



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 2019

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Appendix 4D – Half-Year Report

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2019

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2018.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous corresponding period	Increase / Decrease	% \$'000	To \$'000
Revenue from continuing operations	Increase	15%	38,496
	Increase	4,992	38,496
Profit/(loss) from continuing operations after tax attributable to members	Increase	53%	984
	Increase	342	984
Profit/(loss) for the period attributable to members	Increase	30%	984
	Increase	229	984

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 2019 and 31 December 2018. 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 \$984,000 for the half-year ended 31 December 2019 inclusive of income tax expense of \$143,000. This result compared to the prior half-year net profit after tax of \$755,000, inclusive of income tax and discontinued operations.

The net profit before tax from continuing operations was \$1,127,000 compared to \$999,000 for the previous comparative period.

	2019 Results \$'000	2018 Results \$'000
NET PROFIT / (LOSS) FOR THE HALF-YEAR	984	755
Profit/(Loss) from discontinued operations	-	113
Profit / (loss) from continuing operations for the half-year attributable to members	984	642
Tax expense/(benefit)	143	357
Group profit / loss from continuing operations before income tax	1,127	999

The Group profit before tax of \$1,127,000 was contributed to by:-

	2019 Results \$'000	2018 Results \$'000
Business segments		
Ginger operations	1,505	362
Macadamia operations	1,297	1,159
Tourism operations	335	475
Total	3,137	1,996
Fair value gain/(loss) on derivative	(232)	1,692
Corporate overhead expenses	(764)	(1,127)
Net Finance costs	(1,014)	(1,563)
Group profit / loss from continuing operations before income tax	1,127	999

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 \$1,505,000 compares to the prior period comparative of \$362,000 which included the impairment and onerous lease provisions reported last year in relation to the Morwell operations totalling \$943,000. Adding back the prior period provisions shows this half-year's profit of \$1,505,000 comparing to a prior period normalised profit of \$1,305,000. This represents a 15.3 percent increase in underlying profitability.

Sales of goods to external customers was 2.3 percent lower than the prior period comparative coming in at \$12,475,000 compared to \$12,763,000 in the prior period. The drop was primarily driven by lower industrial bulk exports, whilst the domestic sales were stable and export retail sales grew particularly in Canada.

The improved profitability has been driven by a continued focus on gross margin improvement. Operating costs remained controlled, despite some increases in items like insurance, whilst lower promotional discounting in the local domestic retail market contributed to the improved profitability.

- The Macadamia segment profit for the half-year of \$1,297,000 compares to the prior year half year profit of \$1,159,000 which included a one-off \$347,000 profit on sale of 15.27 acres of surplus land in Hawaii. Excluding the profit on sale of land last year, this half year's profit is a 59.7 percent increase in underlying profitability.

The improved performance of the macadamia segment has been contributed to by a 31.4 percent lift in sale of goods to external customers compared to the prior year first half year. This increase in sales has been driven by increases in both retail and industrial sales in the US market.

Despite a late start to this season resulting in a lower harvest of 3.43 million pounds compared to last year's 4.86 million pounds for the same period the density of the nut drop accelerated in December following record rainfall, resulting in 5.93 million pounds ready for harvest on the orchard floor as 31 December, compared to 3.00 million pounds as at 31 December 2018. The net increase in fair value of biological assets included in the half year results was \$1,855,000 being \$777,000 favourable to last year. Intake from independent growers for the current period was consistent with last year.

Net operating costs have increased due to higher net manufacturing costs as a result of lower production due to the late nut drop and higher selling and marketing costs associated with the growth in sales and increased marketing activities.

- The lower Tourism segment profit of \$335,000, compared to prior period comparative of \$475,000, was impacted by a 6.80 percent drop in visitor numbers partially offset by a higher spend per visitor. Operating costs also weighed on the first half result, driven by increased operating costs necessary to maintain the park at its best during the recent challenging weather conditions.
- Corporate overheads decreased 32.2 percent to \$764,000 for the half-year primarily as a result of the non-recurrence of the one-off costs incurred last year, partially offset by increases in insurance group insurance costs reflective of the broader insurance market.
- An income tax expense of \$143,000 has been recognised in the half-year which includes a tax expense of \$602,000 relating to the USA, and an Australian tax benefit of \$460,000 for the period.

