BUDERIM GINGER LIMITED
Annual Report 2006

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ANNUAL GENERAL MEETING

The Annual General Meeting of Buderim Ginger Limited will be held in the Yandina Room at the Ginger Factory, 50 Pioneer Road, Yandina on 27 April 2007 at 10 a.m. The business of the meeting is outlined in the formal Notice of Meeting and Proxy Form which are enclosed with this report.

PROFILE

The World's Finest Ginger

Corporate Values

- The highest possible product quality
- A safe and rewarding work environment for our people
- Technological leadership in our products and processes
- Unbreakable customer alliances reinforced by our deeds
- Treating all stakeholders with integrity, honesty and respect
- People who treat the business as their own

Corporate Mission

To be the unassailable leader in the global food markets in which we choose to operate:

- Confectionery Ginger Supply;
- Branded Specialty Food Products; and

to be a leader in Industrial Tourism in support of these markets.

Company profile

Buderim Ginger Limited is the world's leading producer of confectionery ginger, with the capacity to process over 6,000 tonnes of raw ginger per annum. The company's core activity is the processing and marketing of a range of specialty ginger products. *Buderim's* competitive advantage is its reputation as "the world's finest ginger" which is continually reinforced by the quality of its products and service.

The Company has a controlling interest in the specialist bakery business, *Buderim Baking Company*. This business comprises: *I Spy Pies*, which produces a range of premium savoury pastry products; and *Aldente Foods*, which produces a range of quality, fresh chilled meals. Both businesses operate from the *I Spy Pies* site at Maroochydore on the Sunshine Coast, close to the original home of Buderim Ginger.

In addition to its traditional ginger processing activities and specialty food business, Buderim Ginger operates one of the Sunshine Coast's most popular and highly awarded tourist attractions, the *Ginger Factory* at its Yandina Site. The *Ginger Factory's* position as one of the region's most popular tourist destinations is underpinned by innovative attractions including the *Taste of Ginger Tour and Overboard – Adventures of a Stowaway*. First class shopping and dining outlets all within the tranquil rainforest setting cap off a memorable experience for visitors of all ages.

Buderim Ginger employs over 300 people through its head office and major processing plant at Yandina on the Sunshine Coast, its bakery operations at Maroochydore and at its secondary ginger processing facilities in Lami Town, Fiji. The company also maintains, as part of its active ginger export focus, international representation in more than 17 countries with sales and distribution offices in: London, UK; Hamburg, Germany; and San Francisco, USA.

A large proportion of the ginger products processed by the company is marketed to industrial customers in the confectionery, beverage and food industries around the world. Of increasing importance is the company's innovative range of *Buderim Ginger* branded retail products which include jams, toppings, beverages, crystallised ginger and confectionery. These products are marketed through supermarkets and retail outlets in Australia and overseas.

The company underpins its competitive position in both domestic and export markets through an ongoing capital investment program to update its manufacturing and distribution infrastructure. Buderim Ginger is committed to the highest standards of food safety, holding HACCP and Quality System Accreditation (ISO9001 -2000), Organic, Kosher and Halal Certifications.

FIVE YEAR FINANCIAL SUMMARY

	2006 $000	2005 $000	2004 $000	2003 $000	2002 $000
Revenue	48,369	46,605	35,739	30,691	30,523
Profit (loss) before income tax expense	(381)	495	560	752	1,108
Net profit (loss) after income tax expense and minority interest	(165)	536	343	504	770
Total assets	49,988	43,755	37,233	28,939	28,479
Earnings per share (cents)	(0.58)	1.97	1.43	2.30	3.64
Net tangible asset backing (cents)	88	73	77	80	82
Dividend per share	-	1	-	1.5	3

Subsequent to 31 December 2006, directors have recommended that no dividend be paid out of the retained profits for the year ended 31 December 2006.

2006 OPERATIONS SUMMARY

- Group revenue reaches a record $48.4 million due principally to growth in the Baking business and in retail Ginger sales.
- Group profit after tax and minority interest decreases to a loss of ($165,000) compared to a profit of $536,000 in 2005. A loss before tax of ($381,000) was recorded in contrast to a profit of $495,000 the previous year.
- Group EBITDA decreases 21% to $2.5 million.
- Export sales of ginger products decline 3% to $15.4 million due in part to the sustained strength of the $A and the continued competitive nature of key international markets.
- Domestic ginger sales grow 8% to $14.7 million due to an 11% surge in retail product sales.
- Margins in the core Ginger business reduced by product losses in storage of the 2006 Australian ginger crop, coupled with increased sugar prices and increased processing costs deemed necessary to maintain the Company's very high product quality standards. (In addition, the 2005 Ginger result included a profit of $120,000 from the sale of surplus assets, not repeated in 2006.)
- Baking revenues rise 10% to $14.8 million with earnings also strongly up (by $621,000 before minority interest), despite a slower than anticipated turnaround of the *Aldente Foods* business.
- Tourism revenue is flat at just over $4.0 Million. Anticipated revenue and profitability growth were negated by a soft domestic tourism market on the Sunshine Coast in 2006.
- Based on an independent valuation, Directors revalue the Company's land holdings at Yandina upwards to $8.5 million and develop a strategy to improve return on this asset over the medium term.
- The *Ginger Factory* receives a Queensland Tourism Award for Product Marketing in relation to the Overboard launch campaign of 2005.

