

**TPI ENTERPRISES LTD
ACN 107 872 453
AND CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

**This half-year financial report is to be read in conjunction with the annual
financial report for the year ended 31 December 2014.**

Appendix 4D

TPI Enterprises Limited (ASX: TPE)

Results for announcement to the market

Report for the half year ended: Half year ended 30 June 2015

Previous corresponding periods: Half year ended 30 June 2014

| Statutory Financial Results | 30 Jun 15 | 30 Jun 14 | Movement | Up/(down) |
|---|------------------|------------------|-----------------|------------------|
| | \$'000 | \$'000 | \$'000 | % |
| Revenues from ordinary activities | 1,307 | 6,114 | (4,807) | (78.6%) |
| Loss from ordinary activities after tax attributable to members | (8,598) | (6,232) | (2,366) | 38.0% |
| Net loss for the period attributable to members | (8,598) | (6,232) | (2,366) | 38.0% |

During the period under review, there has been no processing of poppy straw into narcotic raw materials whilst the ongoing focus has been on the relocation and fit-out of the production facilities from Tasmania to Victoria. Whilst the absence of sales was the main factor that caused the loss, impairment charges against inventory and certain items of capital equipment no longer required for the relocated business were also incurred.

Dividends

No dividends have been paid or proposed by the Company since the end of the previous financial year. The Company does not currently offer a dividend reinvestment plan.

| Net Tangible Assets Per Security | 30 Jun 15 | 30 Jun 14 | Movement | Up/(down) |
|---|------------------|------------------|-----------------|------------------|
| | Cents | Cents | Cents | % |
| Net tangible assets per ordinary security | 69 | 39 | 30 | 77.8% |

Independent Review by Auditor

The condensed consolidated half-year financial statements were reviewed by the auditor and the half-year review report is attached as part of the Interim Report.

Joint Ventures, Foreign Entities and Control Gained or Lost Over Entities

Not applicable during the period or the previous corresponding period.

**TPI ENTERPRISES LIMITED
ACN: 107 872 453
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS
30 JUNE 2015**

**TPI ENTERPRISES LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
30 JUNE 2015**

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2015

The Directors present their report together with the condensed financial statements of TPI Enterprises Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the half-year ended 30 June 2015 and the auditor's report thereon.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

| Name | Period of directorship |
|------------------------|--|
| Jarrold Ritchie | Director since 5 February 2004. Resigned as Company Secretary on 19 June 2015. |
| Ross Dobinson | Resigned as Director on 18 June 2015. |
| Peter Raymond Robinson | Director since 1 February 2013. |
| Todd Barlow | Joined as Director on 18 June 2015. |

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The consolidated loss of the Group for the half-year ended 30 June 2015 after providing for income tax amounted to \$8,598,435 (for the half-year to 30 June 2014: \$6,231,891 loss).

During the six month period under review there has been no processing of poppy straw into narcotic raw material whilst the ongoing focus has been to relocate the production equipment from Cressy, Tasmania to our new factory location in Melbourne, Victoria. Whilst the absence of sales revenue was the major factor that caused the loss, impairment charges of \$960,832 were incurred against inventory and items of equipment that were considered no longer necessary for our Victorian operations. The 2014/2015 crop was also adversely effected by the infestation of the Downy mildew.

In addition to the relocation of equipment, a substantial investment has been made to upgrade the site and utilities and also enhance and replace items of production.

The Group's new facility has been granted a Victorian government licence to manufacture and store narcotics after an extensive security audit. We now currently await receipt of licences from the Commonwealth Government to allow us to start commissioning the factory with the expectation that we will produce our first commercial batches from Victoria in the last quarter of 2015.

In March, 2015 the company successfully raised \$36,500,000 from a capital raising with the proceeds used to fully repay external funding provided by our bank and major shareholder. Proceeds were also used to purchase a factory site in Portugal as well as fund the relocation and associated capital expenditure. During the half year, Group also settled and sold its two farms in Tasmania for cash consideration of \$2,231,480.

On the agricultural side, in addition to our crops in Tasmania and Victoria, our first commercial crop in the Northern Territory was sown on 27 June 2015, and our first commercial crop in Portugal is close to being harvested, although less than originally contracted due to delays in sowing. A crop impairment charge of \$365,999 has been raised for 2015 to cover the possibility of lower yields.

Subsequent to the acquisition of our factory in Portugal, we have obtained a licence to store and de-seed poppy straw, and then to export it to Australia. We have also formally lodged an application to manufacture narcotics. This will be followed by an application to manufacture Active Pharmaceutical Ingredients.