NET TANGIBLE ASSET BACKING	31/12/2019	30/06/2019
Net tangible asset backing per ordinary share excluding intangible assets and net deferred tax assets	\$0.49	\$0.48
Number of shares on issue	86,021,860	86,021,860

Appendix 4D – Half-Year Report (continued)

Buderim Group Limited – ABN 68 010 978 800

Half-year ended 31 December 2019

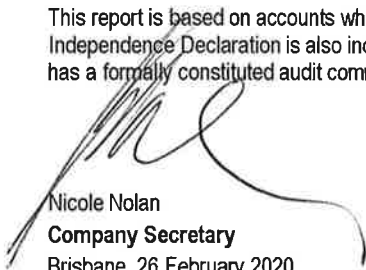
ACCOUNTING STANDARDS

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 2019, 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 2019 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.



Nicole Nolan
Company Secretary
Brisbane, 26 February 2020

Buderim Group Limited

ABN 68 010 978 800

ASX Code: BUG

Half-Year Report

For the six months ended 31 December 2019

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 2019.

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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the half-year ended 31 December 2019 the Group recorded a net profit after tax of \$984,000 (2018: net profit after tax \$755,000 inclusive of net profit from discontinued operations of \$113,000).

The net profit before tax from continuing operations was \$1,127,000 compared to \$999,000 for the previous comparative period.

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

	2019		2018	
	Revenues \$'000	Results* \$'000	Revenues \$'000	Results* \$'000
<i>Business segments</i>				
Ginger operations	13,122	1,505	13,886	362
Macadamia operations	22,921	1,297	17,675	1,159
Tourism operations	3,367	335	3,479	475
Total	39,410	3,137	35,040	1,996
Consolidation adjustments	(541)		(534)	
Fair value gain/(loss) on other financial liabilities	-	(232)	-	1,692
Corporate overhead expenses	-	(764)	-	(1,127)
Net Finance costs	-	(1,014)	-	(1,563)
Group income and loss from continuing operations before income tax	38,869	1,127	34,506	999

*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 \$1,505,000 compares to the prior period comparative of \$362,000 which included the impairment and onerous lease provisions reported last year in relation to the Morwell operations totalling \$943,000. Adding back the prior period provisions shows this half-year's profit of \$1,505,000 comparing to a prior period normalised profit of \$1,305,000. This represents a 15.3 percent increase in underlying profitability.

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The improved profitability has been driven by a continued focus on gross margin improvement. Operating costs remained controlled, despite some increases in items like insurance, whilst lower promotional discounting in the local domestic retail market contributed to the improved profitability.

- The Macadamia segment profit for the half-year of \$1,297,000 compares to the prior year half year profit of \$1,159,000 which included a one-off \$347,000 profit on sale of 15.27 acres of surplus land in Hawaii. Excluding the profit on sale of land last year, this half year's profit is a 59.7 percent increase in underlying profitability.

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Despite a late start to this season resulting in a lower harvest of 3.43 million pounds compared to last year's 4.86 million pounds for the same period the density of the nut drop accelerated in December following record rainfall, resulting in 5.93 million pounds ready for harvest on the orchard floor as 31 December, compared to 3.00 million pounds as at 31 December 2018. The net increase in fair value of biological assets included in the half year results was \$1,855,000 being \$777,000 favourable to last year. Intake from independent growers for the current period was consistent with last year.

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DIRECTORS' REPORT (continued)

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- Corporate overheads decreased 32.2 percent to \$764,000 for the half-year primarily as a result of the non-recurrence of the one-off costs incurred last year, partially offset by increases in insurance group insurance costs reflective of the broader insurance market.
- An income tax expense of \$143,000 has been recognised in the half-year which includes a tax expense of \$602,000 relating to the USA, and an Australian tax benefit of \$460,000 for the period.

