Buderim Group Limited

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ABN 68 010 978 800

ASX Code: BUG

Appendix 4D

Listing Rule 4.2A.3

Half-Year Report

For the six months ended 31 December 2017

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Appendix 4D – Half-Year Report

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2017

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2016.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous corresponding period	Increase / Decrease	% $'000	To $'000
Revenue from continuing operations	Increase	4%	**25,690**
	Increase	905	**25,690**
Loss from continuing operations after tax attributable to members	Decrease	(63%)	**(2,573)**
	Decrease	(4,290)	**(2,573)**
Loss for the period attributable to members	Decrease	(57%)	**(2,960)**
	Decrease	(3,847)	**(2,960)**

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

Dividends (Distributions)

No dividend has been paid or declared for the half-years ended 31 December 2017 and 31 December 2016.

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

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

- The Group recorded a net loss after tax of $2,960,000 for the half-year ended 31 December 2017 including net losses from discontinued operations of $387,000, income tax benefits of $200,000 and favourable fair value adjustments on other financial liabilities of $1,792,000. This result compared to the prior half-year net loss after tax of $6,807,000.

	2017 Results $'000	2016 Results $'000
Loss from continuing operations for the half-year attributable to members	**(2,573)**	(6,863)
Tax benefit / (expense)	**200**	(4,046)
Group loss from continuing operations before income tax	**(2,773)**	(2,817)

- The net loss before tax of $2,573,000 was contributed to by:-

	2017 Results $'000	2016 Results $'000
Business segments		
Ginger operations	**(387)**	(1,185)
Macadamia operations	**(1,951)**	(852)
Tourism operations	**236**	(3)
Total	**(2,102)**	(2,040)
Corporate overhead expenses	**(701)**	(815)
Share of profit of joint controlled entities and associates	**30**	38
Group loss from continuing operations before income tax	**(2,773)**	(2,817)

Appendix 4D – Half-Year Report (continued)

- The main factors affecting trading performance in this half-year included :-
- The Ginger segment result for the half-year included a $1,792,000 favourable fair value adjustment to the derivative liability component of the convertible notes; and a non-cash effective interest charge of $896,000 in relation to the debt-host liability component of the convertible notes. As disclosed in the annual financial report, the convertible notes were issued on 15 February 2017. The underlying Ginger segment result, excluding the aforementioned convertible note items, was a loss of $1,283,000 which was marginally worse compared to the prior period's loss of $1,185,000.

  The aforementioned $1,792,000 fair value adjustment is included in the $16,522,000 ginger segment income shown above. Excluding the fair value gain, revenues for Ginger segment declined $329,000 primarily driven by increased market competition from foreign origin ginger. The impact of these reduced sales has been minimised by lower operating costs and improved factory efficiencies.
- The Macadamia segment result excludes the contribution from the Group's Australian macadamia operations which are classified as discontinued operations following the divestment of those operations on 21 December 2017. The performance of the macadamia segment has been impacted by a reduction in quality of harvested macadamias which has negatively impacted factory processing efficiencies and availability of kernel to meet sales demand.
- As noted above, the Group divested its non-performing Australia macadamia operations on 21 December 2017. The loss from discontinued operations for the half-year was $387,000, which included a gain on sale of assets of $856,000. This result compares to a profit of $56,000 for the half-year ended 31 December 2016.
- The Tourism segment has performed favourably compared to the prior period, primarily as a result of increased visitor spend in *The Ginger* Factory, despite consistent visitor numbers; and additional profit contribution following the acquisition of the remaining 50% shares of the Ginger Head Quarters joint-venture.
- An income tax benefit of $200,000 has been recognised in the half-year which includes a benefit of $281,000 relating to unused tax losses recognised in USA for the period, and an expense of $20,000 resulting from the reduction in US federal tax rate which has reduced from 35% to 21% effective 1 January 2018. This compares to the prior period which included a $4,558,000 expense for derecognition of prior year tax losses. The Group currently only recognises deferred tax assets to the extent they offset available deferred tax liabilities within the Australian taxation group.

The half-year accounts should be read in conjunction with the annual financial report for the year ended 30 June 2017.

