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 2018

CONTENTS

Appendix 4D – Half-Year Report

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2018

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2017.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous corresponding period	Increase / Decrease	% $'000	To $'000
Revenue from continuing operations	Increase	30%	**33,504**
	Increase	7,814	**33,504**
Profit from continuing operations after tax attributable to members	Increase	n/a	**642**
	Increase	3,215	**642**
Profit for the period attributable to members	Increase	n/a	**755**
	Increase	3,715	**755**

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 2018 and 31 December 2017. 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 profit after tax of $755,000 for the half-year ended 31 December 2018 inclusive of net profit from discontinued operations of $113,000 and income tax expense of $357,000. This result compared to the prior half-year net loss after tax of $2,960,000.

The net profit before tax of $999,000 for the half-year included a non-cash impairment and provision for onerous lease expense relating to the Morwell operations of $943,000, a non-cash effective interest charge of $1,151,000 in relation to the debt-host liability component of the convertible notes, a net favourable biological asset valuation increase of $1,078,000 derived from a fair value gain of $3,780,000 less increased cost of goods sold of $2,702,000 as a result of seasonal factors combined with increased macadamia prices. Lastly a favourable fair value adjustment on other financial liabilities of $1,692,000 relating to the derivative liability component of the Convertible Notes.

	2018 Results $'000	2017 Results $'000
Profit / (loss) from continuing operations for the half-year attributable to members	**642**	(2,573)
Tax expense/(benefit)	**357**	(200)
Group profit / (loss) from continuing operations before income tax	**999**	(2,773)

The Group profit before tax of $999,000 was contributed to by:-

	2018 Results $'000	2017 Results $'000
Business segments		
Ginger operations	**1,903**	(387)
Macadamia operations	**(238)**	(1,951)
Tourism operations	**461**	236
Total	**2,126**	(2,102)
Corporate overhead expenses	**(1,127)**	(701)
Share of profit of joint controlled entities and associates	**-**	30
Group profit / (loss) from continuing operations before income tax	**999**	(2,773)

Appendix 4D – Half-Year Report (continued)

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

- The Ginger segment profit for the half-year of $1,903,000 included a non-cash effective interest charge of $1,151,000 in relation to the debt-host liability component of the convertible notes, a non-cash impairment expense of $549,000, and an onerous lease provision of $394,000 relating to future lease liabilities in relation to the Morwell operations, offset by a $1,081,000 favourable inter-segment income from the Macadamia segment; and a $1,692,000 favourable fair value adjustment to the derivative liability component of the convertible notes.

  The underlying Ginger segment result, excluding the aforementioned impairment charge, onerous lease provision, inter-segment management fee income and convertible note items, was a profit of $1,224,000 which has significantly improved compared to the prior period's loss of $1,283,000.

  The improvement has been driven by rationalisation of non-performing products, reduction in frequency and depth of promotional discounting of mature retail products, improved manufacturing efficiencies, and other cost reduction activities. The impairment of the Morwell operations has occurred as a result of the decision to mothball the site to minimise ongoing operational costs following a drop in anticipated production as a result of product rationalisation initiatives and de-listings of some beverage products. The impairment relates to the write off of the assets and a provision has been recognised in relation to the net present value of future lease liabilities. At 30 June 2018 the assets were classified as held for sale, however an acceptable sale transaction has not been achieved.

- 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 reported segment loss of $238,000 includes a $1,081,000 inter-segment charge from the Ginger segment and a favourable net biological asset valuation increase of $1,078,000 as a result of seasonal factors combined with increased macadamia prices and an income tax expense of $198,000.

  The Macadamia segment result precluding the inter-segment charge was a profit of $843,000 compared to the prior period's loss of $1,951,000.

  The improved performance of the macadamia segment has been contributed to by the incremental lift in sales revenues and margin contribution flowing from the acquisition of the Royal Hawaiian Orchards branded retail business in March 2018, combined with selling price increases and gross margin improvement initiatives. Additional contribution has resulted from a higher nut-in-shell intake from independent growers combining with continued favourable growing conditions in the orchard leading to improved kernel production volumes and efficiencies at the MacFarms factory.