The table below shows the asset and capital structure as at 31 December 2019. Net debt has increased primarily due to increased working capital requirements to support sales growth. Inventory holdings have increased from \$27,157,000 at 30 June 2019 to \$31,642,000 at 31 December 2019, principally driven by increased macadamia inventories.

	CONSOLIDATED	
	31/12/19 \$'000	30/06/19 \$'000
NET GEARING		
Debts		
Interest-bearing liabilities	23,699	22,872
Cash and cash equivalents	(455)	(1,512)
Net debt	23,244	21,360
Total equity	37,106	36,259
Total capital employed	60,350	57,619
	38.5%	37.1%
DEBT/EQUITY		
Total equity	37,106	36,259
Intangibles	(2,475)	(2,852)
	34,631	33,407
Interest-bearing liabilities	23,699	22,872
	68.4%	68.5%

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. As at 31 December 2019, the Group operated under finance facilities with Rabobank expiring on 30 September 2020 and also had Convertible Notes held by Asia Mark Development Limited (AMD) of \$15,000,000 maturing in September 2020. Since 31 December 2019, the Group has refinanced the Rabobank facilities via an uncommitted revolving working capital facility with Greensill Capital (UK) Limited. The terms of the facility specify that each individual drawdown has a maximum maturity date of 120 days from each drawdown date, and therefore the facility will always be considered to be current. Amounts owing to Greensill are secured by a first ranking general security interest over Buderim Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii. Following the initial drawdown, the Group has recognised total interest-bearing debt under the facility in the amount of \$8,429,000 under the facility.

On 21 February 2020, Buderim Group Limited and AMD have entered into an agreement to modify the terms of the Convertible Notes. Under the amendment, a partial repayment of \$5,000,000 is due at 30 September 2020, with the remaining balance of \$10,000,000 extended for 12 months to 30 September 2021.

As a result of these matters as at 31 December 2019 there was 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 Directors expect the financiers to provide continued support. The Group is continuing to expand sales distribution and implement strategies to improve profitability and generate sufficient cash flow to repay borrowings on the appropriate dates. Further the Directors believe that should the working capital facility be reduced, assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business.

Accordingly, the financial report has been prepared on a going concern basis.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS

On 16 January 2020, Buderim Group Limited entered into a working capital finance facility with Greensill Capital (UK) Limited. The facility is an uncommitted revolving working capital facility under which the Group may request short-term finance. The lending criteria is based on a borrowing base comprising certain minimum levels of eligible inventory and eligible receivables and maximum funding of AUD\$25,000,000. Amounts owing to Greensill are secured by a first ranking general security interest over Buderim Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii. Following the initial drawdown, the Group has recognised total interest-bearing debt under the facility in the amount of \$8,429,000. The initial drawdown balance has been used for the repayment of the Rabobank senior loan facilities in full and to fund working capital requirements.

On 16 January 2020, Buderim Group Limited provided Westpac Banking Corporation Limited (Westpac) with new security in connection with its retail banking (overdraft) facility. The Group provided Westpac with a first ranking mortgage over its land at Yandina. This mortgage replaced the previous security (bank guarantee) that was provided by Rabobank to Westpac.

On 21 February 2020, Buderim Group Limited and Asia Mark Development Limited (AMD) have entered into an agreement to modify the terms of the Convertible Notes. Under the amendment, a partial repayment of the host debt liability in the amount of \$5,000,000 is due at 30 September 2020, with the remaining balance of the host debt liability of \$10,000,000 extended for 12 months to 30 September 2021.

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, 26 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Buderim Group Limited for the half-year ended 31 December 2019, 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.