At the AGM on 18 June 2015, our long-serving Chairman, Ross Dobinson formally announced his decision to step down as a Director and Chairman. At that meeting we paid tribute to his contribution to Group's growth and development and thanked him for his seven years of service to the Group.

TPI ENTERPRISES LIMITED AND CONTROLLED ENTITIES

ACN: 107 872 453

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2015

Todd Barlow, CEO of Washington H. Soul Pattinson Company Ltd was appointed to the Board at the same AGM. Additional Board members are currently being pursued.

Significant changes in the state of affairs

There have been no significant changes in the Group's state of affairs during the financial period, other than those outlined above.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors:



PETER RAYMOND ROBINSON

Director

Melbourne

Dated this 28th day of August 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of TPI Enterprises Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Tony Nimac
Partner

Sydney

28 August 2015

**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

| | Half-year | |
|---|--------------------|---------------------|
| | 30 June 2015 | 30 June 2014 |
| | \$ | \$ |
| Revenue | | |
| Sales of goods | 1,068,818 | 5,624,506 |
| Other income | 237,708 | 489,626 |
| | <u>1,306,526</u> | <u>6,114,132</u> |
| Less: Expenses | | |
| Raw materials and consumables used | (630,961) | (4,159,919) |
| Changes in inventory of finished goods | 108,856 | 307,372 |
| Impairment of inventory to net realisable value | (690,590) | (3,198,369) |
| Impairment of other assets | (270,242) | (830,280) |
| Travel expense | (659,844) | (219,950) |
| Bad debt expense | (186,699) | 80,611 |
| Employee benefits expenses | (1,942,106) | (1,332,055) |
| Depreciation and amortisation expense | (1,647,800) | (696,971) |
| Occupancy expenses | (615,674) | (333,746) |
| Relocation expense | (1,203,562) | (695,532) |
| Legal and listing expenses | (631,255) | (141,767) |
| Other expenses | (927,687) | (395,490) |
| | <u>(9,297,564)</u> | <u>(11,616,096)</u> |
| Loss from operating activities | (8,341,417) | (5,501,964) |
| Finance income | 108,184 | 35,680 |
| Finance expense | (715,581) | (846,187) |
| Net finance expense | <u>(607,397)</u> | <u>(810,507)</u> |
| Loss before tax | (8,598,435) | (6,312,471) |
| Income tax benefit | - | 80,580 |
| Loss for the period | <u>(8,598,435)</u> | <u>(6,231,891)</u> |
| Total comprehensive loss for the half year | <u>(8,598,435)</u> | <u>(6,231,891)</u> |
| Total comprehensive loss is attributable to: | | |
| Members of the parent | <u>(8,598,435)</u> | <u>(6,231,891)</u> |
| Earnings per share: | | |
| Basic earnings per share | (0.18) | (0.15) |
| Diluted earnings per share | <u>(0.18)</u> | <u>(0.15)</u> |

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

| | Note | 30 June 2015 \$ | 31 Dec 2014 \$ |
|--------------------------------------|------|-----------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | | 6,458,114 | 565,901 |
| Receivables | | 1,083,123 | 1,189,219 |
| Inventories | | 7,897,185 | 5,235,750 |
| Biological assets | | 118,724 | 1,196,966 |
| Prepayments | | 104,241 | 98,818 |
| Investments | | 198,439 | - |
| Assets held for sale | 2 | - | 2,231,480 |
| Total current assets | | 15,859,826 | 10,518,134 |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 31,358,784 | 26,277,093 |
| Investments | | 99,220 | 297,659 |
| Intangible assets | 4 | 2,777,825 | 3,138,257 |
| Total non-current assets | | 34,235,829 | 29,713,009 |
| Total assets | | 50,095,655 | 40,231,143 |
| Current liabilities | | | |
| Payables | | 2,805,355 | 1,991,510 |
| Loans and borrowings | 5 | 160,178 | 17,561,149 |
| Employee benefits | | 501,596 | 438,487 |
| Total current liabilities | | 3,467,129 | 19,991,146 |
| Non-current liabilities | | | |
| Loans and borrowings | 5 | 8,439,676 | 8,505,122 |
| Employee benefits | | 147,448 | 133,818 |
| Total non-current liabilities | | 8,587,124 | 8,638,940 |
| Total liabilities | | 12,054,253 | 28,630,086 |
| Net assets | | 38,041,402 | 11,601,057 |
| Equity | | | |
| Issued capital | 6 | 118,190,663 | 83,151,883 |
| Other reserves | | 1,921,929 | 1,921,929 |
| Accumulated losses | | (82,071,190) | (73,472,755) |
| Total equity | | 38,041,402 | 11,601,057 |