  The macadamia result also included a $347,000 profit on sale of 15.27 acres of surplus land in Hawaii.

- The improved Tourism segment profit of $461,000 increased primarily as a result of higher revenues driven by a combination of an increase in visitor numbers and a higher spend per visitor at *The Ginger* Factory, additional profit contribution following the acquisition of the remaining 50% shares of the Ginger Head Quarters joint-venture in September 2017 and a reduction in operational overheads.

- Corporate overheads increased in the half-year as a result of increased corporate insurance premium costs and one-off costs associated with a review of the ginger division operations.

- An income tax expense of $357,000 has been recognised in the half-year which includes a tax expense of $198,000 relating to the USA, and an Australian tax expense of $159,000 for the period.

NET TANGIBLE ASSET BACKING	**31/12/2018**	**30/06/2018**
Net tangible asset backing per ordinary share	$0.42	$0.40
Number of shares on issue	86,021,860	86,021,860

Appendix 4D – Half-Year Report

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2018

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 2018, 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 2018 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 2019

Buderim Group Limited

ABN 68 010 978 800

ASX Code: BUG

Half-Year Report

For the six months ended 31 December 2018

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 2018.

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:

- Guy Cowan
- Qi (Christina) Chen
- Peter O'Keeffe
- Dennis Lin
- Albert Tse (resigned 25 February 2019)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the half-year ended 31 December 2018 the Group recorded a net profit after tax of $755,000 (2017: net loss after tax $2,960,000) inclusive of net profit from discontinued operations of $113,000 and income tax expense of $357,000.

The net profit before tax of $999,000 for the half-year included non-cash impairment and provision for onerous lease expense relating to the Morwell operations of $943,000, a non-cash effective interest charge of $1,151,000 in relation to the debt-host liability component of the convertible notes, a net favourable biological asset valuation increase of $1,078,000 as a result of seasonal factors combined with increased macadamia prices and a favourable fair value adjustment on other financial liabilities of $1,692,000 relating to the derivative liability component of the Convertible Notes.

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

	2018		2017	
	Revenues $'000	**Results* $'000**	Revenues $'000	Results* $'000
Business segments				
Ginger operations	**15,578**	**1,903**	16,522	(387)
Macadamia operations	**17,675**	**(238)**	9,539	(1,951)
Tourism operations	**3,479**	**461**	2,930	236
Total	**36,732**	**2,126**	28,991	(2,102)
Consolidation adjustments	**(534)**		(1,253)	
Corporate overhead expenses	**-**	**(1,127)**	-	(701)
Share of profit/(loss) of joint controlled entities and associates	**-**	**-**	-	30
Group income and profit / (loss) from continuing operations before income tax	**36,198**	**999**	27,738	(2,773)

*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 profit for the half-year of $1,903,000 included a non-cash effective interest charge of $1,151,000 in relation to the debt-host liability component of the convertible notes, a non-cash impairment expense of $549,000, and an onerous lease provision of $394,000 relating to future lease liabilities in relation to the Morwell operations, offset by a $1,081,000 favourable inter-segment income from the Macadamia segment; and a $1,692,000 favourable fair value adjustment to the derivative liability component of the convertible notes.

  The underlying Ginger segment result, excluding the aforementioned impairment charge, onerous lease provision, inter-segment management fee income and convertible note items, was a profit of $1,224,000 which has significantly improved compared to the prior period's loss of $1,283,000.

  The improvement has been driven by rationalisation of non-performing products, reduction in frequency and depth of promotional discounting of mature retail products, improved manufacturing efficiencies, and other cost reduction activities. The impairment of the Morwell operations has occurred as a result of the decision to mothball the site to minimise ongoing operational costs following a drop in anticipated production as a result of product rationalisation initiatives and de-listings of some beverage products. The impairment relates to the write off of the assets and a provision has been recognised in relation to the net present value of future lease liabilities. At 30 June 2018 the assets were classified as held for sale, however an acceptable sale transaction has not been achieved.

- 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 reported segment loss of $238,000 includes a $1,081,000 inter-segment charge from the Ginger segment and a favourable net biological asset valuation increase of $1,078,000 as a result of seasonal factors combined with increased macadamia prices and an income tax expense of $198,000.