Chairman’s Report

I am disappointed to report an after tax loss, after outside equity interest, of ($165,000) for the year to 31 December 2006 compared with a profit of $536,000 for the prior year. As a result, no dividend has been declared.

The largest contributor to this poor outcome was the core Ginger business which paradoxically was the best performer in the prior year. Despite robust sales in this business we were down about a million dollars in profit contribution mainly due to problems at our Yandina factory. There were two main causes:

- First, we incurred high product losses whilst the Australian ginger crop was in brine storage. These losses accelerated as the year progressed. There have been similar incidences of this in the past but never before on the same scale. On removal of the ginger from brine a commercially relevant percentage was found to have a weak internal structure and could not be processed. We believe that the affected rhizomes had been subjected to enzymatic breakdown brought on by a number of factors which we are now confronting to eliminate from the 2007 harvest;
- Second, we encountered a number of processing difficulties which on rigorous examination turned out to be commonly linked. In recent years and in order to meet changing customer demands, we have increasingly focused on eliminating residual sulphite levels in our finished ginger products. (Sulphite is a declared allergen and is a critical ingredient in the brine solution we use to preserve each year's ginger intake so that we can process it progressively during the year. Coincidentally, it is also a naturally occurring component in the ginger rhizome.) To this point in time, to achieve “sulphite free” status in our finished products we have put our production processes under extreme pressure, with high water and energy (heat) usage, increased effluent flow and potential product degradation (through losses of volatiles within the rhizome itself). Perhaps most importantly, however, in order to meet customers’ orders on a timely basis and as a result of this additional processing, we were unable to give the ginger adequate dwell time in sugar syrup with the result that processing yields were also depressed with a large resultant financial penalty.

I am pleased to report that the Company is already in implementation of a technological upgrade in our processing that will allow us to achieve the required sulphite levels, without adversely affecting product quality and processing efficiency. This technology has the added bonus of significantly reducing water and energy usage. Accordingly, we are being supported by Government funding for aspects of the project. This technology will progressively come on line from April 2007.

The 2006 Fijian crop was excellent and plant efficiencies met our expectations. Sales of Fijian products were good and our product is now held in high regard by many European customers. The Frespac factory, just outside Suva, is operating well, however there is some evidence of overstocking by customers in export markets late in 2006 and it appears that the strong sales growth of Fijian ginger of recent years is unlikely to eventuate in 2007.

Overall, export ginger sales declined slightly due to the sustained strength of the $A and some very competitive end-markets. This was more than made up for by a strong increase in domestic ginger sales, including an impressive 11% lift in Buderim-branded retail product sales. Margins in this segment were, however, constrained by the current nature of the Australian retail environment. The increased price of sugar also impacted on margins across the business through the year although we were spared the worst of the global price spike as a result of our forward buying strategy. The elimination of the Federal Government's Sugar Levy in late 2006 will also assist to curb this impact going forward.

In our Tourism business, we believe that high fuel prices during most of the year led to an 8% fall in visitor numbers and a 4% fall in per capita expenditure. Consumer discretionary expenditure seemed to be redirected away from land travel. This was disappointing considering the new attractions and upgrades introduced in 2005. Towards the end of the year and into 2007 it appears that the market had adjusted and was responding to falling fuel prices. Visitor numbers and level of per capita expenditure appears to have rebounded to previous levels and above. We hope that this can be sustained but clearly there is a relationship with petrol pricing given our key “drive by” and “day-tripper” demographics. Tourism continues to be a very important part of our business and we plan to continue to promote and develop it in an affordable way.

On a positive note and in contrast with other parts of our business, the Company’s Baking business performed well. Revenue rose by 10% and profits improved by over $600k before minority interest. After a slow start, margins improved during the year as we dropped unprofitable business and improved production efficiencies. The *I Spy Pies* division improved greatly while the *Aldente Foods* division improved but was still unprofitable. The Baking business as a whole is now well managed and resourced. Capital spent is now having the effect intended. Warehousing and distribution has been restructured and we are confident that we are on track to achieve the returns upon which we based our original investment decision. However, I do point out that there is some consolidation taking place in the Baking industry at this time. Some companies are on the acquisition trail as they try to build volume to offset lower margins, particularly in the retail grocery sector. Major supply contracts may be at risk during this period, however, the ramifications for us are unknown at this time.

In the last quarter of 2006, the Board, in collaboration with senior management of the Ginger business, determined to implement a comprehensive restructuring program covering Ginger processing and marketing. As a result, directors have made a provision of $111k in the 2006 accounts. The process is well underway and I will speak more about this at the Annual General Meeting. Suffice to say that the 2006 result demanded firm and decisive action.

Although profoundly disappointed with the loss in 2006, I am heartened by the fact that the company’s diversification strategy protected it from an even greater loss had we depended on Ginger and Tourism alone. Although EBITDA declined in 2006, the company’s balance sheet remains strong. During the year, as a result of market investigations, our land at Yandina was revalued upwards by $6.5 million which in turn has increased your net asset backing from 73c per share in 2005 to 88c in 2006. The Board recognizes the property’s intrinsic value and has developed a medium term plan to leverage its earning potential through greater site utilization possibly through encouraging other food companies to co-locate as part of a dedicated food precinct with the obvious industrial tourism potential. Once again, I hope to be able to provide more detail at the Annual General Meeting.