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

| | Note | Issued Capital \$ | Reserves \$ | Accumulated losses \$ | Total Equity \$ |
|--|------|----------------------|------------------|-----------------------------|--------------------|
| Balance as at 1 January 2014 | | 71,796,038 | 1,921,929 | (59,028,782) | 14,689,185 |
| Loss for the half-year | | - | - | (6,231,891) | (6,231,891) |
| Total comprehensive loss for the half-year | | - | - | (6,231,891) | (6,231,891) |
| Transactions with owners in their capacity as owners: | | | | | |
| Conversion of convertible debt into equity | 6 | 1,500,000 | - | - | 1,500,000 |
| Issue of share capital | 6 | 9,855,845 | - | - | 9,855,845 |
| | | 11,355,845 | - | - | 11,355,845 |
| Balance as at 30 June 2014 | | 83,151,883 | 1,921,929 | (65,260,673) | 19,813,139 |
| Balance as at 1 January 2015 | | 83,151,883 | 1,921,929 | (73,472,755) | 11,601,057 |
| Loss for the half-year | | - | - | (8,598,435) | (8,598,435) |
| Total comprehensive loss for the half-year | | - | - | (8,598,435) | (8,598,435) |
| Transactions with owners in their capacity as owners: | | | | | |
| Conversion of shareholder loan to equity | 6 | 7,077,500 | - | - | 7,077,500 |
| Issue of share capital | 6 | 27,961,280 | - | - | 27,961,280 |
| | | 35,038,780 | - | - | 35,038,780 |
| Balance as at 30 June 2015 | | 118,190,663 | 1,921,929 | (82,071,190) | 38,041,402 |

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

| | Half-year | |
|--|--------------------|--------------------|
| | 30 June 2015 | 30 June 2014 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Cash receipts from customers | 1,174,914 | 6,112,563 |
| Receipts from government grants | 70,730 | 267,573 |
| Other receipts | 106,877 | 222,053 |
| Cash payments to suppliers and employees | (8,165,582) | (9,245,147) |
| Cash used in operating activities | (6,813,061) | (2,642,958) |
| Interest received | 108,184 | 35,680 |
| Finance costs | (627,554) | (480,364) |
| Net cash used in operating activities | (7,332,431) | (3,087,642) |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (6,347,954) | (1,888,292) |
| Proceeds from sale of property, plant and equipment | 2,291,581 | - |
| Payments for intangible assets | (291,346) | (313,381) |
| Net cash used in investing activities | (4,347,719) | (2,201,673) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 5,138,028 | - |
| Repayment of borrowings | (15,526,945) | (664,715) |
| Net proceeds from the issue of shares | 27,961,280 | 9,855,845 |
| Net cash provided by financing activities | 17,572,363 | 9,191,130 |
| Net increase in cash and cash equivalents | 5,892,213 | 3,901,815 |
| Cash and cash equivalents at beginning of half-year | 565,901 | 257,831 |
| Cash and cash equivalents at end of the half-year | 6,458,114 | 4,159,646 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

TPI Enterprises Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements as at and for the half year ended 30 June 2015 comprise the Company and its subsidiaries ("Group"). The Group is primarily involved in manufacturing and supplying alkaloids to international markets utilising the Group's technology for solvent free extraction of alkaloids from opium poppies.

(a) Basis of preparation

This half-year consolidated financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. They do not include all information required for a complete financial report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial report as at and for the year ended 31 December 2014. This half-year consolidated financial report should be read in conjunction with the 31 December 2014 annual consolidated financial report.

This interim financial report was authorised for issue by the Company's Board of Directors on 28 August 2015

(b) Significant accounting policies

The accounting policies applied in this interim financial report are the same as those applied in the Group's consolidated financial report as at and for the year ended 31 December 2014.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key resources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the half year ended 30 June 2015 is included in the following notes:

- Notes 3 and 4 – impairment test: key assumptions underlying recoverable amounts of property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS**(d) Going concern**

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

The Directors note the following events and conditions which have been considered in assessing the appropriateness of the going concern assumption:

