changes during the year in the valuation techniques used by the Group to determine Level 2 fair values.

Macadamia nuts growing on trees

The Group has a team that performs valuations of the Group's biological assets for financial reporting purposes, including Level 3 fair values.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Volume of macadamia nuts on trees is determined utilising known growth cycles and expected macadamia orchard yields. Expected yields are estimated based upon historical yields and adjusted for climatic conditions and observations of the current crop growing in the orchard.
- Selling prices are based on average trend prices for wet in shell macadamia nuts.
- Growing, processing and selling costs are based on long term average levels.

As the macadamia growth cycle is complete within 12 months, no adjustment has been made for discounting future harvests to net present value.

Derivative liability component

The Group engages external, independent and qualified advisors to determine the fair value of the Group's derivative liability component of its convertible notes. The valuation determines the fair value of the derivative component through a Binomial option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

26. FAIR VALUE MEASUREMENT (continued)

(e) Valuation inputs and relationships to fair value

Macadamia nuts growing on trees

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. Refer to section (d) above for the valuation techniques adopted.

Valuation inputs	Relationship of unobservable inputs to fair value	2018	2017
Forecasted macadamia orchard yield (million lbs)	The higher the macadamia nut yield, the higher the fair value	9.89	10.29
Selling prices of wet in shell macadamia nuts (US \$ per pound)	The higher the wet in shell sell price, the higher the fair value	0.75	0.78
Costs of growing (US \$ per pound)	The higher the costs of growing, the lower the fair value	0.13	0.12
Costs of disposal, including processing and selling costs (US \$ per pound)	The higher the costs of growing, the lower the fair value	0.36 – 0.49	0.34-0.46

Derivative liability component

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. Refer to section (d) above for the valuation techniques adopted.

Valuation inputs	Relationship of unobservable inputs to fair value	30/06/18	30/06/17
Historical 3-year volatility (%)	The higher the volatility, the higher the fair value	62	67
Dividend yield (%)	The higher the dividend yield, the higher the fair value	-	-

27. CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Issued and paid up capital		
Fully paid ordinary shares	54,626	50,628
	54,626	50,628

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Movements in ordinary shares on issue	Date	Issue Price	Number of shares	\$'000
Balance as at 1 July 2017			74,801,618	50,628
Shares issued – Placement	14 March 2018	\$0.36	11,220,242	4,039
Less: Transaction costs arising on share issues			-	(41)
Balance as at 30 June 2018			86,021,860	54,626

Movements in ordinary shares on issue	Date	Issue Price	Number of shares	\$'000
Balance as at 1 July 2016			43,363,090	39,272
Shares issued – Placement	28 December 2016	\$0.40	6,504,463	2,602
Shares issued – Renounceable rights offer	14 March 2017	\$0.36	24,934,065	8,976
Less: Transaction costs arising on share issues			-	(222)
Balance as at 30 June 2017			74,801,618	50,628

27. CONTRIBUTED EQUITY AND RESERVES (continued)

Nature and purpose of reserve

Asset revaluation

The asset revaluation reserve is used to record increments and decrements in the fair value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Dividend

No dividend has been declared or paid during the year ended 30 June 2018.

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles, forklifts, office equipment and premises where it is not in the best interest of the Group to purchase these assets. These leases have 3-5-year lives. On 2 June 2017, the Group entered into commercial 5-year lease agreements for factory premises with options to extend for a further 6 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Within one year	433	810
After one year and not more than five years	698	1,302
In excess of five years	-	-
	1,131	2,112

Finance lease commitments – Group as lessee

The Group has no finance leases or hire purchase contracts.

Other commitments

At 30 June 2018 the Group has commitments of \$8,539,000 (2017: \$461,000) principally relating to committed plant and equipment purchases and supply of manufacturing inputs. Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED	
	30/06/18 \$'000	30/06/17 \$'000
Within one year		
– Plant and equipment purchases	474	21
– Consumables used in production processes	8,065	440
	8,539	461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

29. IMPAIRMENT TESTING

The Group is required to test its intangible assets with indefinite useful lives annually for impairment, along with its other non-financial assets when indications of impairment are identified. 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 (CGU) to which the asset belongs. The identified CGUs, which are consistent with prior financial periods, comprise the Australian and Fijian Ginger divisions, Tourism division and USA Macadamia division.

