31 August 2017

By E-mail

Market Announcements Office
ASX Limited
Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Dear Sir/Madam

TPI Enterprises Limited
Interim report for the half-year ended 30 June 2017

Please find attached the Appendix 4D, Directors' report, Interim financial statements and Independent auditor's review report relating to the results for the half-year ended 30 June 2017.

This information should be read in conjunction with TPI Enterprises Limited's 2016 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully,

Jaime Pinto
Company Secretary

TPI Enterprises Limited ABN 26 107 872 453
Interim report for the half-year ended 30 June 2017

Appendix 4D

The following information is presented in accordance with ASX listing rule 4.2A.3.

1. Details of the reporting period and previous corresponding period

Reporting period: half-year ended 30 June 2017
Previous corresponding period: half-year ended 30 June 2016

2. Results for announcement to the market

		Consolidated entity		
		30 June 2017 $	30 June 2016 $	Change %
2.1	Revenue from ordinary activities	**5,973,411**	1,906,787	+213.3%
2.2	Loss from ordinary activities after tax attributable to members	**(8,770,035)**	(7,271,227)	+20.6%
2.3	Net loss for the period attributable to members	**(8,770,035)**	(7,271,227)	+20.6%

2.4 There were no dividends paid, recommended or declared during the current or previous reporting period.

3. Net tangible assets

	Consolidated entity		
	30 June 2017 $	30 June 2016 $	Change %
Net tangible assets per security	1.48	0.22	+569.9%

4. Details of entities over which control has been gained or lost during the period

Not applicable.

5. Dividend payments

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Associate or joint venture entities

Not applicable.

8. Foreign entities

Not applicable.

9. Independent review

The interim financial report contains an unqualified independent review report.

TPI Enterprises Limited

ABN 26 107 872 453

Interim report
for the half-year ended 30 June 2017

TPI Enterprises Limited ABN 26 107 872 453
Interim report - 30 June 2017

Contents

This 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 31 December 2016 and any public announcements made by TPI Enterprises Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

TPI Enterprises Limited is a company limited by shares, incorporated and domiciled in Australia. The shares of TPI Enterprises Limited are publicly traded on the Australian Securities Exchange under the ASX issuer code TPE.

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of TPI Enterprises Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

Directors

The following persons were directors of TPI Enterprises Limited during the whole of the half-year and up to the date of this report:

Mr. Peter Robinson (Non-Executive Chairman)
Mr. Jarrod Ritchie (Managing Director and CEO)
Mr. Todd Barlow (Non-Executive Director)
Mr. Simon Moore (Non-Executive Director)
Mr. Stuart Black (Non-Executive Director)

Review of operations

Financial result

The Group generated a loss after income tax for the half-year period of $8,770,035 (2016: $7,271,227). Excluding non-recurring costs for the period, the underlying reported loss after income tax was $7,014,196 (2016: $7,271,227) and the underlying reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) loss was $4,130,989 (2016: $4,576,135).

Non-recurring costs included acquisition related expenses and impairment of inventories to net realisable value of $1,755,839 (2016: nil). Non-recurring costs incurred for the half-year period included acquisition expenses related to the Vistin acquisition of $633,655 (2016: nil) and impairment of inventories to net realisable value of $1,122,184 (2016: nil). The impairment of inventories to net realisable value was a combination of aged Thebaine straw inventory purchased in 2013 being revalued to reflect current straw purchasing costs, and this straw having a higher production cost to convert to finished product due to the mixed variety of alkaloids contained in this straw.

An increase in revenue for the period to $5,973,411 (2016: $1,906,787) was driven mainly by an increase in the sale of Narcotic Raw Material (“NRM”) with sales volumes having increased 6-fold compared to the prior corresponding period.

Whilst poppy seed sales were marginally above the corresponding prior period, a decision was made to hold back seed sales during the half-year period due to lower global seed pricing levels having been experienced, this pricing is currently rising back to normal levels.

Production expenses increased with the increase in production volumes compared to the prior corresponding period and were impacted by a period of planned alternative alkaloid extraction time that was used to produce validation batches for the UK Codeine Phosphate licence applications and Oripavine for process development batches for the production of Noroxymorphone.