- The Group generated a loss after income tax of \$8,598,435 and had cash outflows from operations of \$7,332,431 for the half year ended 30 June 2015 (2014: loss after income tax of \$6,231,891 and cash outflows from operations of \$3,087,642) predominantly due to the cessation of production and sales whilst the Group's manufacturing equipment was being relocated from Tasmania to Victoria.
- During the half-year, the Group successfully raised \$36,500,000 of new equity from existing shareholders and new investors to allow it to:
 - repay the Group's debt obligations with Rabobank;
 - repay a short-term loan facility with a significant shareholder, Washington H. Soul Pattinson and Group Limited;
 - meet costs associated with the relocation of its manufacturing facility to Victoria;
 - purchase a manufacturing facility in Portugal; and
 - meet ongoing working capital requirements.
- As at 30 June 2015 the Group's current assets exceeded its current liabilities by \$12,392,697 (31 December 2014: current liabilities exceed its current assets by \$9,473,012). The significant improvement in the working capital position is due to the full repayment of the Rabobank debt and reduction of external liabilities enabled by the capital raising in March 2015.
- Subsequent to balance date and until the date of signing of these financial statements, the Group has continued to record operating losses after income tax. This reflects the ongoing cessation of manufacturing whilst the Group's manufacturing equipment is relocated to Victoria and is commissioned.

Relocation of the equipment is almost complete and production is expected to commence in the last quarter of 2015, once outstanding licences from the Commonwealth government are received. It is noted that appropriate licences have been received from the Victorian government.
- The Directors' confidence over the plans, cash flow and profit and loss forecasts prepared by management to achieve a break-even position in the short-term and to achieve profitability and positive operating cash flows in the medium-term. These plans, which are advancing, involve:
 - relocation and successful recommencement of the Group's new manufacturing operation in Victoria;
 - access to a more definite supply of raw material through geographic diversification (i.e. the growing of raw material in more Australian states and territories as well as in Portugal with potentially some importation of raw material from other regulated countries) to enable it to increase raw material volumes and accordingly production volumes in order to achieve profitable operations;

NOTES TO THE FINANCIAL STATEMENTS

(d) Going concern (continued)

- the expansion of the Group’s product range and customer base; and
- cost optimisation programs to be realised following the recommencement of manufacturing operations in Victoria.
- Management are forecasting a working capital deficiency during the first half of the 2016 calendar year. This arises due to forecast farmer payments after the commencement of operations in the last quarter of 2015 as well as initial capital expenditure requirements.

To facilitate such working capital requirements, the Group has received an offer letter from Washington H. Soul Pattinson Company Ltd, a substantial shareholder, to provide a standby debt facility. The offer letter, which has been accepted by the Directors, provides access to a facility of \$8,000,000 which is secured against the Australian assets of the Group and has a maturity date of 31 March 2017.

The Directors expect that this standby debt facility will provide the Group with sufficient funds to be able to meet its obligations for a period of at least 12 months from the date that these financial statements are approved.

- The Directors’ confidence in the continuing support from existing shareholders and ability to attract new investors and debt providers to fund the Group’s future finance requirements, if required, as demonstrated by previous capital and debt raisings.

After considering the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of certain assets, and the classification and measurement of certain liabilities to reflect the fact that the Group may be required to realise its assets and settle its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial report.

TPI ENTERPRISES LIMITED AND CONTROLLED ENTITIES

ACN: 107 872 453

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: ASSETS HELD FOR SALE

| | 30 June 2015 | 31 Dec 2014 |
|----------------------|---------------------|--------------------|
| | \$ | \$ |
| Assets held for sale | - | 2,231,480 |

During the year ended 31 December 2014, management committed to a plan to sell the two farming properties in Tasmania. Accordingly, these properties were classified as assets held for sale as at 31 December 2014. Management entered into contracts for sale of these properties and settlement was completed for both during the half-year ended 30 June 2015.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Farm plant and equipment | Manufacturing plant and equipment | Office equipment | Motor vehicles | Total |
|---|-------------------------------|---|--|-----------------------------|---------------------------|--------------|
| Cost | | | | | | |
| Balance 1 January 2015 | 17,304,660 | 1,815,973 | 16,050,819 | 549,468 | 596,666 | 36,317,586 |
| Additions | 2,195,296 | 78,555 | 3,895,726 | 102,993 | 75,385 | 6,347,954 |
| Transfers between asset classes | (1,140,745) | (636,656) | 1,807,094 | (8,003) | (21,692) | - |
| Balance at 30 June 2015 | 18,359,211 | 1,257,872 | 21,753,639 | 644,458 | 650,361 | 42,665,541 |
| Depreciation and impairment losses | | | | | | |
| Balance 1 January 2015 | (2,090,598) | (481,073) | (6,738,553) | (370,953) | (359,316) | (10,040,493) |
| Depreciation for the period | (89,112) | (65,566) | (803,923) | 12,389 | (49,810) | (996,022) |
| Impairment loss | - | - | (270,242) | - | - | (270,242) |
| Balance at 30 June 2015 | (2,179,710) | (546,639) | (7,812,718) | (358,564) | (409,126) | (11,306,757) |
| Carrying amount as at 30 June 2015 | 16,179,501 | 711,233 | 13,940,922 | 285,894 | 241,235 | 31,358,784 |