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

Paddy Carney
Partner
PricewaterhouseCoopers

Brisbane
26 February 2020

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Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		31/12/19 \$'000	30/06/19 \$'000
CURRENT ASSETS			
Cash and cash equivalents		455	1,512
Trade and other receivables		8,509	8,849
Inventories		31,642	27,157
Current tax assets		23	76
Other current assets		1,058	1,595
Biological assets		267	1,749
Assets classified as held for sale		-	-
TOTAL CURRENT ASSETS		41,954	40,938
NON-CURRENT ASSETS			
Property, plant and equipment	7	38,984	37,763
Deferred tax assets		-	-
Intangible assets	8	2,475	2,852
TOTAL NON-CURRENT ASSETS		41,459	40,615
TOTAL ASSETS		83,413	81,553
CURRENT LIABILITIES			
Trade and other payables	6	10,968	12,126
Interest-bearing liabilities	9	23,542	9,444
Other financial liabilities	10	590	-
Lease liabilities	11	566	-
Employee entitlements		1,730	1,832
Provisions		-	129
TOTAL CURRENT LIABILITIES		37,396	23,531
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	8	157	13,428
Other financial liabilities	10	-	358
Lease liabilities	11	913	-
Deferred tax liabilities		7,652	7,583
Long-term employee entitlements		189	170
Provisions		-	224
TOTAL NON-CURRENT LIABILITIES		8,911	21,763
TOTAL LIABILITIES		46,307	45,294
NET ASSETS		37,106	36,259
EQUITY			
Contributed equity		54,824	54,824
Reserves		17,377	17,514
Accumulated losses		(35,095)	(36,079)
TOTAL EQUITY		37,106	36,259

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 2019

	Notes	CONSOLIDATED	
		31/12/19 \$'000	31/12/18 \$'000
INCOME			
Sale of goods		38,496	33,504
Change in fair value of biological assets		4,053	3,781
Cost of sales		(30,435)	(27,366)
Gross profit		12,114	9,919
Rental revenue		46	61
Other income	3 (a)	327	2,633
Finance revenue		1	1
		12,488	12,614
Selling and distribution expenses		(3,534)	(3,329)
Marketing expenses		(670)	(339)
Tourism expenses		(1,818)	(1,721)
Administration expenses		(3,905)	(3,716)
Impairment		-	(549)
Other expenses	3 (b)	(419)	(397)
PROFIT / (LOSS) BEFORE TAX AND FINANCE COSTS		2,142	2,563
Finance costs	3 (c)	(1,015)	(1,564)
PROFIT / (LOSS) BEFORE INCOME TAX		1,127	999
Income tax benefit/(expense)	4	(143)	(357)
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS		984	642
Profit/(Loss) from discontinued operations		-	113
NET PROFIT / (LOSS) FOR THE HALF-YEAR		984	755
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations, net of tax		(137)	482
Total other comprehensive income/(loss), net of tax		(137)	482
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF-YEAR		847	1,237
Total net profit / loss is attributable to:			
Equity holders of Buderim Group Limited		984	755
		984	755
Total comprehensive profit / loss is attributed to:			
Equity holders of Buderim Group Limited		847	1,237
		847	1,237
Basic and diluted profit / loss per share (cents)		1.14	0.88
Basic and diluted profit / loss per share (cents) from continuing operations		1.14	0.75
Basic and diluted profit / loss per share (cents) from discontinued operations		-	0.13

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 2019

	CONSOLIDATED		
	Notes	31/12/19 \$'000	31/12/18 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		39,432	33,807
Payments to suppliers and employees (inclusive of GST)		(39,553)	(37,399)
Other receipts		222	125
Interest received		1	1
Interest and other finance costs paid		(211)	(73)
Income tax (paid)/received		(21)	(22)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(130)	(3,561)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(459)	(339)
Proceeds from sale of property, plant and equipment		-	351
Consideration paid for business combination		(247)	(284)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(706)	(272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of options		-	4
Proceeds from borrowings		1,705	2,000
Repayments of borrowings		(1,675)	(1,116)
Principal elements of lease payments		(250)	0
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(220)	888
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,056)	(2,945)
Cash and cash equivalents at beginning of the half-year		1,512	4,293
Foreign exchange difference on cash holdings		(1)	94
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR		455	1,442
Cash flows of discontinued operation		-	113