In March 2017 the Group raised $44,165,073 from a combined placement and entitlement offer which has resulted in a reported net cash position of $2,406,465 at 30 June 2017 compared to reported net debt of $28,073,129 at 31 December 2016.

Production

Production of NRM in the first half of 2017 was 3-fold of that in the prior corresponding period and almost equal to production volumes for the whole of 2016.

A successful full-scale alternative alkaloid extraction trial was completed during the half-year period using the Group’s unique solvent-free extraction process, further improving the Group’s competitive advantage.

Review of operations (continued)

The first containers of imported European straw arrived at the Victorian facility during the half-year period with further toll processing straw deliveries imminent from one of the Group's largest competitors.

For the first time the Group will have access to sufficient raw material supply and is well placed to meets its 2017 targets.

Agriculture

The first 2017 crops were sown by our contracted growers in NSW in May with sowing finishing mid-June. Sowing is well underway in Victoria and Tasmania. Growing in South Australia and the Northern Territory was de-prioritised due to the cost advantages of imported European straw supply options and the potential of NSW and Victoria. Further European growing countries are currently being evaluated as new potential sites.

The Group continues to work with La Trobe University to further develop a range of poppy flower varieties. The Group has been awarded a $315,000 grant through the CSIRO STEM + Business Fellowship program to develop a Trifluralin resistant poppy plant. Trifluralin is an herbicide that acts by inhibiting the assembly of roots in target species. Poppy is highly susceptible to residues of trifluralin and it hinders the growth of the plant post germination. As a part of the Group's strategy of mainland growing expansion, the Group plans to achieve a Trifluralin resistant poppy plant within the next three years, further enabling the Group to gain access to broadacre commercial farmers in New South Wales and Victoria.

Commercial

Sales volumes of NRM during the half-year period were 6-fold of that in the prior corresponding period and almost equal to sales volumes for the whole of 2016, despite a competitive market place.

The NRM toll manufacturing agreement signed in March which will see 2000MT of straw processed in Australia and will be a significant factor in the Group's 2017 full year results.

The Group continues to remain focussed on building market share with its existing customer base and on qualifying new customers. Morphine market share has continued to increase and inroads into the global market for Thebaine are developing in line with expectations. Other opportunities to leverage the Group's low-cost narcotic extraction method are being developed and should deliver strong long-term returns.

Initial discussions with potential customers have taken place with good progress in targeted Active Pharmaceutical Ingredient ("API") markets. The Group has contracts for Codeine Phosphate sales representing a market share of approximately 20% in the UK once registration is completed through the Group's UK partner Sterling Pharma. The Group is currently evaluating a strategy to establish a portfolio of narcotic API's with further Certificate of Suitability submissions scheduled for early 2018.

The announcement of the acquisition of Vistin's API and tableting assets in Norway subsequent to balance date will mean the Group will become a full vertically integrated from poppy to pill narcotic supplier with an established customer base for Codeine Phosphate API and tablets as well as Pholcodine. The acquisition will be a major step towards the delivery of the Group's strategy of building NRM volume growth by moving down the value chain.

The Group continues to see the price of Blue Poppy seed increase with a positive outlook due to a reduced Czech crop forecast for the 2017 season.

Regulatory

The Group continues to deliver on its stated strategy and received two key approvals during the half-year period.

The Group was pleased to announce in May that all import approvals for toll processing were granted and containers of pellets are being prepared for shipment to Australia. The first shipment of toll processing pellets are expected to be delivered in mid September, with the remainder due before the end of the year.

The regulatory management team was further strengthened during the half-year period in the strategically important area of API regulation and product development with the appointment of Dr Vicky Waddington.

Events occurring after the reporting period

On 12 July 2017 the Group announced that it had entered into a conditional agreement to acquire the opiate and tableting assets of Vistin Pharma ASA, a Norwegian pharmaceutical company listed on the Oslo Bors for consideration of $25.4m. The transaction remains subject to two conditions, the first being the successful demerger of the business and second the transfer of manufacturing licence. Both are on track to be completed by the end of October 2017. In light of this acquisition, management is reviewing the future of the Group's Portugal Active Pharmaceutical Ingredient facility.

The Group completed an equity offering to raise $18m to assist in funding the acquisition and provide the Group with sufficient funds to meet its ongoing working capital requirements. Settlement of the capital raising was completed on 17 July 2017 with the new shares quoted as of this date.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.