Impairment testing

During the half year ended 30 June 2015, the Group continued to record operating losses and accordingly this triggered a requirement to perform impairment testing in respect of the carrying value of its property, plant and equipment and intangible assets. The recoverable amount of the CGU (being the Group as a whole at this stage in the Group's lifecycle) was estimated based on the value in use of the Group as a whole, determined by discounting the future cash flows to be generated from the continuing use of the Group's assets. Value in use as at 30 June 2015 was based on the following key assumptions:

NOTES TO THE FINANCIAL STATEMENTS**NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****Impairment testing (continued)**

- Cash flows were forecast based on the five-year business plan. The terminal value of the Group was based on the fifth-year cash flow and a long-term growth rate of 3%, which is consistent with the long-term inflation target for Australia of between 2% and 3%.
- Revenue was forecast based on past yield experience and forecast hectares to be sown for the years 2016 to 2020. Average anticipated revenue growth included in the cash flow projection is 43% due to the Group being in its growth phase in its lifecycle.
- Management has not factored in price growth in the cash flow forecast as contracts entered into are relatively long-term (three to five years) with a set price for inventory.
- An after tax discount rate of 15% was applied in determining the recoverable amount of the Group. The discount rate was estimated based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group being in its growth phase and risks inherent in the cash flow forecast.

The recoverable amount of the CGU was determined to be higher than its carrying amount and as such no apparent impairment is evident.

However, following management's decision to relocate the Group's manufacturing facility to Victoria in the prior year, management continued to review the carrying value of certain Tasmanian assets that had no future use to determine if an impairment charge was necessary. As a result, the Group recognised an impairment loss of \$270,242 with respect to specific plant and equipment.

NOTE 4: INTANGIBLE ASSETS

| | Patents | Development costs | Irrigation rights | Total |
|------------------------------|-----------|-------------------|-------------------|-------------|
| Cost | | | | |
| Balance as at 1 January 2015 | 592,388 | 5,679,108 | 1,100,000 | 7,371,496 |
| Additions | 14,761 | 276,585 | - | 291,346 |
| Balance as at 30 June 2015 | 607,149 | 5,955,693 | 1,100,000 | 7,662,842 |
| Amortisation | | | | |
| Balance as at 1 January 2015 | | | | |
| | (276,940) | (3,956,299) | - | (4,233,239) |
| Amortisation for the year | (25,076) | (626,703) | - | (651,778) |
| Balance as at 30 June 2015 | (302,016) | (4,583,002) | - | (4,885,017) |
| Carrying amounts | | | | |
| as at 1 January 2015 | 315,448 | 1,722,809 | 1,100,000 | 3,138,257 |
| as at 30 June 2015 | 305,133 | 1,372,692 | 1,100,000 | 2,777,825 |

Impairment testing

Refer to Note 3 for details of the Group's impairment testing for the half year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INTANGIBLE ASSETS (CONTINUED)

Irrigation rights

In addition to the Group wide impairment testing, management specifically performed impairment with respect to its irrigation rights which relate to entitlements to draw on natural resources for the South Esk and Arthur River catchments across Northern Tasmania. These are renewable annually if the Group complies with relevant legislative requirements. The entitlements may be renewed indefinitely and at little cost. The Group intends to renew the entitlements indefinitely and evidence supports its ability to do so. Therefore the irrigation rights have been treated as having an indefinite useful life because it is expected to contribute to the Group's net cash inflows indefinitely.

The recoverable amount of irrigation rights was based on fair value less costs of disposal, estimated using sale prices for similar irrigation rights in Tasmania. The carrying value of irrigation rights are recognised at cost. Management has not recorded an impairment charge against the irrigation rights as the fair value less costs of disposal is higher than the carrying value of the irrigation rights.