As a result of the overhaul of our Yandina operations I am confident that the company’s Australian ginger division will rebound strongly in 2007. However results in the Baking section of our company may depend on the future ownership of major customers and end users. Should we experience significant loss of sales as a result of this, profits from this source may be substantially constrained. I will be in a better position to comment on 2007 by the time of the Annual General Meeting in late April. Now that we have successfully bedded down our 2005 acquisitions we will be on the lookout for future opportunities as clearly we need to become larger to justify remaining a public company. In conclusion I thank our staff worldwide for their effort on behalf of the company and in particular my fellow directors for their support during the most difficult and demanding year in recent history. For shareholders we will work tirelessly to return to profitability and to restore dividend payments at the earliest opportunity.

JOHN RUSCOE
Chairman

In line with our strategic priorities, the company continues to invest considerable time and resources in product and process development. The continuing success of the Naked Ginger format (an uncrystallised snacking version of our traditional product) has necessitated a process upgrade in our crystallising plant to cope with demand. This will be brought online in the first half of 2007.

FINANCIAL OVERVIEW

A significant decline in trading performance of the core Ginger business in 2006 coupled with a flat return from Tourism operations, more than offset a strong improvement in Bakery earnings. At an operating level, the company recorded a before tax loss of ($381,000) compared to a profit of $495,000 in 2005. After tax and minority interest, a loss of ($165,000) was recorded in contrast to a profit of $536,000 in 2005. Results include a provision of $111,000 in relation to the Ginger Restructuring Plan as referred to in the Chairman's Report. Group EBITDA in 2006 was $2.5 million, a 21% decrease on 2005. Directors have not recommended payment of a dividend in respect of the 2006 year.

GINGER OPERATIONS

Export Sales

With the sustained strength of the Australian dollar and highly competitive overseas markets, export revenue declined 3% to $15.4 million.

UK sales revenue (in $A) was down 1% on 2005. Although we are increasingly focussed on retail product sales opportunities in this market, our business is still predominantly industrial ingredient supply. Inevitably, in this market context it is difficult to extract significant price premiums and therefore margins contracted despite some reasonable pricing gains. A strong market share position remains intact while continuing steady growth in retail sales was achieved during 2006. As Buderim's single largest export market, and the one most similar to Australia's, it remains a critical part of the company's future and a primary target for retail growth. The company maintains a fully owned sales office in the UK.

European sales lifted strongly in 2006 to record 16% growth (in $A). Once again, highly competitive conditions in the "traditional" ginger markets of Germany and the Netherlands constrained growth and margins. However, this was offset by a stronger performance in newer, less traditional markets and in retail product sales. The company maintains a master-distributor style arrangement in this market, trading under the name Buderim Ginger Gmbh, which is based just outside Hamburg, Germany.

In the first full year under the new joint venture arrangements in North America, revenue was down by 12% (in $A). 2006 was a very difficult year in North America where an incident with the United States Food and Drug Administration (US FDA) resulted in significant additional costs and the deferment of sales. According to internationally recognized testing methods our products were effectively "sulphite free" (i.e. <10 ppm) and required no declaration. However, in testing the US FDA found some product which marginally exceeded this level and mandated an expensive recall of product in the USA. After much investigation a difference in laboratory glassware using the same testing methods was found to be the reason for discrepancies in results. We have now acquired identical laboratory glassware to ensure this will not happen in the future. Further compounding this issue was the need to re-label a large part of our product range for this market and to re-export a significant proportion of product "incorrectly" labelled. The company has since been on the US FDA's "watch list" which has resulted in significant, costly and unnecessary delays with Customs inspections at inbound ports in the USA. We expect improved revenues and profitability from our North American operations from 2007 and beyond. Buderim Ginger America, LLC is a joint venture with Pan Pacific Foods Inc of San Francisco, California.

Asia Pacific revenue was 2% up on the prior year, primarily as a result of initial sales to South Korea. This market was identified as a large opportunity and an Agency agreement was concluded with a local company, Puretec Corporation, and we are hopeful of generating a large and successful partnership over the years ahead.

Despite the intense competition continuing to face Frespac (Fiji), its export sales increased 6% in 2006 to record levels. A consistent quality and delivery performance by Frespac contributed significantly to the improved result. Reported overstocking of Fijian ginger by European customers may lead to a slow start to sales in 2007 but the outlook remains positive with factors such as the $A and economic conditions still pivotal.

Domestic Sales

An 8% increase in domestic ginger sales to $14.7 million in 2006 was underpinned by strong growth in Buderim-branded retail product sales.

Retail sales in 2006 were up by 11% despite a difficult retail environment in Australia at present, with both major retailers aggressively pursuing increased private label sales and margin enhancement, sometimes to the detriment of local food suppliers. Shareholders and consumers will also be aware that disadvantageous shelf positions for many of our products have also hurt sales. In many of our product groups, private label sales are growing strongly at the expense of branded sales and, while volumes are attractive, the challenge of achieving a balanced margin on these sales is often problematic for established suppliers such as ourselves. However, on the positive side, products such as *Ginger Refresher* and *Naked Ginger* continue to perform well with consumers.

Revenue in the domestic industrial and food service markets was moderately up on the previous year. This growth was achieved as a result of food manufacturers recognising the versatility of ginger as a flavour and the inherent health benefits of the product.

Production

Despite some early positive signs, the 2006 Australian ginger intake proved problematic in a number of ways. Reduced volume due to some crop failures drove significant downward pressure on production efficiency and overhead recovery. Product margins across the business were sharply reduced as a result of negative production variances arising from product losses in brine (as described in the Chairman's Report) and the need for reprocessing of some stock in order to meet the company's very high product quality standards. Increased sugar prices also drove up production costs. Strong growth of relatively new product formats such as Naked Ginger, also created inefficiencies as the production process struggled to cope with higher demand than forecast.