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 2019

CONSOLIDATED					
	RESERVES			Accumulated Losses \$'000	Total Equity \$'000
	Contributed Equity \$'000	Asset Revaluation \$'000	Foreign Currency Translation \$'000		
As at 1 July 2018	54,626	12,794	449	(35,844)	32,025
<i>Total comprehensive income for the half-year</i>					
Net profit for half-year	-	-	-	755	755
<i>Other comprehensive income</i>					
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
<i>Transactions with owners in their capacity as owners</i>					
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
As at 1 July 2019	54,824	16,471	1,043	(36,079)	36,259
<i>Total comprehensive income for the half-year</i>					
Net profit for half-year	-	-	-	984	984
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	(137)	-	(137)
Change in fair value of land	-	-	-	-	-
Change in foreign corporate tax rates	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(137)	984	847
<i>Transactions with owners in their capacity as owners</i>					
Share based payments expense	-	-	-	-	-
Options issued, net of transaction costs	-	-	-	-	-
As at 31 December 2019	54,824	16,471	906	(35,095)	37,106

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 2019

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 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 2019 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 26 February 2020.

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting *AASB 16 Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

AASB 16 Leases ("AASB 16")

AASB 16 supersedes AASB 117 *Leases ("AASB 117")*. The standard introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement of all leases, except for short-term leases and leases of low value assets. In contrast, the requirements for lessor accounting have remained largely unchanged.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provision in the standard. The reclassification and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019.

As a result of the adoption of AASB 16, the Group will:

- Recognise right-of-use asset and lease liabilities in the consolidated statement of financial position initially measured at the present value of future lease payments, discounted using either the rate implicit in the lease or a single incremental borrowing rate for the portfolio of leases in each jurisdiction as at 1 July 2019;
- Recognise depreciation of right-of-use asset and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented in operating activities) in the consolidated statement of cash flows.
- Lease incentives are recognised as part of the measurement of the right-of-use asset and lease liability.

For short-term leases where the lease term is 12 months or less and leases of low value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted under AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss and other comprehensive income.

In applying for the first time AASB 16 the Group has elected to use the following practical expedients

- The use of a single discount rate to a portfolio of leases with similar characteristics
- Reliance on the assessment performed under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for the period ending 30 June 2019 as an alternative to performing an impairment review.
- To use the recognition exemptions for lease contracts that, at the date of initial application at 1 July 2019, have a lease term of 12 months or less.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to CPI, in such instance given the uncertainty arising from the variable payments, the Group has elected to apply the current lease payments when determining the lease payments for initial adoption. The Group will review at each reporting period the changes arising from the variable lease payments and remeasure the lease liability as required.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended and the Group has elected to take into consideration a number of purchase options as part of the initial adoption of AASB 16. The assessment is reviewed if significant event or a significant change in circumstances occurs which affects the assessment.

Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

Impact on lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as AASB 117. However, AASB 16 has changed and expanded the disclosures required, in particular how a lessor manages the risk arising from its residual interest in leased assets. While the Group is a lessor for property lease agreements as part of the Tourism operations, the implementation of AASB 16 has not resulted in any changes to the financial statements and its disclosures.

Financial impact of the initial adoption of AASB 16

The Group leases several assets including office buildings, machinery and equipment and motor vehicles. The average lease term is 2 years.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating. Refer below to reconciliation of the operating lease commitments disclosed at 30 June 2019 and the lease liabilities recognised at 1 July 2019:

	CONSOLIDATED
	\$'000
Operating lease commitments disclosed as at 30 June 2019	911
Discounted using incremental borrowing rate as at 1 July 2019	(33)
(Less): short term leases not recognised as a liability	(141)
(Less): low value leases not recognised as a liability	-
Add: contracts reassessed as lease contracts	423
Add: adjustments as a result of a different treatment of extension and termination options	97
Add: adjustments relating to changes in the index or rate affecting variable payments	(16)
Lease liability recognised at 1 July 2019	1,241
Current lease liabilities	502
Non-current lease liabilities	739
Total lease liabilities	1,241

The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.0%.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There was an onerous lease provision recognised at 30 June 2019 in the amount of \$353,000, this has been adjusted against the right-of-use asset at 1 July 2019 with a difference recognised in the consolidated statement of profit or loss and other comprehensive income.