NET TANGIBLE ASSET BACKING

	31/12/2017	**30/06/2017**
Net tangible asset backing per ordinary share	**$0.57**	$0.60
Number of shares on issue	**74,801,618**	74,801,618

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

At 1 July 2017 the Group held 50% equity in Ginger Head Quarters Pty Ltd (2016: 50%) which was a joint venture company through which the tourism attractions, *Overboard* and the *Ginger Train* operated. On 29 September 2017 the Group acquired the remaining 50% shares and subsequently gained control of the entity. The profit contribution from the joint venture for the period 1 July 2017 until acquisition was $30,000 (2016: $38,000).

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

The Group gained control of Ginger Head Quarters Pty Ltd on 29 September 2017. The contribution of Ginger Head Quarters Pty Ltd to the Group's loss before income tax was a profit of $93,000 for the period from acquisition to 31 December 2017.

ACCOUNTING STANDARDS

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

The half-year financial report should be read in conjunction with the annual Financial Report of Buderim Group Limited as at 30 June 2017, which was prepared based on Australian equivalents to International Financial Reporting Standards ('AIFRS'). It is also recommended that the half-year financial report be considered together with any public announcements made by Buderim Group Limited and its controlled entities during the half-year ended 31 December 2017 and up until the date of this report, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

INDEPENDENT REVIEW OF THE FINANCIAL REPORT

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

Jessica McKinnon
Company Secretary
Brisbane, 28 February 2018

Buderim Group Limited

ABN 68 010 978 800

ASX Code: BUG

Half-Year Report

For the six months ended 31 December 2017

DIRECTORS' REPORT

The Directors of Buderim Group Limited present their report on the consolidated entity consisting of Buderim Group Limited ('the Company') and the entities it controlled ('the Group') for the half-year ended 31 December 2017.

DIRECTORS

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

- Stephen John Morrow
- Qi (Christina) Chen (appointed 28 July 2017)
- Peter Francis O'Keeffe
- Dennis Lin (appointed 3 November 2017)
- Albert Tse
- Yigang Yang (resigned 15 September 2017)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

- For the half-year ended 31 December 2017 the Group recorded a net loss after tax of $2,960,000 (2016: net loss after tax $6,807,000) including net losses from discontinued operations of $387,000, income tax benefits of $200,000, favourable fair value adjustments on other financial liabilities of $1,792,000 and increased finance costs of $930,000.

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

	2017		2016	
	Revenues $'000	**Results* $'000**	Revenues $'000	Results* $'000
Business segments				
Ginger operations	**16,522**	**(387)**	15,059	(1,185)
Macadamia operations	**9,539**	**(1,951)**	10,586	(852)
Tourism operations	**2,930**	**236**	2,531	(3)
Total	**28,991**	**(2,102)**	28,176	(2,040)
Consolidation adjustments	**(1,253)**		(2,734)	-
Corporate overhead expenses	**-**	**(701)**	-	(815)
Share of profit/(loss) of joint controlled entities and associates	**-**	**30**	-	38
Group income and loss from continuing operations before income tax	**27,738**	**(2,773)**	25,442	(2,817)

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

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

- The Ginger segment result for the half-year included a $1,792,000 favourable fair value adjustment to the derivative liability component of the convertible notes; and a non-cash effective interest charge of $896,000 in relation to the debt-host liability component of the convertible notes. As disclosed in the annual financial report, the convertible notes were issued on 15 February 2017. The underlying Ginger segment result, excluding the aforementioned convertible note items, was a loss of $1,283,000 which was marginally worse compared to the prior period's loss of $1,185,000.

  The aforementioned $1,792,000 fair value adjustment is included in the $16,522,000 ginger segment income shown above. Excluding the fair value gain, revenues for Ginger segment declined $329,000 primarily driven by increased market competition from foreign origin ginger. The impact of these reduced sales has been minimised by lower operating costs and improved factory efficiencies.

- The Macadamia segment result excludes the contribution from the Group's Australian macadamia operations which are classified as discontinued operations following the divestment of those operations on 21 December 2017. The performance of the macadamia segment has been impacted by a reduction in quality of harvested macadamias which has negatively impacted factory processing efficiencies and availability of kernel to meet sales demand.