As a result of production pressures, product has been "pushed through" our process faster than ideal, thereby reducing what we call "syrup gains" or yield. A large part of the Ginger Restructuring Plan, currently in implementation, is directed towards reducing the production pressures and improving yield.

During 2006, Stage 2 of a longer term program to deal with our water usage and effluent treatment issues was approved and is now in implementation phase. Supported by a Queensland Government (Environment Protection Agency) Eco-biz grant, this novel processing technology will enable us to reduce sulphite levels with minimal water and energy usage. It will also improve product quality and facilitate a lifting of "syrup gains." Further initiatives, also subject to funding applications, are planned in 2007 to capitalise on this success with the aim of substantially reducing overall water usage and discharge.

2006 also saw a historically large intake of ginger for drying. This was in response to indicated increased demand from premium beverage-makers. Although this demand will ultimately be forthcoming, it was neither as rapid nor as large as first thought. Therefore, the company holds an unusually large stock of dried ginger at the end of 2006 which will be drawn down in 2007.

The 2005 ginger segment results included the proceeds from the sale of equipment previously made surplus at Yandina, yielding a $120,000 profit on sale, not repeated in 2006.

Moderate investment was made in the Fiji plant during 2006, primarily in improving basic site and processing infrastructure. The Fijian coup in late 2006 had little impact operationally with only minor delays in shipping being experienced in the days around the change of Government. It is not expected these events will have any further impact in 2007.

Product/Process Development

In line with our strategic priorities, the company continues to invest considerable time and resources in product and process development. The continuing success of the Naked Ginger format (an uncrystallised snacking version of our traditional product) has necessitated a process upgrade in our crystallising plant to cope with demand. This will be brought online in the first half of 2007.

Two new mixer cordials, *Lime Refresher* and *Chilli Blast*, were launched in 2006 to partner the successful *Ginger Refresher*, and new flavours are planned for 2007. In addition, the company will in 2007 enter the "ready to drink" beverage market to capitalise on the Buderim Ginger brand presence.

A revamped Buderim Ginger jam range was released into the domestic retail market in mid-2006 with excellent consumer response and strong sales growth since. New varieties to accompany the flagship "*Original Ginger Marmalade*" will come into and out of the range going forward. Jam is now our second largest retail category.

In confectionery, *Fruit and Ginger Bears* were introduced late in 2006 and now can be found in Coles Supermarkets nationally.

The company, in conjunction with major retailers, has participated in the development of some private label packs of crystallised ginger. These products are in the produce sections of major supermarkets and primary in their market position is the "Australian grown and processed" claim which only our company can deliver in any volume.

Process development work has been directed at increasing productivity and product uniformity in the syruping process. Technical and Engineering resources are investigating leading edge technologies in all areas with particular emphasis on syruping efficiency and effectiveness as well as the retention of functional properties in ginger. The company is actively pursuing Government grants, including the Federal Government's Commercial Ready Program, to assist in delivering the necessary process technology upgrades. The State Government has been very supportive of other process upgrades designed to improve eco-efficiency as discussed elsewhere in this report.

Review of Operations

BAKING OPERATIONS

Revenue for the Baking business was $14.8 million (up from $13.4 million in the prior year). *I Spy Pies* sales grew strongly and margins improved throughout the year as line efficiencies lifted and various capital improvements were brought on line. Unfortunately, although sales and margins improved throughout the year, the *Aldente Foods* business was once again a drain on profitability. It is still suffering from sales volume issues associated with the initial transfer of production in 2005. Expectations are, however, that the business will lift above breakeven for the first time in 2007.

While the trading results in 2006 were much improved, there are still significant profitable growth opportunities for Buderim Ginger in the Baking business in both the immediate and longer-term. The underlying strategic rationale for developing the business remains valid and the business has lessened our traditional reliance on ginger processing.

Initially, Buderim Ginger acquired a 70% interest in the Baking business with the remaining 30% to be acquired over two years. Given changed circumstances, the Board has subsequently negotiated several variations to this agreement with the minority interest partner (and former owner), Jeff Sanders, to amend the “earn out” arrangement on the minority interest. The Board considered that it was critical to secure Mr Sanders management services for an additional period given the significant changes that have been made to the scope of the Baking business. The company’s equity position was increased to 80% on 1 January 2006. During 2006, it was agreed to effectively “freeze” this equity position for a minimum period of three years. At any time after the end of this period, either party can trigger a buyout of the remaining 20% minority interest on pre-agreed terms relating to an earnings multiple based on a weighted average of the three preceding years. The multiple varies depending on which party triggers the buyout.

TOURISM OPERATIONS

Revenue from the company’s award-winning tourism facility, the *Ginger Factory*, was almost unchanged at just over $4.0 million in 2006, on an 8% decline in visitor numbers. In part this reflects tighter prevailing economic conditions, particularly in the “drive-by” and “day-tripper” markets where fuel prices have impacted on discretionary expenditure. Tourism profitability was further hampered by losses in the on-site restaurant, *The Ginger Cafe*, which was resumed from the franchisee in 2005 with the aim of lifting its standards in line with the rest of the park. By the second half of 2006, standards had been improved and profitability restored. The *Overboard* attraction, in its first full year of operation, also struggled to perform profitably in a tight visitor market. On a positive note, the Ice Cream Gallery (which was completed just before Christmas 2005) proved highly successful with strong sales and margins. Forecast development of ice cream sales beyond the tourist park did not eventuate, however will be a priority for 2007.