NOTE 5: LOANS AND BORROWINGS

| | Currency | Nominal interest rate | Year of maturity | 30 June 2015 | |
|--|----------|-----------------------|------------------|--------------|------------------|
| | | | | Face value | Carrying amount |
| Balance at 1 January | | | | | 26,066,271 |
| New issues | | | | | |
| Shareholder loan facility | AUD | 12% | Variable | 5,138,028 | 5,138,028 |
| Repayments | | | | | |
| Secured bank loan | AUD | 5.16-9.91% | 2016 | (15,390,010) | (15,390,010) |
| Conversion of shareholder loan to equity | AUD | 12% | Variable | (7,077,500) | (7,077,500) |
| Other borrowings | AUD | | | | (136,935) |
| Balance at 30 June | | | | | <u>8,599,854</u> |

The Banking facilities provided by Rabobank and the shareholder loan provided by Washington H. Soul Pattinson Company Ltd were fully repaid in March 2015, from the proceeds of the capital raising.

As at 30 June 2015, external debt included a vendor loan provided by the Meander Valley Water Scheme, secured by the water rights provided by the scheme, and the finance lease (deferred purchase arrangement) for the Melbourne factory site. Both these facilities are within terms.

NOTE 6: ISSUED CAPITAL

(a) Movements in shares on issue

| | Half Year 30 June 2015 | | Half Year 30 June 2014 | |
|--|---------------------------|--------------------|---------------------------|-------------------|
| | No of Shares | \$ | No of Shares | \$ |
| Beginning of the half year | 43,765,229 | 83,151,883 | 39,587,549 | 71,796,038 |
| Issued during the half year | | | | |
| - Conversion of convertible debt to equity | - | - | 392,157 | 1,500,000 |
| - Conversion of shareholder loan to equity | 1,490,000 | 7,077,500 | - | - |
| - Issue of share capital | 6,194,211 | 29,422,500 | 3,785,523 | 11,184,804 |
| - Share capital raising costs | - | (1,461,220) | - | (1,328,959) |
| End of the half year | <u>51,449,440</u> | <u>118,190,663</u> | <u>43,765,229</u> | <u>83,151,883</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: ISSUED CAPITAL (CONTINUED)

The Group issued 7,684,211 ordinary shares during the period ended 30 June 2015 for \$4.75 per share. The equity issued net of transactions costs was \$35,038,780.

NOTE 7: SEGMENT INFORMATION

The Group operates through one segment to supply NRMs (predominately morphine and thebaine) to the active pharmaceutical ingredient sector. The Group activities are located in Tasmania, Victoria, Northern Territory and Portugal.

The financial results from this segment are consistent with the financial statements for the Group as a whole.

NOTE 8: SUBSEQUENT EVENTS

Material events subsequent to the end of the half-year that have not been recognised in the half-year financial statements:

- The Company was admitted to the official list of the ASX on Monday 10 August 2015. Official quotation of the Company commenced on 13 August 2015.
- Receipt of an offer letter from Washington H. Soul Pattinson Company Ltd, a substantial shareholder, to provide a standby debt facility. The offer letter, which has been accepted by the Directors, provides access to a facility of \$8,000,000 which is secured against the Australian assets of the Group and has a maturity date of 31 March 2017.
- Two thirds of the company's water right entitlements in the Macquarie River Pipeline trust have been sold and settlement occurred on 10 August 2015.
- One of the two required new electricity transformers have been installed and we are close to commencing production in Victoria, subject to receipt of the licences from the Commonwealth Government. These licences are similar to those received for our Tasmanian operations.

NOTE 9: CONTINGENCIES

The Group currently has in place written agreements with its customers for the supply of licit narcotics. The agreements are on commercial terms and contain standard representations and warranties, indemnities and termination provisions. Under two of the agreements, Group may be subject to penalties for late delivery including discounting the price otherwise payable to it and/or paying pre-agreed liquidated damages.

In April 2015, a commercial settlement was reached to the dispute with the contractor in relation to the construction of a gas pipeline connection. Following settlement of the dispute, no further monies are owed by the Group.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 16 in accordance with the *Corporations Act 2001* including:

- (a) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Giving a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



PETER RAYMOND ROBINSON

Director
Melbourne

Dated this 28th day of August 2015



Independent auditor's review report to the members of TPI Enterprises Limited

We have reviewed the accompanying half-year financial report of TPI Enterprises Limited which comprises the condensed consolidated statement of financial position as at 30 June 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year period's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the Group 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 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 30 June 2015 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TPI Enterprises 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*.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG
Tony Nimac
Partner

Sydney

28 August 2015