  The Macadamia segment result precluding the inter-segment charge was a profit of $843,000 compared to the prior period's loss of $1,951,000.

  The improved performance of the macadamia segment has been contributed to by the incremental lift in sales revenues and margin contribution flowing from the acquisition of the Royal Hawaiian Orchards branded retail business in March 2018, combined with selling price increases and gross margin improvement initiatives. Additional contribution has resulted from a higher nut-in-shell intake from independent growers combining with continued favourable growing conditions in the orchard leading to improved kernel production volumes and efficiencies at the MacFarms factory.

The macadamia result also included a $347,000 profit on sale of 15.27 acres of surplus land in Hawaii.

- The improved Tourism segment profit of $461,000 increased primarily as a result of higher revenues driven by a combination of an increase in visitor numbers and a higher spend per visitor at *The Ginger* Factory, additional profit contribution following the acquisition of the remaining 50% shares of the Ginger Head Quarters joint-venture in September 2017 and a reduction in operational overheads.
- Corporate overheads increased in the half-year as a result of increased corporate insurance premium costs and one-off costs associated with a review of the ginger division operations.
- An income tax expense of $357,000 has been recognised in the half-year which includes a tax expense of $198,000 relating to the USA, and an Australian tax expense of $159,000 for the period.

The table below shows the asset and capital structure as at 31 December 2018. Net debt has increased primarily due to increased working capital requirements to support the sales growth in the macadamia segment.

	CONSOLIDATED	
	31/12/18 $'000	30/06/18 $'000
NET GEARING		
Debts		
Interest-bearing liabilities	**16,364**	14,004
Cash and cash equivalents	**(1,442)**	(4,293)
Net debt	**14,922**	9,711
Total equity	**33,282**	32,025
Total capital employed	**48,204**	41,736
	31.0%	23.3%
ASSETS FUNDED BY EXTERNAL STAKEHOLDERS		
Total Assets	**69,998**	67,672
Total Liabilities	**36,716**	35,647
	52.5%	52.7%
DEBT/EQUITY		
Total equity	**33,282**	32,025
Intangibles	**(3,001)**	(3,106)
	30,281	28,919
Interest-bearing liabilities	**16,364**	14,004
	54.0%	48.4%

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 earned a net profit after tax of $755,000 for the half-year ended 31 December 2018 and had a net cash outflow from operating activities of $3,561,000 primarily due to increased investment in working capital. As at 31 December 2018 the Group had cash reserves of $1,442,000, a net current asset surplus of $16,752,000 and net assets of $33,282,000. The Group operates under finance facilities which include a term debt facility of $2,745,000, working capital facility of $4,000,000 and bank guarantee facility of $1,000,000 which expire 30 June 2020 (of which $1,645,000 of the term debt facility was drawn down, and $2,000,000 of the working capital facility utilised at 31 December 2018), however are considered current due to the terms of the facility agreement. In addition the group has Convertible Notes of $15,000,000 which will mature in February 2020 and are convertible at the discretion of the Noteholders. 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 expect the financiers to provide continued support and are in discussions with the Noteholders to extend the maturity date of the Convertible Notes and with the financiers in respect of obtaining additional working capital facilities. The Group is continuing to expand sales distribution and implement strategies to improve profitability. Further the Directors believe that should the maturity date of the Convertible Notes not be extended, and additional working capital is unable to be obtained, assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business.

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

DIRECTORS' REPORT

SUBSEQUENT EVENTS

On 25 February 2019, substantial shareholder Asia Mark Development Limited (AMD) acquired the Convertible Notes held by Wattle RHC Fund 1 SPV 1 L.P (Wattle Hill).

The transfer of the Convertible Notes to AMD was in accordance with the terms and conditions of an agreement entered into between AMD and Wattle Hill around the time of the issue of the Convertible Notes by the Group in February 2017.

As a result of the transfer, Wattle Hill's nominated director, Mr Albert Tse has stepped down as a Director.

The Directors are 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 the operations and results of 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 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.

Guy Cowan
Director
Brisbane, 28 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Buderim Group Limited for the half-year ended 31 December 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 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 during the period.