2007 results are expected to be much improved as numbers and spend recovers. As identified elsewhere in this report, the company’s land holdings at Yandina were revalued upwards during 2006. Directors recognise the intrinsic value of this asset and have determined to unlock the earnings potential by implementing a new master-plan for the site. The concept of developing the site as a “Food Precinct” by co-locating other food/beverage manufacturers with the complementary industrial tourism aspects has been identified and work with relevant advisors/experts and regulatory authorities is underway.

OUTLOOK

The group is poised to realise a lift in financial performance in 2007. While we anticipate that conditions in our core Ginger business will remain competitive, the company is determined to take the necessary decisive actions as identified in our Ginger Restructuring Plan in 2007. Beyond this, we are confident our strategy of focussing on higher-value industrial applications and retail branded sales, underpinned by product innovation, will deliver long term steady improvements in this business. However, this traditional segment of our business does remain exposed to short term fluctuations such as supply failures and currency movements. Despite these continuing challenges, we remain committed to year-on-year performance improvement by focussing our efforts on opportunities where our products’ premium quality position offers the prospect of superior returns.

Our Baking business, comprising *I Spy Pies* and *Aldente Foods*, is expected to continue to improve. Subject to major contracts remaining unaltered, revenue should continue to grow strongly and further operating improvements, to be commissioned in 2007, will drive profitability growth. It is important to note that the wider Baking industry is undergoing a period of consolidation, with a number of larger industry players either faltering or aggressively pursuing growth. At the time of writing, the company is aware of a bidding process underway in regards to ultimate control of Brumby’s Bakeries Limited (BBL). BBL is a franchisor of Brumby’s stores nationally, who collectively comprise a significant customer base of Buderim Baking. Under some scenarios, it is possible that existing contracted supply arrangements may be affected as a result of a change of ownership, although this is not yet clear. A reduction in contracted supply to Brumby’s stores is likely to have a detrimental immediate term affect on the profitability of our Baking business.

In addition, the group anticipates an improved revenue stream and profit contribution from Tourism operations in 2007.

Given the initiatives being implemented in early 2007, shareholders should look forward with confidence to receiving increased returns in the year ahead. While the Board is disappointed with 2006 results, it remains confident in the strategies adopted for the business and that 2007 will see a lift in profitability, the quantum of which depends on developments in the Baking industry. This should be clarified by mid-year.

GERARD O’BRIEN

Managing Director and Chief Executive

Given the initiatives being implemented in early 2007, shareholders should look forward with confidence to receiving increased returns in the year ahead. While the Board is disappointed with 2006 results, it remains confident in the strategy adopted for the business and that 2007 will see a lift in profitability in line with that anticipated for this year.

Your directors submit their report for the year ended 31 December 2006.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

John Michael Ruscoe

(Non-executive Chairman and Chairman of the Remuneration Committee)

Mr Ruscoe has been a director since 21 February 2002. He was previously Chief Executive Officer of Buderim Ginger Limited and the previous co-operative for the period 1982 to 1994. During this period he was also General Manager of Australian Golden Ginger Pty Ltd and of The Ginger Marketing Board. Before joining the Buderim Ginger Growers' Co-operative he held executive positions in the chemical industry in Fiji, Australia and New Zealand. He is a graduate of The New Zealand Institute of Management in Business Administration. Mr Ruscoe is President of Headland Golf Club, Inc. Buderim. Mr Ruscoe is 66 years of age.

Gerard Daniel O'Brien

B Admin., MBA (Georgetown), CPA, MAICD (Managing Director)

Mr O'Brien was appointed Managing Director and Chief Executive of Buderim Ginger Limited on 5 March 2001. His previous role was Business Development Director for Goodman Fielder Milling based in Sydney. Mr O'Brien has many years management experience in the Australian food industry with Defiance Mills, Bunge-Defiance and Goodman Fielder and is a General Councillor of the Australian Industry Group (AIG) Queensland Branch. Mr O'Brien is a foundation member of the Sunshine Coast Business Council and a member of the Executive Committee. Mr O'Brien completed an MBA at Georgetown University USA in 1992 after a finance career in the construction industry. Mr O'Brien is 45 years of age.

Stephen James Maitland

B.Ec., FCPA, FAICD, FAIBF, FCIS, FAIM (Non-executive Director and Chairman of the Audit & Compliance Committee)

Mr Maitland has been a director since 26 February 2002. He has had over 30 years experience in the banking and finance industries, and is the principal of the Brisbane based Corporate Advisory firm of Delphin Associates. He holds directorships with Mackay Permanent Building Society Ltd, Australian Unity Ltd and a number of private companies. He is the Honorary Treasurer of the Surf Life Saving Foundation Inc. Mr Maitland is 56 years of age. During the past 3 years Mr Maitland has held the following listed company directorships:

- Mackay Permanent Building Society Ltd. (appointed 11 October 2002 to current)

John Howard Philip Roy

(Non-executive Director and Member of the Remuneration Committee)

Mr Roy has been a director since 28 February 2005. He is the Managing Director of several family owned businesses, including Big Sister Foods Pty Ltd, Big Sister Properties Pty Ltd, Fowlers Vacola Australia Pty Ltd, George & Simpson Pty Ltd and Maypole Foods Pty Ltd. Mr Roy has an engineering background and an extensive career in the plastics industry. He also has extensive experience in the Australian and global food industry, particularly in the branded speciality arena. Mr Roy is 69 years of age.