P.Robinson

Mr. Peter Robinson
Director

Melbourne
31 August 2017

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

To the Directors of TPI Enterprises Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the financial half-year ended 30 June 2017 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 Batsakis

Partner

Melbourne

31 August 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

	Notes	Consolidated entity **30 June 2017 $**	30 June 2016 $
Revenue			
Sale of goods		**5,952,161**	1,482,491
Other income		**21,250**	424,296
	3	**5,973,411**	1,906,787
Expenses			
Raw materials, consumables and other production expenses		**(3,837,200)**	(1,093,014)
Employee benefits (production) expenses	4	**(868,043)**	(581,384)
Employee benefits (non-production) expenses	4	**(3,027,129)**	(2,466,419)
Legal and listing expenses		**(256,632)**	(137,317)
Market development expenses		**(231,678)**	(336,292)
Occupancy expenses		**(575,097)**	(635,950)
Research expenses		**(304,083)**	(19,049)
Acquisition related expenses - legal and other expenses		**(633,655)**	-
Impairment of inventory to net realisable value		**(1,122,184)**	-
Other expenses		**(1,004,538)**	(1,213,497)
Total expenses	4	**(11,860,239)**	(6,482,922)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**(5,886,828)**	(4,576,135)
Depreciation and amortisation expense	4	**(1,362,673)**	(1,450,486)
Earnings Before Interest and Tax (EBIT)		**(7,249,501)**	(6,026,621)
Finance income		**81,538**	17,240
Finance expenses		**(1,602,072)**	(1,261,846)
Net finance expenses	4	**(1,520,534)**	(1,244,606)
(Loss) before income tax		**(8,770,035)**	(7,271,227)
Income tax expense		**-**	-
(Loss) for the period		**(8,770,035)**	(7,271,227)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(115,326)**	11,118
Total comprehensive (loss) for the period		**(8,885,361)**	(7,260,109)
(Loss) is attributable to:			
Owners of TPI Enterprises Limited		**(8,770,035)**	(7,271,227)
Total comprehensive (loss) for the period is attributable to:			
Owners of TPI Enterprises Limited		**(8,885,361)**	(7,260,109)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:		
Basic loss per share	**(14.10)**	(14.13)
Diluted loss per share	**(14.10)**	(14.13)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity 30 June 2017 $	31 December 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**10,724,681**	622,548
Trade and other receivables		**4,728,254**	4,408,228
Inventories		**10,513,555**	6,807,992
Prepayments		**609,044**	877,042
Total current assets		**26,575,534**	12,715,810
Non-current assets			
Investments		**103,219**	103,219
Property, plant and equipment	6	**28,342,880**	28,234,972
Intangible assets	7	**2,134,260**	1,924,634
Other non-current assets		**256,945**	256,945
Total non-current assets		**30,837,304**	30,519,770
Total assets		**57,412,838**	43,235,580
LIABILITIES			
Current liabilities			
Trade and other payables		**3,717,615**	3,397,074
Borrowings	8	**933,216**	821,298
Provisions		**882,850**	770,416
Total current liabilities		**5,533,681**	4,988,788
Non-current liabilities			
Borrowings	9	**7,385,000**	27,251,831
Provisions		**315,923**	274,719
Total non-current liabilities		**7,700,923**	27,526,550
Total liabilities		**13,234,604**	32,515,338
Net assets		**44,178,234**	10,720,242
EQUITY			
Contributed equity	10	**164,493,926**	122,178,914
Reserves	12	**1,847,771**	1,934,756
(Accumulated losses)		**(122,163,463)**	(113,393,428)
Total equity		**44,178,234**	10,720,242