- As noted above, the Group divested its non-performing Australia macadamia operations on 21 December 2017. The loss from discontinued operations for the half-year was $387,000, which included a gain on sale of assets of $856,000. This result compares to a profit of $56,000 for the half-year ended 31 December 2016.

- The Tourism segment has performed favourably compared to the prior period, primarily as a result of increased visitor spend in *The Ginger* Factory, despite consistent visitor numbers; and additional profit contribution following the acquisition of the remaining 50% shares of the Ginger Head Quarters joint-venture.

- An income tax benefit of $200,000 has been recognised in the half-year which includes a $471,000 benefit resulting from the reduction in US federal tax rate which has reduced from 35% to 21% effective 1 January 2018. This compares to the prior period which included a $4,558,000 expense for derecognition of prior year tax losses. The Group currently only recognises deferred tax assets to the extent they offset available deferred tax liabilities within the Australian taxation group.

DIRECTORS' REPORT (continued)

The table below show the asset and capital structure as at 31 December 2017.

	CONSOLIDATED	
	31/12/17 $'000	30/06/17 $'000
NET GEARING		
Debts		
Interest-bearing liabilities	**13,241**	13,824
Cash and cash equivalents	**(2,901)**	(6,283)
Net debt	**10,340**	7,541
Total equity	**41,010**	41,862
Total capital employed	**51,350**	49,403
	20.1%	15.3%
ASSETS FUNDED BY EXTERNAL STAKEHOLDERS		
Total Assets	**67,319**	77,247
Total Liabilities	**26,309**	35,385
	39.1%	45.8%
DEBT/EQUITY		
Total equity	**41,010**	41,862
Intangibles	**(455)**	(455)
	40,555	41,407
Interest-bearing liabilities	**13,241**	13,824
	32.6%	33.4%

AUDITOR'S EMPHASIS OF MATTER PARAGRAPH

Included in the auditor's review report is an emphasis of matter paragraph drawing the attention of the users of the financial statements to Note 1 in the interim financial report. The Group incurred a net loss of $2,960,000 for the half-year ended 31 December 2017 and a net cash outflow from operating activities of $2,404,000. As at 31 December 2017 the Group had cash reserves of $2,901,000, a net current asset surplus of $19,051,000 and net assets of $41,010,000. The Group operates under finance facilities which include a term debt facility of $2,745,000, working capital facility of $4,000,000 and overdraft facilities of $950,000 which expire 1 March 2019 (of which $2,745,000 was drawndown at 31 December 2017). The Group did not meet its forecasted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") banking covenant ratio for the half-year ended 31 December 2017 and therefore the outstanding balance could be recalled on demand. 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 Group may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has negotiated a waiver with its financier in respect of the breach of covenant and expect the financiers to provide continued support. The Group is continuing to expand sales distribution and implement cost reduction strategies to improve profitability in order to remain within the limits of its current facilities.

The Directors believe the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect the operations and results of the Group, other than the following:

On 5 February 2018 the Group issued 3,000,000 unlisted options to the Chief Executive Officer as part of a long-term incentive scheme. The options are exercisable at $0.40 subject to achieving EBIT targets in any of the financial years ended 30 June 2018 to 30 June 2022.

On 28 February 2018 the Group has announced it has reached an agreement to acquire the assets held by Royal Hawaiian Macadamia Nut, Inc., a subsidiary of Royal Hawaiian Orchards, LP (OTC: NNUTU) ("RHO") that constitute its retail brand business. The acquisition consideration is 11,220,242 ordinary shares in the parent entity, Buderim Group Limited (approximately $3,254,000).

On 28 February 2018 the Group announced that its Non-executive Chairman, Mr Stephen Morrow retired, and Mr Guy Cowan was appointed as the new Non-executive Chairman.

DIRECTORS' REPORT (continued)

AUDITOR INDEPENDENCE

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

ROUNDING

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

Signed in accordance with a resolution of the directors.

Stephen Morrow
Director
Brisbane, 28 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Buderim Group Limited for the half-year ended 31 December 2017, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Buderim Group Limited and the entities it controlled from time to time during the half-year.