Shane Tyson Templeton

B.Bus., FAICD (Non-executive Director and Member of the Audit & Compliance Committee)

Mr Templeton has been a director since 21 February 2002. He is a third generation ginger grower and is professionally qualified with a business degree. He has been growing ginger since 1991 and has held the position of Honorary Secretary of the Australian Ginger Growers Association for 5 years. Mr Templeton is a director of Hatterwick Pty Ltd, Templeton Holdings (Qld) Pty Ltd, Rochnee Pty Ltd, Templeton Nominees Pty Ltd and Redarea Pty Ltd. Mr Templeton is 35 years of age.

COMPANY SECRETARY

Karon Lesley Rogers

B.Bus., FCPA, FCIS, FAICD.

Ms Rogers commenced with Buderim Ginger Limited in 1988 as Company Accountant. She was promoted to Corporate Services Manager in 1992 and to her current role as Company Secretary/CFO in 1995. Prior to joining the company, she worked in accounting management roles within the food manufacturing and building industries, whilst also teaching part-time in the TAFE system for approximately 10 years. Ms Rogers completed the Directors Diploma in 2002, has been a CPA for over 20 years and is a Fellow of both the Institute of Chartered Secretaries and the Institute of Company Directors.

As at the date of this report, the interests of the directors in the shares of Buderim Ginger Limited were:

	Ordinary Shares
J.M. Ruscoe (1)	-
G.D. O'Brien (2)	
J.P.H. Roy (3)	-
S.J. Maitland (4)	-
S.T. Templeton (5)	116,683

(1) J.M. Ruscoe holds a relevant interest in 149,480 shares registered in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund).

(2) G.D. O'Brien holds a relevant interest in 781,589 shares registered in the name of Consolar Investments Pty Ltd.

(3) J.P.H. Roy holds a relevant interest in 6,006,465 shares registered in the name of Big Sister Foods Pty Ltd.

(4) S.J. Maitland holds a relevant interest in 66,853 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).

(5) S.T. Templeton holds a relevant interest in 40,225 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, 1,253,749 shares registered in the name of Redarea Pty Ltd (The Templeton Family Account).

The interests of directors in shares of Buderim Ginger Limited as disclosed above, do not include shares held by parties related to directors where directors do not have the power to exercise or control the exercise of a right to vote attached to the shares.

EARNINGS PER SHARE

	Cents
Basic earnings per share	(0.58)
Diluted earnings per share	(0.58)

There were no options issued or exercised during the period.

DIVIDENDS

	Cents	$'000
Final dividends recommended*	—	—
Dividends paid in the year:		
Final for 2005 shown as recommended in the 2005 financial report	1.00	284

* Subsequent to the end of this reporting period, the directors have declared that no dividend be paid out of the retained profits for the financial year ended 31 December 2006.

CORPORATE INFORMATION

Corporate structure

Buderim Ginger Limited is a company limited by shares that is incorporated and domiciled in Australia. As the ultimate parent entity, it has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the illustration of the group's corporate structure at the bottom of this page:

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- manufacture and distribution of a variety of confectionery ginger and other ginger-based products to industrial, food service and retail operations throughout the world;
- manufacture and distribution of a variety of bakery products to both industrial and retail operations throughout Australia; and
- tourism operations comprising the sale of ginger and other retail gift and food products, and the provision of leisure acitivities within the Australian tourism market.

The baking segment commenced in August 2004 with the 70% acquisition of I Spy pies through the subsidiary Buderim Baking Company Pty Ltd. Effective 1 January 2006, a further 10% of the outside equity interest of the Buderim Baking Company Pty Ltd was acquired. On 28 February 2005, the business of Aldente Foods Pty Ltd was purchased and merged into the baking business. The I Spy and Aldente divisions fall under the principal activity of manufacture and distribution of a variety of bakery product.

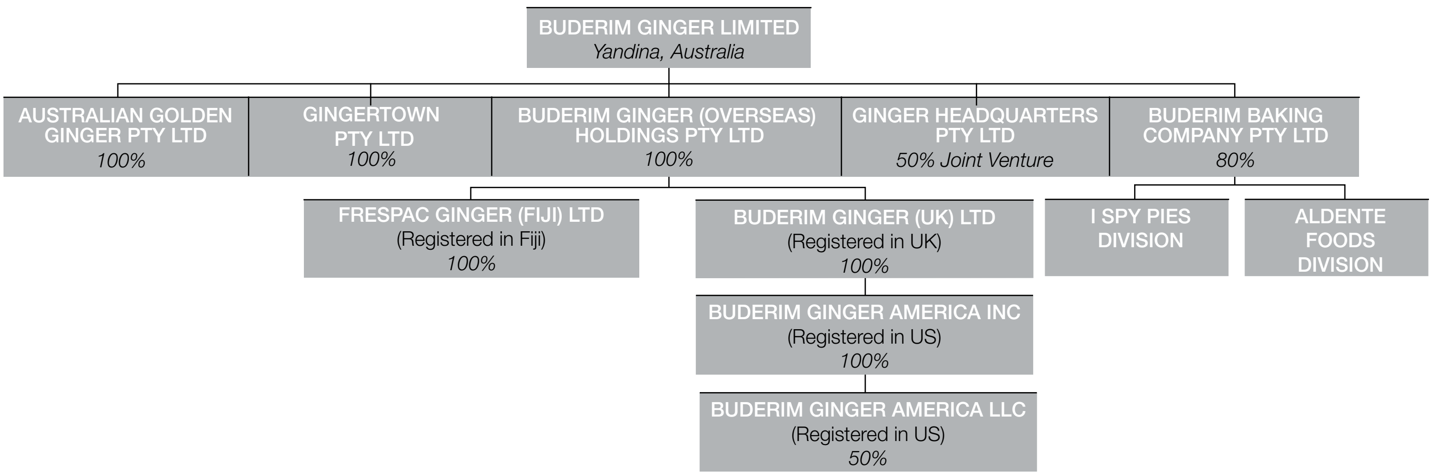
On 28 May 2005, Ginger Head Quarters Pty Ltd commenced tourism activities with the *Ginger Factory* tourism complex at Yandina. These activities fall under the principal activity of tourism.