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated entity		**Contributed equity $**	**Reserves $**	**(Accumulated losses) $**	**Total equity $**
Balance at 1 January 2016		118,190,663	1,809,543	(99,372,593)	20,627,613
(Loss) for the half-year		-	-	(7,271,227)	(7,271,227)
Other comprehensive (loss)/income		-	11,118	-	11,118
Total comprehensive income/(loss) for the period		**-**	**11,118**	**(7,271,227)**	**(7,260,109)**
Balance at 30 June 2016		**118,190,663**	**1,820,661**	**(106,643,820)**	**13,367,504**
Balance at 1 January 2017		122,178,914	1,934,756	(113,393,428)	10,720,242
(Loss) for the half-year		-	-	(8,770,035)	(8,770,035)
Other comprehensive (loss)/income		-	(115,326)	-	(115,326)
Total comprehensive income/(loss) for the period		**-**	**(115,326)**	**(8,770,035)**	**(8,885,361)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	10	42,315,012	-	-	42,315,012
Share-based payments	11	-	28,341	-	28,341
Total transactions with owners of the Company		42,315,012	28,341	-	42,343,353
Balance at 30 June 2017		**164,493,926**	**1,847,771**	**(122,163,463)**	**44,178,234**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity 30 June 2017 $	30 June 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**4,030,938**	1,783,357
Payments to suppliers and employees (inclusive of goods and services tax)		**(14,836,743)**	(9,839,181)
		(10,805,805)	(8,055,824)
Cash receipts from government grants		**622,250**	255,500
Cash receipts from research and development tax incentive		**1,026,998**	368,085
Other cash receipts		**14,655**	168,796
Interest received		**81,538**	13,692
Interest and finance costs paid		**(1,530,096)**	(1,090,140)
Net cash (outflow) from operating activities	14	**(10,590,460)**	(8,339,891)
Cash flows from investing activities			
Payments for property, plant and equipment	6	**(1,267,216)**	(1,851,715)
Payments for capitalised development costs	7	**(379,429)**	(273,223)
Proceeds from sale of property, plant and equipment	6	**3,193**	-
Net cash (outflow) from investing activities		**(1,643,452)**	(2,124,938)
Cash flows from financing activities			
Proceeds from issues of shares	10	**24,540,073**	-
Share issuance transaction costs	10	**(1,850,061)**	-
Proceeds from borrowings	9	**-**	11,550,000
Repayment of borrowings		**(129,913)**	(76,574)
Net cash inflow from financing activities		**22,560,099**	11,473,426
Net increase in cash and cash equivalents		**10,326,187**	1,008,597
Cash and cash equivalents at the beginning of the financial period		**622,548**	311,057
Effects of exchange rate changes on the balance of assets held in foreign currencies		**(224,054)**	(155,099)
Cash and cash equivalents at end of period	5	**10,724,681**	1,164,555

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

This consolidated interim report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This condensed interim report does not include all of the notes of the type normally included in an annual financial report, however selected explanatory notes are included to explain events and transactions that are significant to understanding the changes to the Group's financial position and performance since 31 December 2016. Accordingly, it should be read in conjunction with the Annual Report for the year ended 31 December 2016 and any public announcements made by TPI Enterprises Limited, since 31 December 2016, in accordance with continuous disclosure requirements of the *Corporations Act 2001*. This interim report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Accounting Interpretations and the *Corporations Act 2001*.

This interim report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for the assets. All amounts are presented in Australian dollars, unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies and methods of computation adopted in the preparation of the interim report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 31 December 2016.

This interim report was authorised for issue by the Group's Board of Directors on 31 August 2017.

(a) Significant accounting policies

The accounting policies applied in this interim report are the same as those applied in the Group's consolidated financial report as at and for the year ended 31 December 2016.

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the half-year ended ending 30 June 2017 is included in the following notes:

Notes 6 and 7 - impairment test: key assumptions underlying recoverable amounts of property, plant and equipment and intangible assets.

(c) Going concern

The consolidated financial statements for the half-year 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:

- For the half-year ended 30 June 2017 the Group generated a loss after income tax of $8,770,035 (2016: $7,271,227) and had cash outflows from operations of $10,590,460 (2016: $8,339,891). Subsequent to balance date, the Group has continued to record operating losses after income tax.