The Group has identified the following indications of impairment:

- The carrying amount of the net assets of the Group is more than its market capitalisation; and
- Evidence is available from internal reporting that indicates that the economic performance of the Groups' assets are lower than expected.

The Group has calculated the value-in-use for all CGU's to determine their recoverable amount. The value-in-use calculation utilises the 2019 financial budget and 2020 financial forecast, approved by the Board of Directors, as well as forecasts for the 2021 – 2023 financial years, to determine the future net cash flows arising from the continued use of the CGUs' assets. These cash flows are then discounted to present value utilising pre-tax weighted average costs of capital rates. When the value-in-use does not support the carrying amount of a CGU's assets, the Group calculates the CGU's fair value less costs of disposal (FVLCD). The recoverable amount is the higher of value-in-use and FVLCD.

For the purposes of impairment assessment, goodwill acquired through business combinations is allocated to individual CGU's for which it relates. No amount of goodwill or intangible assets with indefinite useful lives have been allocated across multiple CGUs.

CONSOLIDATED	Ginger Australia		Ginger Fiji		Tourism		Macadamia USA		Total	
	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000
Goodwill	-	127	109	108	218	218	232	-	559	453
Customer Relationships	-	-	-	-	-	-	1,371	-	1,371	-
Trade marks	-	-	1	1	-	-	1,175	-	1,176	1
	-	127	110	109	218	218	2,778	-	3,106	454

The recoverable amounts of the Macadamia USA CGU is determined based on a value in use calculation whilst Ginger Australia, Ginger Fiji and Tourism are determined based on FVLCD.

The key assumptions utilised in managements value-in-use calculations are detailed below:

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

- Ginger Australia 15.9% (2017: 12.0%)
- Ginger Fiji 18.5% (2017: 13.6%)
- Tourism 18.7% (2017: 12.0%)
- Macadamias USA 16.3% (2017: 12.7%)

Other key assumptions

- Ginger Australia – Ginger prices are based on existing pricing, reflecting the competitive market conditions. Post balance date, the Groups first shipment of products to China was made with further orders forecast. The sales forecasts for subsequent growth, of Ginger Australia products in the Chinese market. Further, the Group has utilised existing product margins and known shipping and distribution charges for the additional sales to China.
- Macadamias USA - Retail macadamia prices are forecast to increase in USA mainland, Hawaii and Asia by 10-15%. Bulk macadamia prices increase of approximately 10% are forecasted.
- Tourism revenue growth – Included in the tourism forecasts are an increase in Tourism visitor numbers through engagement with international tourism operators.
- Gross margins – Slight improvement to gross margins 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.
- The following 20-year average CPI for each country of operation has been utilised as the growth rates applied to cash forecasts including the period beyond five years:
 - Ginger Australia and Tourism: 2.3% (2017: 2.5%)
 - Ginger Fiji: 3.3% (2017: 3.4%)
 - Macadamias USA: 2.5% (2017: 2.2%)

In determining the FVLCD, the Group has obtained independent valuations for all tangible non-financial assets to represent the realisable values and made allowance for 3% disposal costs. The basis for fair value of land has been detailed in note 17(b). Plant and equipment valuations were obtained from Hyman Valuers and Auctioneers and defined fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

29. IMPAIRMENT TESTING (continued)

Due to the historic losses within the Ginger Segment, the Group also performed a future cashflow forecast that provided a FVLCD with consideration of the economic performance of this cash-generating unit.

Shortfalls were noted within the Ginger Australia, Ginger Fiji and Tourism cash-generating units in the value in use calculations relating to plant and equipment. The Ginger Australia cash-generating unit also noted a shortfall in the FVLCD calculations. Shortfalls were noted in the Ginger Australia cash-generating unit due to existing and forecast competition from cheaper commodity private label and non-Australian origin products. The carrying amounts of assets within the Ginger Australia cash-generating unit (including goodwill, property, plant and equipment) were then impaired to the higher of FVLCD, value in use and zero. FVLCD values were determined using the income approach to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The resulting impairments recognised were:

IMPAIRMENTS	Ginger Australia		Macadamia		Total	
	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000	30/06/18 \$'000	30/06/17 \$'000
Goodwill	127	-	-	-	127	-
Customer Relationships	-	-	-	-	-	-
Trade marks	-	-	-	-	-	-
Buildings	2,318	-	-	-	2,318	-
Plant and equipment	2,214	-	-	-	2,214	-
	4,659	-	-	-	4,659	-

Sensitivity

As disclosed in note 4, the directors have made judgements and estimates in respect of impairment testing of tangible and intangible assets. Should these judgements and estimates not occur the resulting asset carrying amounts may decrease. The table below shows the percentages by which the discount rate, growth rates for each CGU reliant upon value-in-use calculation and realised values for those CGUs reliant upon FVLCD would need to change before CGUs would need to be impaired, with all other assumptions remaining constant. The sensitivities are as follows:

Cash-Generating Unit	Basis for recoverable amount	Discount Rate Increase (%)	Growth Rate Reduction (%)	Realised Value Decrease (%)
Ginger Australia	FVLCD	n/a	n/a	0%
Ginger Fiji	FVLCD	n/a	n/a	41
Tourism	FVLCD	n/a	n/a	2
Macadamias USA	Value-in-use	4.6	3.0	n/a

30. EVENTS AFTER THE REPORTING DATE

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

On 8 August 2018 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities include an extension of the following facilities through to 30 June 2020 (with annual reviews performed by Rabobank):

- Term loan facilities of AUD\$2,145,000;
- At call, Revolving working capital facility of AUD\$4,000,000 (to be fully repaid by 31 December each year and may be fully redrawn after 31 January in the following year; and
- At call, Bank Guarantee Facility of AUD \$1,000,000

The interest margin on the term loan facility remained unchanged at 2.25% above the Bank Bill Swap Rate.

Changes to the covenants included the removal of the target EBITDA covenant and a change to the asset Cover Ratio covenant reporting frequency, from monthly to quarterly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

31. DIRECTORS AND EXECUTIVE DISCLOSURES

Details of Compensation of Directors and Executives

Details of the nature and amount of each element of the remuneration of Key Management Personnel of the company and the Group for the financial year can be found in the remuneration report in the director's report. Refer to note 33 for other KMP transactions.

	CONSOLIDATED	
	30/06/18 \$	30/06/17 \$
Short-term employee benefits		
Cash salary and fees	1,143,733	1,115,556
Short-term incentives	100,000	-
Non-Monetary	13,115	4,752
Post-employment benefits		
Superannuation	96,664	95,218
Other long-term employee benefits		
Share based payments	341,700	-
Long service leave	9,573	6,250
Termination benefits	-	46,625
	1,704,785	1,268,401

32. AUDITORS' REMUNERATION

	CONSOLIDATED	
	30/06/18 \$	30/06/17 \$
Amounts received or due and receivable by PricewaterhouseCoopers (2017: BDO Audit Pty Ltd) and associated entities for:		
– an audit or review of the financial report of the parent entity and any other entity in the consolidated group	239,500	121,242
– tax advice in relation to the entity and any other entity in the consolidated entity	-	52,040
– other assurance services in relation to the entity and any other entity in the consolidated entity	-	-
	239,500	173,282
Amounts received or due and receivable by internationally related practices of PricewaterhouseCoopers (2017: BDO Audit Pty Ltd) for:		
– an audit or review of the financial report of subsidiaries	-	44,860
– tax advice in relation to subsidiaries	-	57,619
	-	102,479
Amounts received or due and receivable by aliz pacific Chartered Accountants & Business Advisors Suva & Nadi		
– an audit or review of the financial report of subsidiaries	13,000	5,370
	13,000	5,370
	252,500	281,131

33. RELATED PARTY DISCLOSURES

Parent entity

Parent entity details are set out in note 35.