P.J. Carney

Paddy Carney
Partner
PricewaterhouseCoopers

Brisbane
28 February 2019

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Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

		CONSOLIDATED	
	Notes	31/12/18 $'000	30/06/18 $'000
CURRENT ASSETS			
Cash and cash equivalents		**1,442**	4,293
Trade and other receivables		**9,509**	9,710
Inventories		**21,858**	15,749
Current tax assets		**40**	18
Other current assets		**975**	1,184
Biological assets		**774**	1,008
Assets classified as held for sale		**-**	549
TOTAL CURRENT ASSETS		**34,598**	32,511
NON-CURRENT ASSETS			
Property, plant and equipment	7	**32,399**	32,055
Deferred tax assets		**-**	-
Intangible assets		**3,001**	3,106
TOTAL NON-CURRENT ASSETS		**35,400**	35,161
TOTAL ASSETS		**69,998**	67,672
CURRENT LIABILITIES			
Trade and other payables	6	**11,115**	11,582
Interest-bearing liabilities	8	**4,588**	3,716
Short-term provisions		**2,143**	1,716
Current tax liability		**-**	-
TOTAL CURRENT LIABILITIES		**17,846**	17,014
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	8	**11,776**	10,288
Other financial liabilities	9	**1,031**	2,723
Deferred tax liabilities		**5,911**	5,483
Long-term provisions		**152**	139
TOTAL NON-CURRENT LIABILITIES		**18,870**	18,633
TOTAL LIABILITIES		**36,716**	35,647
NET ASSETS		**33,282**	32,025
EQUITY			
Contributed equity		**54,626**	54,626
Reserves		**13,725**	13,243
Accumulated losses		**(35,069)**	(35,844)
TOTAL EQUITY		**33,282**	32,025

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 2018

		CONSOLIDATED	
	Notes	31/12/18 $'000	31/12/17 $'000
INCOME			
Sale of goods		33,504	25,690
Change in fair value of biological assets		3,781	1,433
Cost of sales		(27,366)	(23,148)
Gross profit		9,919	3,975
Rental revenue		61	57
Other income	3 (a)	2,633	1,991
Finance revenue		1	3
		12,614	6,026
Share of profit accounted for using the equity method		-	30
Selling and distribution expenses		(3,329)	(2,072)
Marketing expenses		(339)	(946)
Tourism expenses		(1,721)	(1,495)
Administration expenses		(3,716)	(2,904)
Impairment		(549)	-
Other expenses	3 (b)	(397)	(56)
PROFIT / (LOSS) BEFORE TAX AND FINANCE COSTS		2,563	(1,417)
Finance costs	3 (c)	(1,564)	(1,356)
PROFIT / (LOSS) BEFORE INCOME TAX		999	(2,773)
Income tax benefit/(expense)	4	(357)	200
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS		642	(2,573)
Profit/(Loss) from discontinued operations		113	(387)
NET PROFIT / (LOSS) FOR THE HALF-YEAR		755	(2,960)
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		482	(63)
Changes in deferred tax losses arising from adjustments to foreign corporate tax rates		-	1,054
Total other comprehensive income/ (loss), net of tax		482	2,108
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF-YEAR		1,237	(852)
Total net profit / (loss) is attributable to:			
Equity holders of Buderim Group Limited		755	(2,960)
		755	(2,960)
Total comprehensive profit / (loss) is attributed to:			
Equity holders of Buderim Group Limited		1,237	(852)
		1,237	(852)
Basic and diluted profit / (loss) per share (cents)		0.88	(3.96)
Basic and diluted profit / (loss) per share (cents) from continuing operations		0.75	(3.44)
Basic and diluted profit / (loss) per share (cents) from discontinued operations		0.13	(0.52)