The distribution of ginger products throughout North America commenced through the joint venture, Buderim Ginger America, LLC on 1 July 2005. This operation falls under the principal activity of distribution of a variety of confectionery ginger and other ginger-based products.

There have been no other significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 339 employees as at 31 December 2006 (2005: 320 employees). The number of employees will vary from year to year due to seasonal factors. Employees engaged by Frespac Ginger (Fiji) Ltd and Buderim Baking Company Pty Ltd at year-end were 82 and 100 respectively.



OPERATING AND FINANCIAL REVIEW

A detailed review of operating and financial performance is contained on pages 4 to 6 of the annual report.

Summarised operating results are as follows:

	2006		2005	
	Revenues $'000	Results $'000	Revenues $'000	Results* $'000
Business segments				
Ginger processing and distribution	30,238	402	29,843	1,441
Baking operations	14,789	444	13,400	(177)
Tourism operations	4,015	394	4,033	436
	49,042	1,240	47,276	1,700
Consolidated entity adjustments	(673)	—	(671)	—
Unallocated expenses	—	(1,533)	—	(1,303)
Share of associate's profit/(loss)	—	(88)	—	98
Consolidated entity sales and profit/(loss) from ordinary activities before income tax expense	48,369	(381)	46,605	495

	2006 $'000	2005 $'000
Geographic segments - revenue		
Australia	46,328	44,202
Fiji	3,387	3,205
	49,715	47,407
Consolidated entity adjustments	(1,346)	(802)
Consolidated entity sales from ordinary activities before income tax excluding non-segment revenues	48,369	46,605

In Summary

- Group revenue increased 4% to $48.4 million due principally to growth in the Baking business and retail Ginger sales.
- The consolidated entity recorded a loss before tax of ($381k) compared to a reported profit of $495k in the prior year. The after tax result, after outside equity interest, was a loss of ($165k) against a profit of $536k in the prior year.
- Margins in the core Ginger business were reduced by product losses in storage of the 2006 Australian ginger crop, coupled with increased sugar prices and increased processing costs deemed necessary to maintain the Company's very high product quality parameters.
- Export sales of Ginger products declined 3% to $15.4 million due in part to the impact of the sustained strength of the $A and the continued competitive nature of key international markets. Additional compliance costs and revenue deferment were incurred as a result of a regulatory issue in the United States.
- Domestic ginger sales grew by 8% to $14.7 million due to an 11% increase in retail product sales, however, margins were constrained by the factors reported above, as well as by the increasing margin pressure in the Australian retail environment.
- Last year's Ginger result included a profit of $120k from the sale of surplus assets, not repeated in 2006.
- Baking revenues rose 10% to $14.8 million. Earnings were also strongly up on the prior year (by $621k before outside equity interest), despite a slower than anticipated turn-around of the Aldente Foods business.
- Tourism revenue was flat at just over $4.0 million. Anticipated revenue growth and profitability were negated by a soft domestic tourism market in the Sunshine Coast region during 2006. Record high fuel prices impacted on the *Ginger Factory*'s traditional drive-by and day-trippers demographic resulting in a 5% decline in visitor numbers and an 8% decline in per capita spend.
- During the year, the Company declined an approach to sell some of its land within the Yandina Industrial Estate on which the primary Ginger processing site and tourism operations are located. It became evident to directors that the carrying value of the land was no longer appropriate. Rushtons Property Valuers were engaged to assist directors in determining an appropriate carrying value. As a result, the land value has been increased to $8.3m resulting in a revaluation increment of $6.5m. Directors are also now well progressed in reviewing strategic alternatives to increase the financial return on the property holdings.
- Effective 1 January 2006, 10% of the outside equity interest held by York Bakeries Pty Ltd in Buderim Baking Company Pty Ltd, was transferred to goodwill on acquisition by Buderim Ginger Limited in accordance with the Shareholders Agreement and subsequent Deeds of Variation between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd.
- Effective 1 July 2006, Directors approved a further Deed of Variation to the Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd for the purchase of the outside equity interest in Buderim Baking Company Pty Ltd. The changes result in the "freezing" of the current 20% minority interest in Buderim Baking Company for a minimum period of three years, with no buyout of the remaining equity occurring during this term as was originally envisaged by the prior agreements. At the end of this period, either party can trigger a buyout of the remaining equity on pre-agreed terms relating to an earnings multiple based on a weighted average of the three preceding years. The multiple varies depending on which party triggers the buyout.