PricewaterhouseCoopers

PricewaterhouseCoopers Brisbane

P.J. Carney

Paddy Carney
Partner

28 February 2018

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Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

		CONSOLIDATED	
	Notes	31/12/17 $'000	30/06/17 $'000
CURRENT ASSETS			
Cash and cash equivalents		**2,901**	6,283
Trade and other receivables		**9,108**	9,329
Inventories		**17,829**	23,617
Current tax assets		**-**	29
Other current assets		**621**	1,071
Biological assets		**390**	1,252
TOTAL CURRENT ASSETS		**30,849**	41,581
NON-CURRENT ASSETS			
Investment accounted for using the equity method	6	**-**	1,174
Property, plant and equipment	7	**35,899**	33,920
Deferred tax assets		**116**	117
Intangible assets		**455**	455
TOTAL NON-CURRENT ASSETS		**36,470**	35,666
TOTAL ASSETS		**67,319**	77,247
CURRENT LIABILITIES			
Trade and other payables		**7,667**	13,398
Interest-bearing liabilities	8	**3,600**	5,393
Short-term provisions		**520**	635
Current tax liability		**11**	-
TOTAL CURRENT LIABILITIES		**11,798**	19,426
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	8	**9,641**	8,431
Other financial liabilities	9	**2,318**	4,110
Deferred tax liabilities	4	**2,407**	3,273
Long-term provisions		**145**	145
TOTAL NON-CURRENT LIABILITIES		**14,511**	15,959
TOTAL LIABILITIES		**26,309**	35,385
NET ASSETS		**41,010**	41,862
EQUITY			
Contributed equity		**50,628**	50,628
Reserves	4 & 7	**12,808**	10,700
Accumulated losses		**(22,426)**	(19,466)
TOTAL EQUITY		**41,010**	41,862

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED 31/12/17 $'000	31/12/16 $'000
INCOME			
Sale of goods		**25,690**	24,785
Change in fair value of biological assets		**1,433**	2,088
Cost of sales		**(23,148)**	(22,575)
Gross profit		**3,975**	4,298
Rental revenue		**57**	74
Other income	3 (a)	**1,991**	313
Finance revenue		**3**	1
		6,026	4,686
Share of profit accounted for using the equity method		**30**	38
Selling and distribution expenses		**(2,072)**	(1,933)
Marketing expenses		**(946)**	(737)
Tourism expenses		**(1,495)**	(1,401)
Administration expenses		**(2,904)**	(3,040)
Other expenses	3 (b)	**(56)**	(4)
LOSS BEFORE TAX AND FINANCE COSTS		**(1,417)**	(2,391)
Finance costs	3 (c)	**(1,356)**	(426)
LOSS BEFORE INCOME TAX		**(2,773)**	(2,817)
Income tax benefit/(expense)	4	**200**	(4,046)
NET LOSS FROM CONTINUING OPERATIONS		**(2,573)**	(6,863)
(Loss)/Profit from discontinued operations	10	**(387)**	56
NET LOSS FOR THE HALF-YEAR		**(2,960)**	(6,807)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of land, net of tax		**1,117**	-
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		**(63)**	336
Changes in deferred tax losses arising from adjustments to foreign corporate tax rates		**1,054**	-
Total other comprehensive (loss)/income, net of tax		**2,108**	336
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR		**(852)**	(6,471)
Total net loss is attributable to:			
Equity holders of Buderim Group Limited		**(2,960)**	(6,807)
		(2,960)	(6,807)
Total comprehensive loss is attributed to:			
Equity holders of Buderim Group Limited		**(852)**	(6,471)
		(852)	(6,471)
Basic and diluted loss per share (cents)		**(3.96)**	(13.65)
Basic and diluted loss per share (cents) from continuing operations		**(3.44)**	(13.76)
Basic and diluted loss per share (cents) from discontinued operations		**(0.52)**	0.11