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 2018

	Notes	CONSOLIDATED 31/12/18 $'000	31/12/17 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**33,807**	**35,685**
Payments to suppliers and employees (inclusive of GST)		**(37,399)**	**(38,118)**
Other receipts		**125**	**238**
Interest received		**1**	**3**
Interest and other finance costs paid		**(73)**	**(154)**
Income tax (paid)/received		**(22)**	**(58)**
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**(3,561)**	**(2,404)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(339)**	**(457)**
Proceeds from sale of property, plant and equipment		**351**	**1,540**
Consideration paid for business combination		**(284)**	**(493)**
Dividend received from joint venture		**-**	**96**
Return of equity from joint venture		**-**	**152**
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(272)**	**838**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of options		**4**	**-**
Proceeds from borrowings		**2,000**	**-**
Repayments of borrowings		**(1,116)**	**(1,816)**
NET CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		**888**	**(1,816)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,945)**	**(3,382)**
Cash and cash equivalents at beginning of the half-year		**4,293**	**6,283**
Foreign exchange difference on cash holdings		**94**	**-**
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR		**1,442**	**2,901**
Cash flows of discontinued operation		**113**	**129**

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 2018

	CONSOLIDATED				
		RESERVES			
	Contributed Equity $'000	Asset Revaluation $'000	Foreign Currency Translation $'000	Accumulated Losses $'000	Total Equity $'000
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					
Share based payments expense	-	-	-	-	**-**
Options issued, net of transaction costs	-	-	-	-	**-**
As at 31 December 2017	**50,628**	**12,406**	**402**	**(22,426)**	**41,010**
As at 1 July 2018	54,626	12,794	449	(35,844)	**32,025**
Total comprehensive income for the half-year					
Net profit for half-year	-	-	-	755	**755**
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	482	-	**482**
Change in fair value of land	-	-	-	-	**-**
Change in foreign corporate tax rates	-	-	-	-	**-**
Total comprehensive income for the half-year	-	-	482	755	**1,237**
Transactions with owners in their capacity as owners					
Share based payments expense	-	-	-	16	**16**
Options issued, net of transaction costs	-	-	-	4	**4**
As at 31 December 2018	**54,626**	**12,794**	**931**	**(35,069)**	**33,282**

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 2018

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 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 2018 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 2019.

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

New and amended standards adopted by the Group

The following new accounting standards and amendments to accounting standards became applicable in the current reporting period:

AASB 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

These standards did not have significant impact on the Group's accounting policies and did not require retrospective adjustments. The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 9 Financial Instruments

Impact of adoption

This standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities and new rules for hedge accounting. There are no significant impacts on the Group's consolidated financial statements resulting from the application of AASB 9.

Accounting policies applied from 1 July 2018

Classification and measurement

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group's principal financial assets comprise cash and short-term deposits and receivables, which which meet the conditions for classification and measurement at amortised cost under AASB 9. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group's financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are disclosed separately.

The Group's principal financial liabilities comprise bank loans (including overdrafts), convertible notes, and trade payables, and the accounting policies for these financial liabilities have not changed under AASB 9.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IFRS 15 Revenue from Contracts with Customers

Impact of adoption

This standard established the reporting principles relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. There are no significant impacts on the Group's consolidated financial statements resulting from the application of IFRS 15.

Accounting policies applied from 1 July 2018

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally at the time of shipment or on delivery of the goods depending on agreed trading terms.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., freight). In determining the transaction price for the sale of product, the Group considers the effects of variable consideration, freight revenue, and principal versus agent relationship.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates at the time of recognition of the sale to the customer the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. 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.

(ii) Freight revenue

The Group identified two performance obligations for the sale of goods. The freight portion was not significant to disaggregate from the sale of goods revenue.

(iii) Principal versus agent relationship

The Group concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities are disclosed separately in Note 6.

Going Concern

The Group earned a net profit after tax of $755,000 for the half-year ended 31 December 2018 and had a net cash outflow from operating activities of $3,561,000 primarily due to increased investment in working capital. As at 31 December 2018 the Group had cash reserves of $1,442,000, a net current asset surplus of $16,752,000 and net assets of $33,282,000. The Group operates under finance facilities which include a term debt facility of $2,745,000, working capital facility of $4,000,000 and bank guarantee facility of $1,000,000 which expire 30 June 2020 (of which $1,645,000 of the term debt facility was drawn down, and $2,000,000 of the working capital facility utilised at 31 December 2018), however are considered current due to the terms of the facility agreement. In addition the group has Convertible Notes of $15,000,000 which will mature in February 2020 and are convertible at the discretion of the Noteholders. 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 expect the financiers to provide continued support and are in discussions with the Noteholders to extend the maturity date of the Convertible Notes and with the financiers in respect of obtaining additional working capital facilities. The Group is continuing to expand sales distribution and implement strategies to improve profitability. Further the Directors believe that should the maturity date of the Convertible Notes not be extended, and additional working capital is unable to be obtained, assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business.