1 Basis of preparation of half-year report (continued)

(c) Going concern (continued)

- As at 30 June 2017 the Group's current assets exceeded its current liabilities by $21,041,853 (31 December 2016: $7,727,022), with cash and cash equivalents of $10,724,681 (31 December 2016: $622,548).
- In March 2017 the Group raised $44.2 million from a combined placement and entitlement offer. Subsequent to balance date the Group raised a further $18 million in July 2017 from a placement to existing shareholders.
- The Directors have confidence that the recent equity capital raised and availability of debt facilities can meet the Group's immediate funding needs.
- 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.
- The Directors' confidence in the business plans, cash flow and profit and loss forecasts prepared by management, and to achieve these forecasts for the 2017 financial year. The forecasts project positive EBITDA and positive operating cash flows in the medium-term.
- The Group has an undrawn standby debt facility in place with Washington H. Soul Pattinson Company Limited, a substantial shareholder. As at the date of this report the facility has a limit of $12,500,000 and expires on 31 August 2018. The Directors acknowledge that prima facie an apparent refinancing risk exists at 31 August 2018 if the facility is drawn down and not repaid out of funds secured from an alternative source of debt or raised from the issue of additional equity.

After considering the above factors, the Directors have concluded that the use of the going concern assumption is appropriate.

2 Segment information

The Group operates through one segment to supply narcotic products (predominately morphine and thebaine) to the pharmaceutical sector. The Group's 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.

3 Revenue

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
From continuing operations		
Sales revenue		
Sale of goods	**5,952,161**	1,482,491
Other income		
Government grants	**-**	255,500
Other	**21,250**	168,796
	21,250	424,296
	5,973,411	1,906,787

4 Expenses

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
(Loss) before income tax includes the following specific expenses:		
Employee benefits expenses		
Salaries and wages	**3,087,205**	2,650,995
Other associated personnel expenses	**449,562**	144,115
Defined contribution superannuation expenses	**204,765**	195,272
Increase in liability for long service leave	**41,206**	26,424
Increase in liability for annual leave	**112,434**	30,997
Total employee benefits expenses	**3,895,172**	3,047,803
Depreciation		
Buildings	**208,166**	211,008
Contract equipment	**31,143**	59,832
Manufacturing plant and equipment	**888,381**	869,074
Office equipment	**49,296**	16,543
Motor vehicles	**15,884**	35,187
Total depreciation	**1,192,870**	1,191,644
Amortisation		
Patents	**2,661**	13,958
Capitalised development costs	**167,142**	244,884
Total amortisation	**169,803**	258,842
Total depreciation and amortisation	**1,362,673**	1,450,486
Finance income		
Interest income	**(81,538)**	(17,240)
	(81,538)	(17,240)
Finance costs		
Interest and finance expenses on financial liabilities measured at amortised cost	**1,530,096**	1,090,140
Net exchange losses on foreign currency	**71,976**	171,706
	1,602,072	1,261,846
Net finance expenses recognised in profit or loss	**1,520,534**	1,244,606

5 Current assets - Cash and cash equivalents

	Consolidated entity	
	30 June 2017 $	31 December 2016 $
Cash at bank	**10,724,681**	622,548

6 Non-current assets - Property, plant and equipment

	Land and buildings $	Manufacturing plant and equipment $	Office equipment $	Motor vehicles $	Contract plant and equipment $	Total $
At 31 December 2016						
Cost	19,353,277	23,735,179	896,582	678,357	1,645,136	46,308,531
Accumulated depreciation	(7,228,252)	(9,407,598)	(350,144)	(496,636)	(590,929)	(18,073,559)
Net book amount	12,125,025	14,327,581	546,438	181,721	1,054,207	28,234,972
Period ended 30 June 2017						
Opening net book amount	12,125,025	14,327,581	546,438	181,721	1,054,207	28,234,972
Exchange rate movements	46,398	-	(575)	(9,068)	-	36,755
Additions	-	684,414	200,281	2,761	379,760	1,267,216
Disposals	-	-	-	-	(3,193)	(3,193)
Depreciation charge	(208,166)	(888,381)	(49,296)	(15,884)	(31,143)	(1,192,870)
Closing net book amount	11,963,257	14,123,614	696,848	159,530	1,399,631	28,342,880
At 30 June 2017						
Cost	19,401,881	24,419,594	1,096,303	681,449	2,070,047	47,669,274
Accumulated depreciation	(7,438,624)	(10,295,980)	(399,455)	(521,919)	(670,416)	(19,326,394)
Net book amount	11,963,257	14,123,614	696,848	159,530	1,399,631	28,342,880

Impairment testing

During the half-year ended 30 June 2017, 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 Cash Generating Unit (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’s assets 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 2017 was based on the following key assumptions:

6 Non-current assets - Property, plant and equipment (continued)

Impairment testing (continued)

- Cash flows were forecast based on the Group's three-year business plan, including two additional forecast financial years. 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 and growth 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 2017 to 2020. Average anticipated revenue growth is driven by projected increases in production levels.
- Management has factored in price growth in the cash flow based on a partial return of sales prices to those achieved historically.
- An after tax discount rate of 10.3% 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's size.