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		CONSOLIDATED	
	Notes	**31/12/17 $'000**	31/12/16 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**35,685**	43,533
Payments to suppliers and employees (inclusive of GST)		**(38,118)**	(43,549)
Other receipts		**238**	168
Interest received		**3**	1
Interest and other finance costs paid		**(154)**	(426)
Income tax (paid)/received		**(58)**	235
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(2,404)**	(38)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(457)**	(442)
Proceeds from sale of equipment		**1,540**	-
Consideration paid for business combination		**(493)**	-
Dividend received from joint venture		**96**	50
Return of equity from joint venture		**152**	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**838**	(392)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**-**	2,602
Share issue transaction costs		**-**	(222)
Proceeds from borrowings		**-**	1,664
Repayments of borrowings		**(1,816)**	(4,666)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(1,816)**	(622)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,382)**	(1,052)
Cash and cash equivalents at beginning of the half-year		**6,283**	3,533
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR		**2,901**	2,481
Cash flows of discontinued operation	10	**129**	(45)

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED				
		RESERVES			
	Contributed Equity $'000	Asset Revaluation $'000	Foreign Currency Translation $'000	Accumulated Losses $'000	Total Equity $'000
As at 1 July 2016	39,272	10,235	809	(10,495)	**39,821**
Total comprehensive income for the half-year					
Net loss for half-year	-	-	-	(6,807)	**(6,807)**
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	336	-	**336**
Change in fair value of land	-	-	-	-	**-**
Income tax on other comprehensive income items	-	-	-	-	**-**
Total comprehensive income for the half-year	-	-	336	(6,807)	**(6,471)**
Transactions with owners in their capacity as owners					
Shares issued, net of transaction costs	2,580	-	-	-	**2,580**
As at 31 December 2016	**41,852**	**10,235**	**1,145**	**(17,302)**	**35,930**
As at 1 July 2017	50,628	10,235	465	(19,466)	**41,862**
Total comprehensive income for the half-year					
Net loss for half-year	-	-	-	(2,960)	**(2,960)**
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	(63)	-	**(63)**
Change in fair value of land	-	1,117	-	-	**1,117**
Change in foreign corporate tax rates	-	1,054	-	-	**-**
Total comprehensive income for the half-year	-	2,171	(63)	(2,960)	**(852)**
Transactions with owners in their capacity as owners					
Shares issued, net of transaction costs	-	-	-	-	**-**
As at 31 December 2017	**50,628**	**12,406**	**402**	**(22,426)**	**41,010**

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

Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Buderim Group Limited and its controlled entities ('the Group') during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

This consolidated interim financial report was authorised for issue by the board of directors on 28 February 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going Concern

The Group incurred a net loss of $2,960,000 for the half-year ended 31 December 2017 and a net cash outflow from operating activities of $2,404,000. As at 31 December 2017 the Group had cash reserves of $2,901,000, a net current asset surplus of $19,051,000 and net assets of $41,010,000. The Group operates under finance facilities which include a term debt facility of $2,745,000, working capital facility of $4,000,000 and overdraft facilities of $950,000 which expire 1 March 2019 (of which $2,745,000 was drawn down at 31 December 2017). The Group did not meet its forecasted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") banking covenant ratio for the half-year ended 31 December 2017 and therefore the outstanding balance could be recalled on demand. 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 Group may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has negotiated a waiver with its financier in respect of the breach of covenant and expect the financiers to provide continued support. The Group is continuing to expand sales distribution and implement cost reduction strategies to improve profitability in order to remain within the limits of its current facilities.

The Directors believe the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand short-term deposits with an original maturity of three months or less. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Where necessary, the comparatives have been reclassified and repositioned to be consistent with current half-year disclosures.

(a) 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.

2. SEGMENT INFORMATION

Description of segments

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets, and thus form the basis of the reports reviewed by the Board and the executive management committee.

The reportable segments for the half-year ended 31 December 2017 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 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.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2. SEGMENT INFORMATION (continued)

Other

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

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

The Group generally accounts for inter-segmental sales and transfers as if the sales or transfers were to third parties at current market prices. This results in transfer pricing between business segments, being set on an arm's length basis. Revenues are attributed to geographic areas based on the source of income.

Segment accounting policies are the same as the Group's policies described in note 1. There were no changes in segment accounting policies that had a material effect on the segment information.