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.

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 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 the United States 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 2018

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 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 2018 and 31 December 2017 are as follows:

REPORTABLE SEGMENTS	Ginger		Tourism		Macadamias		Total	
	31/12/18 $'000	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000
Income								
Sales of goods to external customers	**12,763**	13,375	**3,418**	2,873	**17,323**	9,442	**33,504**	**25,690**
Sales of goods to internal segments	**534**	1,253	**-**	-	**-**	-	**534**	**1,253**
Other revenue / income	**2,281**	1,894	**61**	57	**352**	97	**2,694**	**2,048**
Total segment revenue	**15,578**	16,522	**3,479**	2,930	**17,675**	9,539	**36,732**	**28,991**
Consolidation adjustments	**(534)**	(1,253)	**-**	-	**-**	-	**(534)**	**(1,253)**
Total Income from continuing operations							**36,198**	**27,738**
Results								
Segment result	**1,903**	(387)	**461**	236	**(238)**	(1,951)	**2,126**	**(2,102)**
Share of profit of jointly controlled entities'	**-**	-	**-**	30	**-**	-	**-**	**30**
Corporate overhead expenses	**(585)**	(365)	**(86)**	(78)	**(456)**	(258)	**(1,127)**	**(701)**
Contribution to group profit/(loss)	**1,318**	(752)	**375**	187	**(694)**	(2,208)	**999**	**(2,773)**
Finance costs	**1,303**	1,164	**-**	-	**261**	192	**1,564**	**1,356**
Finance revenue	**(1)**	(3)	**-**	-	**-**	-	**(1)**	**(3)**
Depreciation & amortisation	**122**	541	**145**	120	**271**	324	**538**	**985**
EBITDA	**2,742**	950	**520**	307	**(162)**	(1,692)	**3,100**	**(435)**
Profit / (Loss) before income tax							**999**	**(2,773)**
Income tax (expense)/benefit	**(169)**	(31)	**10**	-	**(198)**	231	**(357)**	**200**
Net profit / (loss) from continuing operations							**642**	**(2,573)**
Inventory write-downs/(ups) and provisions	**(137)**	138	**-**	-	**202**	34	**65**	**172**
Material other items								
Impairment	**549**	-					**549**	
Residual profit split transfer pricing methodology charge	**(1,081)**	-			**1,081**		**-**	
Non-cash interest finance costs	**1,151**	896					**1,151**	896
Onerous lease provision	**394**	-					**394**	
Fair value gain on other financial liabilities	**(1,692)**	(1,792)	**-**	-	**-**	-	**(1,692)**	(1,792)

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2. SEGMENT INFORMATION (continued)

GEOGRAPHICAL LOCATION	Australia		USA		Other		Total	
	31/12/18 $'000	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000	**31/12/18 $'000**	31/12/17 $'000
Sales of goods to external customers	**10,629**	10,354	**17,556**	9,763	**5,319**	5,573	**33,504**	25,690
Sales of goods to internal locations	**534**	1,137	**-**	116	**-**	-	**534**	1,253
Other revenue / income	**3,505**	2,395	**(718)**	(337)	**(93)**	(10)	**2,694**	2,048
Total geographical revenue	**14,668**	13,886	**16,838**	9,542	**5,226**	5,563	**36,732**	28,991
Consolidation adjustments							**(534)**	(1,253)
Total income							**36,198**	27,738
	31/12/18 $'000	30/06/18 $'000	**31/12/18 $'000**	30/06/18 $'000	**31/12/18 $'000**	30/06/18 $'000	**31/12/18 $'000**	30/06/18 $'000
Total geographical assets	**41,436**	43,886	**25,105**	20,009	**3,457**	3,777	**69,998**	67,672
Total geographical liabilities	**19,587**	22,596	**16,922**	12,732	**207**	319	**36,716**	35,647