Entities subject to class order relief

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to certain controlled entities of Buderim Group Limited from the *Corporations Act 2001* requirements for preparation, audit, publication and lodgement of their financial reports. As a condition of the ASIC Instrument, Buderim Group Limited and the controlled entities, subject to the ASIC Instrument, entered into a Deed of Indemnity on 11 September 2013. Members of the closed group include Buderim Ginger (Overseas) Holdings Pty Ltd, Buderim Baking Company Pty Ltd and Agrimac Macadamias Pty Ltd. The effect of the deed is that Buderim Group Limited has guaranteed to pay any deficiency in the event of winding up of the members of the close group. The members of the closed group have also given a similar guarantee in the event that Buderim Group Limited is wound up.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income of the entities which are members of the "Closed Group" are as follows:

	CLOSED GROUP	
	30/06/18 \$'000	30/06/17 \$'000
INCOME		
Sale of goods	27,539	27,667
Cost of sales	(23,182)	(21,559)
Gross profit	4,357	6,108
Rental revenue	118	132
Dividend income	1,518	-
Other income	800	4,044
Finance revenue	6	14
	6,799	10,298
Share of profit accounted for using the equity method	30	62
Selling and distribution expenses	(3,023)	(2,909)
Marketing expenses	(1,250)	(1,091)
Tourism expenses	(2,687)	(2,838)
Administration expenses	(4,749)	(4,764)
Impairment expense	(4,594)	-
Other expenses	(3)	-
LOSS BEFORE TAX AND FINANCE COSTS	(9,477)	(1,242)
Finance costs	(2,365)	(1,125)
LOSS BEFORE INCOME TAX	(11,842)	(2,367)
Income tax (expense) / benefit	(2,504)	(4,558)
NET LOSS FROM CONTINUING OPERATIONS	(14,346)	(6,925)
Loss from discontinued operations	(214)	(28)
NET LOSS FOR THE YEAR	(14,560)	(6,953)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations, net of tax	-	-
Total other comprehensive income/(loss) net of tax	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(14,560)	(6,953)
Total net loss is attributable to:		
Equity holders of Buderim Group Limited	(14,560)	(6,953)
	(14,560)	(6,953)
Total comprehensive loss is attributed to:		
Equity holders of Buderim Group Limited	(14,560)	(6,953)
	(14,560)	(6,953)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

33. RELATED PARTY DISCLOSURES (continued)

The Consolidated Statement of Financial Position of the entities which are members of the "Closed Group" are as follows:

	CLOSED GROUP	
	30/06/18 \$'000	30/06/17 \$'000
CURRENT ASSETS		
Cash and cash equivalents	1,549	4,658
Trade and other receivables	11,288	12,035
Inventories	7,256	16,720
Current tax assets	-	-
Other current assets	387	425
Assets classified as held for sale	-	-
TOTAL CURRENT ASSETS	20,480	33,838
NON-CURRENT ASSETS		
Receivables	16,203	12,283
Investments	1,298	1,298
Investments accounted for using equity method	2,088	1,174
Property, plant and equipment	8,853	14,646
Deferred tax assets	-	-
Intangible assets	218	287
TOTAL NON-CURRENT ASSETS	28,660	29,688
TOTAL ASSETS	49,140	63,526
CURRENT LIABILITIES		
Trade and other payables	6,652	11,625
Interest-bearing liabilities	3,341	5,031
Short-term provisions	493	635
Current tax liabilities	-	-
TOTAL CURRENT LIABILITIES	10,486	17,291
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	10,288	8,431
Other financial liabilities	2,723	4,110
Deferred tax liabilities	2,517	-
Long-term provisions	139	145
TOTAL NON-CURRENT LIABILITIES	15,667	12,686
TOTAL LIABILITIES	26,153	29,977
NET ASSETS	22,987	33,549
EQUITY		
Contributed equity	54,626	50,628
Reserves	3,969	3,968
Accumulated losses	(35,608)	(21,048)
TOTAL EQUITY	22,987	33,549
Movement in retained earnings		
Opening balance	(21,048)	(14,095)
Net loss for the year	(14,560)	(6,953)
Closing balance	(35,608)	(21,048)

33. RELATED PARTY DISCLOSURES (continued)

Subsidiaries

Interests in subsidiaries are set out in note 15.

Joint ventures

Interest in joint ventures are set out in note 16.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the Directors' report.

Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Ginger Head Quarters Pty Ltd

Ginger Head Quarters Pty Ltd was 50% owned by the Group until the Group acquired the remaining 50% of the shares on 29 September 2017.

During this period, the Group provided operational and management services totalling \$92,459 (2017: \$649,847) to Ginger Head Quarters Pty Ltd which is involved in tourism activities within *The Ginger Factory* tourism complex in Yandina. Additionally, the Group incurred purchases of ticket sales \$253,504 (2017: \$945,641) relating to the *Ginger Train* and *Overboard* rides at *The Ginger Factory*. There are no amounts owing to Ginger Head Quarters external to the Group at reporting date (2017: \$137,335).