Reportable segments

Segment information provided to the Board and executive management committee for the half-years ended 31 December 2017 and 31 December 2016 are as follows:

REPORTABLE SEGMENTS	Ginger		Tourism		Macadamias		Total	
	31/12/17 $'000	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000
Income								
Sales of goods to external customers	**13,375**	13,999	**2,873**	2,457	**9,442**	8,599	**25,690**	25,055
Sales of goods to internal segments	**1,253**	861	**-**	-	**-**	1,873	**1,253**	2,734
Other revenue / income	**1,894**	199	**57**	74	**97**	114	**2,048**	387
Total segment revenue	**16,522**	15,059	**2,930**	2,531	**9,539**	10,586	**28,991**	28,176
Consolidation adjustments	**(1,253)**	(861)	**-**	-	**-**	(1,873)	**(1,253)**	(2,734)
Total Income from continuing operations							**27,738**	25,442
Results								
Segment result	**(387)**	(1,185)	**236**	(3)	**(1,951)**	(852)	**(2,102)**	(2,040)
Share of profit of jointly controlled entities'	**-**	-	**30**	38	**-**	-	**30**	38
Corporate overhead expenses	**(365)**	(455)	**(78)**	(80)	**(258)**	(280)	**(701)**	(815)
Contribution to group (loss)/profit	**(752)**	(1,641)	**187**	(44)	**(2,208)**	(1,132)	**(2,773)**	(2,817)
Finance costs	**1,164**	235	**-**	-	**192**	191	**1,356**	426
Finance revenue	**(3)**	(1)	**-**	-	**-**	-	**(3)**	(1)
Depreciation & amortisation	**541**	546	**120**	96	**324**	313	**985**	955
EBITDA	**950**	(861)	**307**	52	**(1,692)**	(628)	**(435)**	(1,437)
Loss before income tax							**(2,773)**	(2,817)
Income tax (expense)/benefit	**(31)**	(3,932)	**-**	(15)	**231**	(99)	**200**	(4,046)
Net loss from continuing operations							**(2,573)**	(6,863)
Inventory write-downs and provisions	**138**	164	**-**	-	**34**	261	**172**	425
Material other items								
Fair value gain on other financial liabilities	**1,792**	-	**-**	-	**-**	-	**1,792**	-
Total	**1,792**	-	**-**	-	**-**	-	**1,792**	-

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2. SEGMENT INFORMATION (continued)

GEOGRAPHICAL LOCATION	Australia		USA		Other		Total	
	31/12/17 $'000	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000	**31/12/17 $'000**	31/12/16 $'000
Sales of goods to external customers	**10,354**	10,707	**9,763**	8,948	**5,573**	5,400	**25,690**	25,055
Sales of goods to internal locations	**1,137**	2,734	**116**	-	**-**	-	**1,253**	2,734
Other revenue / income	**2,395**	1,341	**(337)**	(878)	**(10)**	(76)	**2,048**	387
Total geographical revenue	**13,886**	14,782	**9,542**	8,070	**5,563**	5,324	**28,991**	28,176
Consolidation adjustments							**(1,253)**	(2,734)
Total income							**27,738**	25,442
	31/12/17 $'000	30/06/17 $'000	**31/12/17 $'000**	30/06/17 $'000	**31/12/17 $'000**	30/06/17 $'000	**31/12/17 $'000**	30/06/17 $'000
Total geographical assets	**48,068**	47,145	**15,927**	17,295	**3,324**	5,098	**67,319**	69,538
Total geographical liabilities	**16,355**	23,806	**9,769**	9,550	**185**	252	**26,309**	33,608

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.

3. INCOME AND EXPENSES

	Note	CONSOLIDATED **31/12/17 $'000**	31/12/16 $'000
(a) Other income			
Net foreign exchange gains		**-**	172
Sundry income		**181**	126
Fair value gain on other financial liabilities	9	**1,792**	-
Government grants		**18**	15
Total other income		**1,991**	313
(b) Other expenses			
Net foreign exchange losses		**56**	-
Sundry expenses		**-**	4
Total other expenses		**56**	4
(c) Finance costs			
Bill facility		**120**	412
Bank loans and overdraft		**-**	14
Convertible notes		**1,236**	-
Total finance costs		**1,356**	**426**

Seasonality

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

4. INCOME TAX

Following a reduction in the USA corporate tax rate from 35% to 21%, the Group has recognised a reduction in deferred tax liabilities of $1,054,000 in respect of previous revaluations of freehold land in Hawaii. This has been recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income. Further, the decrease in USA deferred tax balances has resulted in a tax expense of $20,000 relating to temporary taxable and deductible differences and unused tax losses recognised in the USA. An income tax benefit of $281,000 has been recognised in relation to USA tax losses for the half-year ended 31 December 2017.