The recognised right-of-use assets relate to the following types of assets:

	CONSOLIDATED	
	31/12/19	01/07/19
	\$'000	\$'000
Buildings on leasehold land	282	353
Plant and equipment	993	566
Total right-of-use assets	1,275	919

For the six month period to 31 December 2019, an amount of \$128,000 and an amount of \$34,000 has been recognised as depreciation charges for right-of-use assets and interest expense on lease liabilities in the consolidated statement of profit or loss and other comprehensive income.

Earnings per share increased by 0.09 cents per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

Impact on segment disclosures

As a result of the adoption of AASB 16, segment results, segment assets and segment liabilities for 31 December 2019 all increased as a result of the changes in accounting policy. For the six month period to 31 December 2019 segment results for Ginger and Macadamias have increased by \$12,000 and \$71,000 respectively. As at 31 December 2019, the Ginger segment total segment assets have increased by \$626,000 and liabilities have increased by \$901,000 and the Macadamia segment total segment assets have increased by \$649,000 and liabilities have increased by \$578,000.

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

At the commencement date of the lease, the Group recognises the lease liabilities measured at the present value of the lease payments that are not paid at the commencement date, discounted using either the rate implicit in the lease or if this rate is not readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. For leases which contain a lease and a non-lease component, such as maintenance or other charges, these are required to be accounted for separately.

After the commencement date, the amount of the lease liabilities is increased to reflect interest on the lease liability and reduced for the lease payments made. The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payments under guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy.

Going Concern

As at 31 December 2019, the Group operated under finance facilities with Rabobank expiring on 30 September 2020 and also had Convertible Notes held by Asia Mark Development Limited (AMD) of \$15,000,000 maturing in September 2020. Since 31 December 2019, the Group has refinanced the Rabobank facilities via an uncommitted revolving working capital facility with Greensill Capital (UK) Limited. The terms of the facility specify that each individual drawdown has a maximum maturity date of 120 days from each drawdown date, and therefore the facility will always be considered to be current. Amounts owing to Greensill are secured by a first ranking general security interest over Buderim Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii. Following the initial drawdown, the Group has recognised total interest-bearing debt under the facility in the amount of \$8,429,000 under the facility.

On 21 February 2020, Buderim Group Limited and AMD have entered into an agreement to modify the terms of the Convertible Notes. Under the amendment, a partial repayment of \$5,000,000 is due at 30 September 2020, with the remaining balance of \$10,000,000 extended for 12 months to 30 September 2021.

Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

Going Concern (continued)

As a result of these matters as at 31 December 2019 there was 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 Directors expect the financiers to provide continued support. The Group is continuing to expand sales distribution and implement strategies to improve profitability and generate sufficient cash flow to repay borrowings on the appropriate dates. Further the Directors believe that should the working capital facility be reduced, assets could be realised in an orderly manner to raise sufficient funds to meet the needs of the business.

Accordingly, the financial report has been prepared on a going concern basis.

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

The reportable segments for the half-year ended 31 December 2019 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;

The Fiji ginger business is not a reportable segment under AASB 8 *Operating Segments*, since its results are not reviewed by the COMD 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.

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.