BDO (QLD) Pty Ltd

The Group received accounting and taxation services to the value of \$313,000. At 30 June 2018, there are amounts of \$57,000 owing to BDO (QLD) Pty Ltd.

BDO Audit (QLD) Pty Ltd

The Group received external audit services from BDO Audit (QLD) Pty Ltd until the appointment of D Lin as a director on 3 November 2017. The total value of these services for the 2018 financial year was \$75,000. All of these services related to the 2017 year end audit. There are no amounts owing to or from the related party at reporting date.

Windows That Sparkle

The Group made purchases of maintenance services for *The Ginger Factory* of \$nil (2017: \$855) from Windows That Sparkle, a sole-trader operation related to C Mikkelsen. There are no amounts owing to or from the related party at reporting date (2017: nil).

Asia Mark Development Limited

The parent entity issued 12,500,000 convertible notes at \$0.40 per note on 15 February 2017 to Asia Mark Development Limited, a major shareholder. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$83,835 (2017: \$83,835).

MacFarms of Hawaii 401(k) Profit Sharing Plan

The Group elected to make a discretionary contribution amounting to \$257,465 (2017: \$200,600) to the accounts of eligible employees under the MacFarms of Hawaii (401k) Profit Sharing Plan, a self-administered deferred profit sharing plan for eligible employees of MacFarms, LLC. There were no outstanding contributions payable at reporting date (2017: nil). The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of \$10,193 in relation to administration fees (2017: \$9,083).

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 23, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 27 and on the face of the Consolidated Statement of Changes in Equity. There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

34. CAPITAL RISK MANAGEMENT (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position (including minority interest) plus net debt.

Asset and capital structure

	TOTAL OPERATIONS	
	30/06/18 \$'000	30/06/17 \$'000
Net Gearing		
Debts:		
Interest-bearing liabilities	14,004	13,824
Cash and cash equivalents	(4,293)	(6,283)
Net debt	9,711	7,541
Total equity	32,025	41,862
Total capital employed	41,736	49,403
	23.3%	15.3%
Assets funded by external stakeholders		
Total assets	67,672	77,247
Total liabilities	35,647	35,385
	52.7%	45.8%

35. PARENT ENTITY INFORMATION

The *Corporations Act 2001* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Buderim Group Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in note 2.

	PARENT ENTITY	
	30/06/18 \$'000	30/06/17 \$'000
Current assets	15,094	18,555
Non-current assets	18,286	23,985
Total assets	33,380	42,540
Current liabilities	10,344	10,646
Non-current liabilities	15,666	12,696
Total liabilities	26,010	23,342
Net assets	7,370	19,198
Issued capital	54,626	50,628
Asset revaluation reserve	3,968	3,968
Accumulated losses	(51,224)	(35,398)
Total shareholder's equity	7,370	19,198
Net loss for the year	(15,826)	(8,637)
Total comprehensive loss for the year	(15,826)	(8,637)

35. PARENT ENTITY INFORMATION (continued)

Guarantees

The parent entity has guaranteed under the terms of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* any deficiency of funds if Buderim Ginger (Overseas) Holdings Pty Ltd, Buderim Baking Company Pty Ltd and Agrimac Macadamias Pty Ltd are wound up.

The parent entity has provided a guarantee to Westpac, Suva, Fiji in the sum of AUD \$300,000 (FJD \$500,000) to indemnify the Westpac Banking Corporation for an overdraft facility made available to Frespac Ginger (Fiji) Ltd.

Contractual commitments

At 30 June 2018 the parent entity has commitments of \$451,000 (2017: \$461,000) principally relating to supply of manufacturing inputs. These amounts represent commitments contracted at reporting date, but not recognised as liabilities.

Contingent liabilities

The parent entity has no contingent liabilities, other than the guarantees detailed above (2017: nil).

36. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

AASB 9 Financial Instruments, mandatory for the Group's 30 June 2019 financial statements

AASB 9 introduces changes in the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018.

The financial assets held by the Group primarily comprise cash and debt instruments currently measured at amortised cost which meet the conditions for classification at amortised cost under AASB 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The Group does not anticipate any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects no significant increase in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These may change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard.