The recoverable amount of the CGU was determined to be higher than its carrying amount, indicating that no impairment is evident. The market capitalisation of the Group exceeds the net tangible asset backing indicating no impairment. In addition, reasonably possible changes in key assumptions were considered, such as changes in production levels, the discount rate and gross profit margins; sufficient and significant headroom exists and no impairment was noted.

7 Non-current assets - Intangible assets

	Patents	**Capitalised development costs**	**Irrigation rights**	**Total**
	$	**$**	**$**	**$**
At 31 December 2016				
Cost	608,351	3,970,561	1,100,000	5,678,912
Accumulated amortisation and impairment	(602,873)	(3,151,405)	-	(3,754,278)
Net book amount	5,478	819,156	1,100,000	1,924,634
Period ended 30 June 2017				
Opening net book amount	5,478	819,156	1,100,000	1,924,634
Additions	-	379,429	-	379,429
Amortisation charge	(2,661)	(167,142)	-	(169,803)
Closing net book amount	2,817	1,031,443	1,100,000	2,134,260
At 30 June 2017				
Cost	360,729	2,372,716	1,100,000	3,833,445
Accumulated amortisation and impairment	(357,912)	(1,341,273)	-	(1,699,185)
Net book amount	2,817	1,031,443	1,100,000	2,134,260

Impairment testing

The Group reviewed the carrying value of its intangible assets at the reporting date and determined that the carrying value of these assets was appropriate. Refer to note 6 for further details of the Group's impairment testing for the half-year ended 30 June 2017.

7 Non-current assets - Intangible assets (continued)

Irrigation rights

In addition to the Group wide impairment testing, management specifically performed impairment testing 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 they are 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. The Group 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.

8 Current liabilities - Borrowings

This note provides information about the contractual terms of the Group's current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	30 June 2017 $	31 December 2016 $
Finance lease liabilities	**765,000**	600,000
Irrigation rights fixed repayment plan	**150,642**	144,721
Insurance premium funding	**14,971**	59,884
Other loans	**2,603**	16,693
Total current borrowings	**933,216**	821,298

Refer to note 9 for movements during the half-year, and the contractual terms of the Group's current borrowings.

9 Non-current liabilities - Borrowings

This note provides information about the contractual terms of the Group's non-current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	30 June 2017 $	31 December 2016 $
Finance lease liabilities	**7,385,000**	7,550,000
Irrigation rights fixed repayment plan	**-**	76,831
Shareholder loan facility	**-**	19,625,000
Total non-current borrowings	**7,385,000**	27,251,831

9 Non-current liabilities - Borrowings (continued)

Movements during the half-year

	Currency	Nominal interest rate	Year of maturity	Movement	Carrying amount ($)
At 1 January 2017					**28,073,129**
Repayments					
Shareholder loan facility	AUD	11.00%	2018	(19,625,000)	-
Finance lease liabilities	AUD	9.04%	2018	-	8,150,000
Irrigation rights fixed repayment plan	AUD	8.10%	2018	(70,910)	150,642
Insurance premium funding	AUD	6.22%	2017	(44,913)	14,971
Other	AUD		2017	(14,090)	2,603
Carrying amount at 30 June 2017				(19,754,913)	**8,318,216**

Washington H. Soul Pattinson Company Ltd, a substantial shareholder has provided the Group with a standby facility of up to $12,500,000. The maturity date of the facility was extended in August 2017 to August 2018. At 30 June 2017 the Group has not drawn down any of this facility.

In addition, as at 30 June 2017, 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.