The comparative half-year tax expense includes derecognition of prior year tax losses of $4,558,000.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2017 (2016: Nil).

6. BUSINESS COMBINATIONS

Alpine Beverages

During the half-year, the Group made payments of $300,000 in respect of deferred consideration for the assets of Alpine Soft Drinks (Aust) Pty Ltd.

Ginger Head Quarters

On 29 September 2017, the parent entity acquired the remaining 50% equity of the former joint venture Ginger Head Quarters Pty Ltd from DPG Enterprises Pty Ltd. Ginger Head Quarters Pty Ltd owns and operates the *Overboard* and *Ginger Train* tourism attractions within *The Ginger Factory* tourism complex at Yandina.

The cost of acquiring the remaining 50% of shares was $693,000 to be paid in cash, with deferred consideration payable over two years as follows:

Purchase consideration	$'000
Cash paid	**250**
Deferred consideration	**443**
Purchase consideration	**693**

(a) Fair value of assets acquired and liabilities assumed

At the time the half-year financial statements were authorised for issue, the Group has not yet completed the accounting for the acquisition of Ginger Head Quarters Pty Ltd. In particular, the fair values of the assets acquired and liabilities assumed have been provisionally determined using the net book value as the valuations have not been finalised. The provisionally determined fair values of assets acquired are: cash and cash equivalents of $57,000; inventories of $6,000; other current assets of $14,000; property, plant and equipment of $1,559,000; other payables of $22,000; and a current tax liability of $24,000

(b) Acquisition costs

Acquisition-related costs of $14,000 are included in Administration expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(c) Acquisition receivables

There were no receivables acquired.

(d) Revenue and profit contribution

The acquired business contributed revenues of $292,000 and profit of $93,000 to the Group for the period 30 September 2017 to 31 December 2017. If the acquisition had occurred on 1 July 2017, the acquisition would have contributed to the Group revenues for the half-year of $563,000 and a profit of $176,000.

7. PROPERTY, PLANT AND EQUIPMENT

The freehold land in Hawaii was valued on 31 December 2017 by CBRE Valuation and Advisory Services, with a revaluation increase of $1,568,000 recognised at 31 December 2017.

On 29 September 2017, the Group acquired the remaining 50% shares of the joint venture entity, Ginger Head Quarters Pty Ltd. The value of plant and equipment acquired by the Group through the acquisition of Ginger Head Quarters Pty Ltd was $1,559,000.

The Group completed the sale of its Australian macadamia business and associated plant and equipment on 21 December 2017. The value of plant and equipment disposed was $473,000.

8. INTEREST-BEARING LIABILITIES

On 8 August 2017 the Group entered into a restated letter of offer with its principal financier, Rabo Australia Limited (Rabobank). The restated facilities include term loan facilities of $3,945,000, expiring 1 March 2019 and a revolving working capital facility of AUD$4,000,000 to be fully repaid by 31 December each year and may be redrawn to $4,000,000 after 31 January in the following year. The interest margin on the term loan facility was increased by 0.25 percent. The provision of a bank guarantee facility of $1,000,000 remain unchanged with exception of an extension of its exiry 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 forecasted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") banking covenant with Rabobank for the half-year ended 31 December 2017. The Group received a waiver from Rabobank on 16 February 2018 in respect of the forecasted EBITDA banking covenant breach as at reporting date. Following the aforementioned breach, the remaining term loan balance of $2,745,000 has been classified as current in the consolidated statement of financial position as at 31 December 2017.

9. OTHER FINANCIAL LIABILITIES

The derivative liability component of the convertible notes are measured at fair value on each reporting date. The valuation as at 31 December 2017 was $2,318,000, resulting in a fair value gain of $1,792,000 recognised in the consolidated statement of profit or loss and other comprehensive income.