AASB 15 Revenue from Contracts with Customers, mandatory for the Group's 30 June 2019 financial statements

The new standard consolidates existing standards and interpretations into one standard and changes the fundamental concept of revenue recognition. Under AASB 15, the Group must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 *Revenue*. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has conducted an initial review of its revenue streams and is expecting the following impacts from the adoption of the new standard on 1 July 2018.

Freight/insurance services when selling goods

In general the Group have under AASB 118 not accounted for freight/insurance as distinct services when selling goods. For certain sales, such as those shipped on CIF terms, the Group considers under AASB 15 freight/insurance to be distinct services which shall be accounted for separately from the sale of goods as the control of the goods is transferred to the customer before the freight/insurance service is performed. This means that the Group will allocate consideration to these freight/insurance services based on stand-alone selling prices, and recognise the corresponding revenue over time as the freight/insurance service is performed. The Group still considers shipping and handling activities that occur before customers take control of the goods to be part of fulfilling the sale of the goods.

The impact on equity will be to recognise a contract liability for deferred freight/insurance revenue offset by a matching prepayment for deferred freight/insurance costs.

The Group has undertaken a preliminary assessment and expects the net impact on equity and profit or loss will not be significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

36. ACCOUNTING STANDARDS ISSUED NOT ADOPTED (continued)

Variable consideration

AASB 15 requires that where the consideration promised in a contract includes a variable amount an entity must estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. Consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

In general, the Group have under AASB 118 accounted for certain discounts, such as settlement discounts, at the time of recognition of the sale to the customer. The Group expects that there will be no material change under AASB 15 for these discounts.

Certain promotions, or discounts, are provided for at the time of recognition of the sale to the customer based off historical and forecast promotional activities. The Group considers under AASB 15 these promotions, or discounts, to be a form of variable consideration which will be required to be estimated and accounted for at the time of recognition of sale to the customer.

The Group has undertaken a preliminary assessment and expects the net impact on equity and profit or loss will not be significant.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 July 2018 and that comparative will not be restated.

AASB 16 Leases, mandatory for the Group's 30 June 2020 financial statements

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases.

The Group has not yet assessed what adjustments, if any are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years commencing on or after 1 July 2019. At this stage the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will likely not restate the comparative amounts for the year prior to first adoption.

DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) the attached financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2018 and of the performance for the year ended on that date;
- (b) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018;
- (c) in the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (d) note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (e) in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Signed in accordance with a resolution of the directors.



Guy Cowan
Director

Brisbane, 31 August 2018



Independent auditor's report

To the members of Buderim Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Buderim Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group is dependent on receiving the continuing support of its financiers. This condition, along with other matters set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$564,000 which represents approximately 1% of the Group's total revenues.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total revenues because, in our view, it is the benchmark against which the Group is measured given the historical volatility in underlying profits.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group audit is aligned with the geographic and divisional structure of Buderim Group. The Group's operations in Australia, Fiji and the United States of America were each identified as a component for the purposes of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)



- The nature, timing and extent of audit work required on each component of the Group was determined by the component's risk characteristics and financial significance to the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. The audit work involved either:
 - an audit of the component's financial information used for consolidation purposes
 - an audit of one or more of the component's account balances, classes of transactions or disclosures
 - specified audit procedures over likely significant risks or one or more of the component's account balances, classes of transactions or disclosures
 - analytical procedures performed at the group level
 - further audit procedures at a group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.
- Local component auditors in Fiji and the United States of America assisted in performing audit procedures over inventory held in these locations on behalf of the Group engagement team. Specific instructions were issued to the component audit teams in Fiji and the United States of America for this purpose. The Group engagement team were responsible for the direction, supervision and performance of the Group audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Compliance & Safety Committee.