Other

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.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

2. SEGMENT INFORMATION (continued)

Reportable segments

Segment information provided to the Board and executive management committee for the half-years ended 31 December 2019 and 31 December 2018 are as follows:

REPORTABLE SEGMENTS	Ginger		Tourism		Macadamias		Total	
	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000
Income								
Sales of goods to external customers	12,475	12,763	3,321	3,418	22,700	17,323	38,496	33,504
Sales of goods to internal segments	541	534	-	-	-	-	541	534
Other revenue / income	106	589	46	61	221	352	373	1,002
Total segment revenue	13,122	13,886	3,367	3,479	22,921	17,675	39,410	35,040
Consolidation adjustments	(541)	(534)	-	-	-	-	(541)	(534)
Total income from continuing operations							38,869	34,506
Results								
Operating profit	1,690	896	465	620	2,286	1,815	4,441	3,331
Impairment expense	-	(549)	-	-	-	-	-	(549)
Inventory (writedowns) and provisions/(releases)	(44)	137	-	-	(249)	(202)	(293)	(65)
Segment EBITDA	1,646	484	465	620	2,037	1,613	4,148	2,717
Depreciation and amortisation	(141)	(122)	(130)	(145)	(740)	(454)	(1,011)	(721)
Segment result	1,505	362	335	475	1,297	1,159	3,137	1,996
Fair value gain/(loss) on derivative							(232)	1,692
Corporate overheads							(764)	(1,127)
EBIT							2,141	2,561
Net Finance costs							(1,014)	(1,563)
Profit/(Loss) before income tax							1,127	999
Income tax (expense)/benefit							(143)	(357)
Net profit from continuing operations							984	642

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

2. SEGMENT INFORMATION (continued)

GEOGRAPHICAL LOCATION	Australia		USA		Other		Total	
	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000
Sales of goods to external customers	11,126	10,629	23,363	17,556	4,007	5,319	38,496	33,504
Sales of goods to internal locations	541	534	-	-	-	-	541	534
Other revenue / income	145	743	221	352	7	(93)	373	1,002
Total geographical revenue	11,812	11,906	23,584	17,908	4,014	5,226	39,410	35,040
Consolidation adjustments							(541)	(534)
Total income							38,869	34,506
	31/12/19 \$'000	30/06/19 \$'000	31/12/19 \$'000	30/06/19 \$'000	31/12/19 \$'000	30/06/19 \$'000	31/12/19 \$'000	30/06/19 \$'000
Total geographical assets	42,604	46,754	37,229	30,992	3,580	3,807	83,413	81,553
Total geographical liabilities	22,340	27,327	23,731	17,645	236	322	46,307	45,294

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	
		31/12/19 \$'000	31/12/18 \$'000
(a) Other income			
Foreign exchange gains		133	526
Profit on disposal of land		-	351
Sundry income		176	46
Fair value gain on other financial liabilities	10	-	1,692
Government grants		18	18
Total other income		327	2,633
(b) Other expenses			
Foreign exchange losses		163	-
Fair value loss on other financial liabilities	10	232	-
Sundry expenses		24	397
Total other expenses		419	397
(c) Finance costs			
Bill facility		162	71
Bank loans and overdraft		49	2
Convertible notes		804	1,491
Total finance costs		1,015	1,564

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

4. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. An income tax expense of \$143,000 has been recognised in the half-year which includes a tax expense of \$602,000 relating to the USA, and an Australian tax benefit of \$460,000 for the period.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2019 (30 December 2018: Nil).

6. CONTRACT LIABILITIES

At 31 December 2019, there was \$528,000 (30 June 2019: \$401,000) of contract liabilities included within Trade and other payables relating to promotions, discounts, terms, ullage accruals. There were no contract assets at 31 December 2019 (30 June 2019: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

The Group purchased \$459,000 (31 December 2018: \$339,000) of property, plant and equipment during the period. There has been no other significant changes in the value of property, plant and equipment at 31 December 2019.

On 1 July 2019, the Group has adopted AASB 16 and has recognised right-of-use assets, refer to initial adoption outlined in note 1. The carrying amount of the right-of-use assets at 31 December 2019 of \$626,000 has been recognised as part of Property, plant and equipment.

8. INTANGIBLE ASSETS

During the period, the Group has revised the useful life of the customer relationships from 10 years to 5 years, which has resulted in an increase in depreciation for the period ending 31 December 2019.