10 Contributed equity

(a) Share capital

	30 June 2017 Shares	31 December 2016 Shares	**30 June 2017 $**	31 December 2016 $
Ordinary shares				
Fully paid	**72,903,783**	52,828,750	**164,493,926**	122,178,914

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
31 December 2016	Opening balance	52,828,750		122,178,914
	Shares issued for cash	11,154,578	$2.20	24,540,073
	Conversion of shareholder loan to equity	8,920,455	$2.20	19,625,000
	Less: Transaction costs arising on share issue	-		(1,850,061)
30 June 2017	Closing balance	72,903,783		164,493,926

(c) Ordinary shares

The Group does not have authorised capital or par values in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Group's residual assets.

Ordinary shares participate in dividends and the proceeds on winding up of the Group in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. In respect of the Group’s shares that are held by the Group, all rights are suspended until those shares are reissued.

10 Contributed equity (continued)

(c) Ordinary shares (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group.

11 Share-based payments

At 30 June 2017, the Group had the following share-based payment arrangement:

Share appreciation rights (equity settled)

The establishment of the Group's Share Appreciation Rights Plan was approved by shareholders at the 2017 annual general meeting.

On 27 March 2017, the Group granted 1,259,597 Share Appreciation Rights to employees under the Share Appreciation Rights Plan. Each Share Appreciation Right is an equity security that confers on the participant a right to be issued a specified number of the Group's shares, calculated by reference to the increase in market price of the Group's shares over a three year period, but subject to satisfaction of the vesting condition that the participant must be an employee of the Group on the third anniversary of the grant date. Share Appreciation Rights are granted under the plan for no consideration and carry no dividend or voting rights.

The fair value of the Share Appreciation Rights at grant date is determined using the Black-Scholes model.

Measurement of grant date fair value

The following inputs were used in the measurement of the fair values at grant date of the Share Appreciation Rights Plan:

Fair value at grant date	$0.62
Grant date	27 March 2017
Expiry date	27 March 2020
Share price at grant date	$2.62
Expected volatility	30%
Risk-free interest rate	2.5%
Expected dividends	nil

None of the Share Appreciation Rights had vested at 30 June 2017. Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses was $28,341 (2016: nil).

12 Reserves

Foreign currency translation reserve

Exchange differences relating to translation from functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

Other reserves

Other reserves comprise a share-based payment reserve.

13 Events occurring after the reporting period

On 12 July 2017 the Group announced that it had entered into a conditional agreement to acquire the opiate and tableting assets of Vistin Pharma ASA, a Norwegian pharmaceutical company listed on the Oslo Bors for consideration of $25.4m. The transaction remains subject to two conditions, the first being the successful demerger of the business and second the transfer of manufacturing licence. Both are on track to be completed by the end of October 2017. In light of this acquisition, management is reviewing the future of the Group's Portugal Active Pharmaceutical Ingredient facility.

The Group completed an equity offering to raise $18m to assist in funding the acquisition and provide the Group with sufficient funds to meet its ongoing working capital requirements. Settlement of the capital raising was completed on 17 July 2017 with the new shares quoted as of this date.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

14 Reconciliation of (loss) after income tax to net cash (outflow) from operating activities

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
(Loss) for the period	**(8,770,035)**	(7,271,227)
Depreciation expense	**1,192,870**	1,191,644
Amortisation expense	**169,803**	258,842
Interest income	**(81,538)**	(17,240)
Interest expense	**1,530,096**	1,090,140
Unrealised foreign exchange loss and other items	**100,314**	175,745
Change in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	**(320,026)**	987,435
(Increase) in inventories	**(3,705,563)**	(2,546,866)
Decrease in prepayments	**267,998**	202,792
Increase (decrease) in trade and other payables	**320,541**	(1,392,130)
Increase in other provisions	**153,638**	57,422
Interest received	**81,538**	13,692
Interest paid	**(1,530,096)**	(1,090,140)
Net cash (outflow) from operating activities	**(10,590,460)**	(8,339,891)

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Group 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 directors.

Mr. Peter Robinson
Director

Melbourne
31 August 2017

Independent Auditor's Review Report

To the shareholders of TPI Enterprises Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of TPI Enterprises Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of TPI Enterprises Ltd 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 2017 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date.
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The ***Group*** comprises TPI Enterprises Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 30 June 2017.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim 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 2017 and its performance for the interim 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 Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period 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.

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

KPMG

Tony Batsakis
Partner

Melbourne

31 August 2017