In addition to the matter(s) described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Impairment of non-current assets</i> <i>(Refer to notes 17, 19 & 29)</i> The Group has determined that impairment indicators exist at 30 June 2018 and accordingly management has performed an impairment assessment on all cash generating units (CGUs). This area was a key audit matter due to the high degree of estimation uncertainty and judgement involved. The most significant areas of judgement related to revenue cash flow	Assisted by our valuation experts in aspects of our work, our procedures included the following, amongst others: <ul style="list-style-type: none">• considered any indicators of potential impairment including the Group's market value compared to net assets• considered the competency, qualifications, experience and objectivity of the Group's valuation advisers who assisted them in the estimation of asset fair values• read the independent valuation reports and considered if the methodology was consistent with the basis of preparation required by Australian Accounting Statements• considered and performed sensitivity analysis on the key assumptions that fair value models were based on including:<ul style="list-style-type: none">○ growth rates – compared the growth rates used in the models



Key audit matter	How our audit addressed the key audit matter
forecasts and the valuation methodology and assumptions used within external asset valuations.	<p>to Board approved forecasts, and evaluated whether growth rates were achievable and realistic considering historical performance, future strategies and market information</p> <ul style="list-style-type: none"> ○ discount rates – assessed the methodology used for calculating discount rates and compared them to those used by other similar organisations ○ selling costs – compared the disposal costs factored into the models with those publicly available for similar transactions <ul style="list-style-type: none"> • evaluated the extent to which economic obsolescence would impact the fair values of assets valued using a Depreciated Replacement Cost methodology by the Group's valuation advisers • considered whether the cash flows used in the impairment models were reasonable by comparing to budgets and historical performance • considered whether the impairment assessment took into consideration the carrying values of all relevant assets • tested that the impairment expense recognised was consistent with the required impairment indicated by the model • assessed the adequacy of impairment disclosures in light of the requirements of Australian Accounting Standards.
<i>Acquisitions and disposals</i> <i>(Refer to notes 20 & 21)</i>	Assisted by our valuation experts in aspects of our work, our procedures included the following, amongst others:
<p>During the year the Group acquired 2 businesses (Ginger Head Quarters and the retail branded business of Royal Hawaiian Orchards) and disposed of Agrimac Macadamias.</p>	<ul style="list-style-type: none"> • read the sale and purchase agreements relating to the acquisitions and disposals to develop an understanding of the key terms and conditions • assessed the work performed by the Group's valuation experts over the purchase price allocations to assets and liabilities acquired and the valuation of assets at 30 June 2018 by: <ul style="list-style-type: none"> ○ assessing the methodology adopted by the Group and its appointed experts for calculating fair values ○ assessing the Group's identification of intangible assets, including consideration of whether the intangibles identified were complete through developing an understanding of the acquired businesses ○ considering the reasonableness of key valuation assumptions such as the discount rate and challenging inputs used in the Group's valuation models by comparing them to historical data ○ considering the competence, qualifications, experience and objectivity of the Group's valuation experts
<p>Accounting for the acquisitions required significant judgement including in the determination of purchase consideration, and identification and assignment of fair values to the assets and liabilities required.</p>	
<p>Acquisitions and disposals were a key audit matter because of the judgement involved as described above, and because these transactions are not routinely</p>	

INDEPENDENT AUDITOR'S REPORT (continued)



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
performed by the Group.	<ul style="list-style-type: none"> evaluated the Group's accounting against the requirements of Australian Accounting Standards considered and assessed the adequacy of the Group's business combination and discontinued operation disclosures in light of the requirements of Australian Accounting Standards.
<p><i>Inventory costing and valuation including biological assets</i> (Refer to notes 13 and 18)</p> <p>The Group's inventories at 30 June 2018 amounted to \$16,757K, of which \$9,889K related to finished goods and work in progress, \$5,860K related to raw materials, and \$1,008K related to biological assets.</p> <p>This was a key audit matter due to the size of the inventory balances and the judgement required in valuing inventory and in providing against quality or obsolescence issues.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> observed a sample of physical inventory counts, including those related to biological assets, to determine whether items of inventory with quality or obsolescence issues had been appropriately identified separately from other inventory items considered the methods and key assumptions used to develop the provision for slow moving and obsolete stock, and assessed the adequacy of this provision compared to the prior period and subsequent experience evaluated the key assumptions, such as raw material costs, usage rates and allocated labour costs, used in the standard costing methodology for inventory, including agreeing these assumptions to corroborating evidence and recalculating standard cost variances evaluated the fair value methodology and key assumptions used to determine the value of the biological assets, including agreeing these assumptions to corroborating evidence. The key assumptions related to the forecast sales prices and costs, volumes harvested and kernel recovery rates.
<p><i>Income tax</i> (Refer to note 7)</p> <p>The calculation of taxation balances was a key audit matter because the Group operates in several jurisdictions with different laws, regulations and authorities resulting in complex tax calculations.</p> <p>Judgement is involved in a number of aspects of the tax calculations, including the assessment of recorded tax losses for recoverability.</p>	<p>Assisted by our taxation specialist in aspects of our work, our procedures included the following, amongst others:</p> <ul style="list-style-type: none"> assessed the rationale on which current tax was calculated and deferred tax assets and liabilities were recognised tested the accuracy of the calculation of deferred tax balances and income tax expense recognised in the financial report challenged the Group's tax forecasts for jurisdictions where there are material recorded tax losses by comparing these tax forecasts to the Group's business plans assessed the rationale for and calculation of unrecognised deferred tax assets which are disclosed.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Chairman's Message and Chief Executive Officer's Review, Directors' Report, ASX Additional Information and Corporate Information, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Buderim Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