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	
		31/12/18 $'000	31/12/17 $'000
(a) Other income			
Net foreign exchange gains		**526**	-
Profit on disposal of land		**351**	-
Sundry income		**46**	181
Fair value gain on other financial liabilities	9	**1,692**	1,792
Government grants		**18**	18
Total other income		**2,633**	1,991
(b) Other expenses			
Net foreign exchange losses		**-**	56
Sundry expenses		**397**	-
Total other expenses		**397**	56
(c) Finance costs			
Bill facility		**71**	120
Bank loans and overdraft		**2**	-
Convertible notes		**1,491**	1,236
Total finance costs		**1,564**	1,356

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

4. INCOME TAX

An income tax expense of $357,000 has been recognised in the half-year which includes a tax expense of $198,000 relating to the USA, and an Australian tax expense of $159,000 for the period.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2018 (2017: Nil).

6. CONTRACT LIABILITIES

The Group has adopted AASB 15 Revenue from Contracts. There has been no material changes to the financials except classification of amounts to contract assets and contract liabilities.

At 31 December 2018, there was $587,000 of contract liabilities included within Trade and other payables relating to promotions, discounts, terms, ullage accruals. There were no contract assets at 31 December 2018.

7. PROPERTY, PLANT AND EQUIPMENT

The macadamia result included a $347,000 profit on sale of 15.27 acres of surplus land in Hawaii with a cost value of $52,382.

The Group purchased $339,000 of additions during the period. There has been no other significant changes in the value of property, plant and equipment at 31 December 2018.

8. INTEREST-BEARING LIABILITIES

On the 9th 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 $2,145,000, expiring 30 June 2020 and an at call revolving working capital facility of $4,000,000 to be fully repaid by 31 December each year and may be redrawn to $4,000,000 million after 31 January in the following year. The Group received a waiver on the 19th November 2018 to remove the requirement to repay the working capital facility by 31 December. The bank guarantee facility of $1,000,000 at call remained unchanged with the exception of an extension of its expiry date from 30 November 2017 to 30 June 2020.

The Group has complied with its covenant requirements at 31 December 2018.

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 2018 was $1,031,000, resulting in a fair value gain of $1,692,000 recognised in the consolidated statement of profit or loss and other comprehensive income.

10. EVENTS AFTER THE REPORTING DATE

On 25 February 2019, substantial shareholder Asia Mark Development Limited (AMD) acquired the Convertible Notes held by Wattle RHC Fund 1 SPV 1 L.P (Wattle Hill).

The transfer of the Convertible Notes to AMD was in accordance with the terms and conditions of an agreement entered into between AMD and Wattle Hill around the time of the issue of the Convertible Notes by the Group in February 2017.

As a result of the transfer, Wattle Hill's nominated director, Mr Albert Tse has stepped down as a Director.

The Group is not aware of any other matters or circumstances that have arisen since the end of the half-year ended 31 December 2018 which have significantly affected or may significantly affect its operations and financial results.

11. 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:

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

BDO (QLD) Pty Ltd

The Group received accounting and taxation services to the value of $437,252. At 31 December 2018, there are amounts of $5,291 owing to BDO (QLD) Pty Ltd. Dennis Lin is a director of Buderim Group Limited, and is currently employed by BDO as a consultant.

Asia Mark Development Limited (AMD)

The parent entity issued 12,500,000 convertible notes at $0.40 per note on 15 February 2017 to AMD, a major shareholder. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals $197,260 (2017: $197,260). Refer to Note 10, AMD subsequent to reporting date acquired the Convertible Notes in Buderim Group Limited held by Wattle Hill.

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 $9,969 in relation to administration fees (2017: $9,885).

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 2018 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.

Guy Cowan

Director

Brisbane, 28 February 2019

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 2018, 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, selected other explanatory notes and the directors' declaration for Buderim Group (the Group). The Group comprises the Company and the entities it controlled during that 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 Group's financial position as at 31 December 2018 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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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 Group's financial position as at 31 December 2018 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*.

Material uncertainty related to going concern

We draw attention to Note 1 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 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Brisbane
28 February 2019