9. INTEREST-BEARING LIABILITIES

The Group has facilities with its principal financier Rabobank, these include term loan facilities of AUD\$1,345,000, expiring 30 September 2020, an at call revolving working capital facility of AUD\$7,000,000 to be fully repaid by 31 December each year and may be fully redrawn after 31 January in the following year and an at call bank guarantee facility of AUD\$1,000,000, expiring to 30 September 2020. At 31 December 2019, there was AUD\$645,000 (30 June 2019: \$1,417,000) of term facilities and AUD\$7,000,000 (30 June 2019: \$6,745,000) of working capital facility balance. The facilities were repaid on 16 January 2020 (refer Note 12).

10. OTHER FINANCIAL LIABILITIES

The derivative liability component of the convertible notes is measured at fair value on each reporting date. The valuation as at 31 December 2019 was \$590,000 (30 June 2019: \$358,000) resulting in a fair value loss of \$232,000 (30 December 2018: gain of \$1,692,000) recognised in the consolidated statement of profit or loss and other comprehensive income.

11. LEASE LIABILITIES

On 1 July 2019, the Group has adopted AASB 16 and has recognised lease liabilities, refer to initial adoption outlined in note 1. The carrying amount of the lease liabilities at 31 December 2019 is outlined below:

	CONSOLIDATED	
	31/12/19 \$'000	30/06/19 \$'000
Current lease liabilities	566	-
Non-current lease liabilities	913	-
Total lease liabilities	1,479	-

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

12. EVENTS AFTER THE REPORTING DATE

On 16 January 2020, Buderim Group Limited entered into a working capital finance facility with Greensill Capital (UK) Limited. The facility is an uncommitted revolving working capital facility under which the Group may request short-term finance. The lending criteria is based on a borrowing base comprising certain minimum levels of eligible inventory and eligible receivables and maximum funding of AUD\$25,000,000. Amounts owing to Greensill are secured by a first ranking general security interest over Buderim Group Limited and its subsidiaries and a first ranking mortgage over the Group's property assets in Hawaii. Following the initial drawdown, the Group has recognised total interest-bearing debt under the facility in the amount of \$8,429,000. The initial drawdown balance has been used for the repayment of the Rabobank senior loan facilities in full and to fund working capital requirements.

On 16 January 2020, Buderim Group Limited provided Westpac Banking Corporation Limited (Westpac) with new security in connection with its retail banking (overdraft) facility. The Group provided Westpac with a first ranking mortgage over its land at Yandina. This mortgage replaced the previous security (bank guarantee) that was provided by Rabobank to Westpac.

On 21 February 2020, Buderim Group Limited and Asia Mark Development Limited (AMD) have entered into an agreement to modify the terms of the Convertible Notes. Under the amendment, a partial repayment of the host debt liability in the amount of \$5,000,000 is due at 30 September 2020, with the remaining balance of the host debt liability of \$10,000,000 extended for 12 months to 30 September 2021.

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.

13. 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:

BDO (QLD) Pty Ltd

The Group received accounting and taxation services to the value of \$195,331 (31 December 2018: \$437,252). At 31 December 2019, there are amounts of \$12,546 (30 June 2019: \$132,000) owing to BDO (QLD) Pty Ltd.

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 and Wattle RHC Fund 1 RPV LP (Wattle Hill). AMD is the majority shareholder. On 25 February 2019, substantial shareholder, AMD acquired Convertible Notes held by Wattle RHC Fund 1 RPV 1 LP (Wattle Hill). The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$1,162,663 (31 December 2018: \$197,260).

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 \$14,416 in relation to administration fees (31 December 2018: \$9,969).

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 2019 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, 26 February 2020



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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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.

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 gives a true and fair view and 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 2019 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 2019 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 a significant portion of the Group's finance facilities are short term in nature, and that as a result the Group is dependent on receiving the continuing support of its financiers. This condition, along with the other matters set forth in note 1, indicates 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.

A large, handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

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

Paddy Carney
Partner

Brisbane
26 February 2020