P. J. Carney

Paddy Carney
Partner

Brisbane
31 August 2018

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 July 2018.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	ORDINARY SHARES	
	Number of Holders	Number of Shares
1 – 1,000	601	217,540
1,001 – 5,000	387	932,666
5,001 – 10,000	110	816,008
10,001 – 100,000	246	7,979,369
100,001 and over	43	76,076,277
	1,387	86,021,860
The number of shareholders holding less than a marketable parcel of shares are:	739	392,654

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	ORDINARY SHARES	
	Number of Shares	Percentage of Ordinary Shares
1 Asia Mark Development Limited	28,792,625	33.47
2 Mr John Cheadle	13,639,918	15.86
3 Citicorp Nominees Pty Limited	11,284,302	13.12
4 Randell Management Services Pty Ltd <Timms Super Fund Account>	5,117,928	5.95
5 Rubicon Family Office Pty Limited	4,195,088	4.88
6 Bundaberg Sugar Group Ltd	2,291,261	2.66
7 Shane Templeton	1,573,451	1.83
8 Roger Masters	801,600	0.93
9 Ace Property Holdings Pty Ltd	800,000	0.93
10 Mr Andrew Paul Bond + Mrs Karen Michelle Bond <The Karand Family A/C>	757,130	0.88
11 The Genuine Snake Oil Company Pty Ltd <Morson Group Super Fund A/C>	725,000	0.84
12 James Moffat	453,956	0.53
13 Mr Gerald Francis Pauley + Mr Michal James Pauley <Pauley Super Fund A/C>	421,982	0.49
14 Ms Linlin Li	317,572	0.37
15 Homewood Property Holdings Pty Ltd	300,000	0.35
16 MFA Capital Pty Ltd <T & J Adams Super Fund A/C>	300,000	0.35
17 Somersby Springs Pty Ltd <Penn Super Fund A/C>	300,000	0.35
18 Winpar Holdings Limited	300,000	0.35
19 Mr Philip James Quinn + Mr Roger David Elliot Masters <PJ Quinn Super Fund A/C>	285,175	0.33
20 Mr Graham Max Alexander Hastilow + Mrs Julia Mary Hastilow <Wolitsah Super Fund A/C>	283,618	0.33
Report Total	72,940,606	84.80
Remainder	13,081,254	15.20
Grand Total	86,021,860	100.00

(c) Substantial shareholders

The names of the substantial shareholders are:

	Number of Shares
Asia Mark Development Limited	28,792,625
Mr John Cheadle	13,639,918
Citicorp Nominees Pty Limited	11,284,302
Randell Management Services Pty Ltd <Timms Super Fund Account>	5,117,928

All ordinary shares (all fully paid) carry one vote per share without restriction.

CORPORATE INFORMATION

ABN 68 010 978 800

ASX Code: BUG

Directors

Guy Cowan (Chairman)
Christina Chen
Peter O'Keeffe
Albert Tse
Dennis Lin

Chief Executive

Andrew Bond

Company Secretary

Jessica McKinnon

Senior Management

Joel Wood (Group Operations Officer)

Auditors

PriceWaterhouse Coopers

Solicitors

Thomson Geer Lawyers

Bankers

Rabobank Australia Limited
Westpac Banking Corporation
Bank of Hawaii

Share Register

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Telephone: 1300 850 505 (within AUS)
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Facsimile: (03) 9473 2500
www.investorcentre.com/contact

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