10. DISCONTINUED OPERATIONS

On 21 December 2017, the Group disposed of the assets of Agrimac Macadamias Pty Ltd, which carried out the Australian macadamia operations. The proceeds on disposal of $1,400,000, net of GST, were received in cash. The Group continues to sell remaining Australian macadamia inventory through fulfilling existing supply contracts.

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

	DISCONTINUED OPERATIONS	
	31/12/17 $'000	31/12/16 $'000
Revenue	**9,195**	14,390
Other income	**39**	68
Operating expenses	**(10,477)**	(14,402)
Gain on sale of assets	**856**	-
Profit before income tax	**(387)**	56
Income tax expense	**-**	-
(Loss)/profit from discontinued operations	**(387)**	56

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

	DISCONTINUED OPERATIONS	
	31/12/17 $'000	31/12/16 $'000
Net cash outflow from operating activities	**(1,411)**	(38)
Net cash inflow/(outflow) from investing activities	**1,540**	(7)
Net increase/(decrease) in cash generated by the discontinued operations	**129**	(45)

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

	CONSOLIDATED	
	31/12/17 $'000	31/12/16 $'000
Total comprehensive income is attributed to equity holders of Buderim Group Limited		
Continuing operations	**(2,384)**	(6,863)
Discontinued operations	**(387)**	56
	(2,771)	(6,807)

11. EVENTS AFTER THE REPORTING DATE

Share options

On 5 February 2018 the Group issued 3,000,000 unlisted options to the Chief Executive Officer as part of a long-term incentive scheme. The options are exercisable at $0.40 subject to achieving EBIT targets in any of the financial years ended 30 June 2018 to 30 June 2022.

Acquisition of Royal Hawaiian Orchards brands

On 28 February 2018 the Group has announced it has reached an agreement to acquire the assets held by Royal Hawaiian Macadamia Nut, Inc., a subsidiary of Royal Hawaiian Orchards, LP (OTC: NNUTU) ("RHO") that constitute its retail brand business. The acquisition consideration is 11,220,242 ordinary shares in the parent entity, Buderim Group Limited (approximately $3,254,000).

Change in Directors

On 28 February 2018 the Group announced that its Non-executive Chairman, Mr Stephen Morrow retired, and Mr Guy Cowan was appointed as the new Non-executive Chairman.

Other matters

The Group is not aware of any other matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect its operations and financial results.

12. RELATED PARTY DISCLOSURES

Transactions with 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

The Group provided operational and management services totalling $308,381 (2016: $299,919) 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 totalling $298,496 (2016: $497,697) relating to the *Ginger Train* and *Overboard* rides at *The Ginger Factory*. Amounts disclosed for current half-year are for the period 1 July 2017 to 29 September 2017, whilst the comparative 2016 period is 1 July 2016 to 31 December 2016. Amounts owing from related parties at 31 December 2016 totalled $61,822 whilst amounts owing to totalled $279,377.

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 $197,260 (2016: nil).

MacFarms of Hawaii 401(k) Profit Sharing Plan

The Group periodically elects to make discretionary contribution 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. Contributions to the profit sharing plan are made in the second half of the financial year. The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of $9,885 in relation to administration fees (2016: $9,083).

Directors' Declaration

The directors of the company declare that:

(a) the consolidated interim financial report of Buderim Group Limited are in accordance with the *Corporations Act* 2001, including:

(i) giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulation 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Stephen Morrow

Director

Brisbane, 28 February 2018

Independent auditor's review report to the members of Buderim Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Buderim Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Buderim Group Limited. The consolidated entity comprises the Company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Buderim Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Emphasis of matter – Going concern

We draw attention to Note 1 in the financial report, which indicates that the Group is dependent on receiving the continued support of the Group's financiers, following the breach of one of its banking covenant ratios during the period. This condition, along with other matters set forth in Note 1, 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.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2017 included on Buderim Group Limited's web site. The Company's directors are responsible for the integrity of the Buderim Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brisbane

P.J. Carney

Paddy Carney
Partner

28 February 2018