Shareholder Returns and Performance measurements

Accounting Standard For the year ended	AIFRS 2006	AIFRS 2005	AIFRS 2004	AGAAP 2003	AGAAP 2002
EBIT ($'000)	550	1,251	1,097	1,129	1,606
EBITDA ($'000)	2,491	3,160	2,578	2,505	2,869
Basic earning per share (cents)	(0.58)	1.97	1.43	2.30	3.64
Dividend per share (cents)	—	*1.0	—	*1.5	*3
Dividend payout ratio (%)	—	*50.8	—	*65.2	*82.4
Available franking credits ($'000)	289	213	234	**236	**149
Return on assets (%)	(0.15)	1.1	1.3	1.7	2.7
Return on equity (%)	(0.27)	2.1	2.5	4.2	6.2
Debt / equity ratio (%)	48.7	58.4	40.7	33.4	34.0
Gearing ratio (%)	44.6	46.0	39.7	37.4	37.6
Current ratio (%)	139.5	154.8	203.8	298.9	235.7
Net tangible asset backing (cents)	88	73	77	80	82

**These figures reflect the dividend amounts declared subsequent to reporting dates (refer note 9)*

*** These franking credits have been calculated on a tax paid basis.*

Subsequent to the end of the reporting period, directors have declared that no dividend be paid out of the retained profits for the financial year ended 31 December 2006.

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in net cash and cash equivalents in the year ended 31 December 2006 of $44k compared to a decrease of $624k in 2005. Inflows from operating activities increased by $1.4m over the prior year, principally due to a favourable increase of $1.8m in the net difference between receipts from customers and payments to suppliers and employees. This position was offset to some degree by additional interest costs of $180k and goods and services tax ('GST') paid of $96k, and combined with a small increase of borrowings, provided sufficient funds to support the purchase of plant and equipment. Investment in capital equipment included:

Ginger Segment

- washing plant upgrades
- syruping chain enhancements
- ginger flushing technology
- water treatment/effluent infrastructure in Australia and Fiji
- structural improvements to buildings

Baking Segment

- spiral freezer and packing room commissioning
- tunnel oven installation
- pastry room improvements

Tourism Segment

- completion of ice-creamery renovations

Financing activities included significant drawdowns at the beginning of the year to fund the early harvest intake. The majority of these borrowings were repaid by year-end. The cash component of the dividend paid during 2006 amounted to $182k. The Share Purchase Plan resulted in cash inflow of $816k in 2005, whereas the plan was not in operation during the current reporting year.

Asset and capital structure

	2006 Total Operations $'000	2005 Total Operations $'000
Net Gearing		
Debts:		
Interest bearing loans and borrowings	12,318	12,176
Cash and short term deposits	(1,136)	(1,092)
Net debt	11,182	11,084
Total equity	27,672	23,648
Total capital employed	38,854	34,732
	28.8%	31.9%
Assets funded by external stakeholders		
Total assets	49,988	43,755
Total liabilities	22,316	20,107
	44.6%	46.0%
Debt/equity		
Total equity	27,672	23,648
Intangibles	2,377	2,784
	25,295	20,864
Interest bearing loans and borrowings	12,138	12,176
	48.0%	58.4%

The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers. Business combinations over the last 2 year period have resulted in a restructured balance sheet with increased intangibles and interest-bearing liabilities. The Balance Sheet also reflects a lower than anticipated increase in earnings due to the need to improve standards of operation within the new businesses and complexities associated with the re-location and integration of Aldente Foods into the baking business. The level of intangibles is a reflection of the future earning capacity of these businesses.

Shares issued during the year

On 19 May 2006, 211,247 ordinary shares were issued at a value of $0.488087 per share fully paid under the company's dividend reinvestment plan. These shares rank equally with all other ordinary shares.

There were no ordinary shares issued under the share purchase plan during this period.

Profile of Debts

The profile of the Group's debt finance is as follows:

	2006 $'000	2005 $'000
Current		
Lease liability	107	94
Bank bill facility	7,596	6,296
Bank loans	590	647
	8,293	7,037
Non-current		
Lease liability - finance lease	467	560
Bank bill facility	3,136	3,931
Bank loans	422	648
	4,025	5,139
	12,318	12,176

The amount of the Group's debts increased over the prior year due to lower than anticipated profitability in all segments. Debt is forecast to decline over 2007 in line with anticipated improved performance in the ginger, baking and tourism segments. Although a large component of the bank bill facility has been classified as current, this line item will not need to be repaid within the forthcoming 12 month period. The amount of $7.6 million represents the component of the working capital facility available to the Group, which is currently being utilised. It is classified as current as it represents bills which are reviewed and rolled on a 30 day basis.

Treasury policy

The Group's treasury function is co-ordinated by the parent entity which is responsible for managing the Group's currency risks and finance facilities under the supervision of the Audit & Compliance Committee. The treasury function operates within policies set by the Board. The Audit & Compliance Committee is directly responsible for ensuring that management's actions are in line with Group policy.

Hedging is undertaken through the use of interest rate swap contracts and foreign exchange contracts.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has delegated the responsibility for overseeing risk management to the Audit & Compliance Committee. Sub-committee meetings are convened as least twice annually and as appropriate in response to issues and risks identified by the Board or management. The sub-committee examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board involvement in the strategic planning process and approval of the final strategic plan, which encompasses the Group's vision, mission and strategy statement designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring on a monthly basis of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- Regular management presentations on specific business risks, including such matters as environmental issues and occupational health and safety.
- A performance management system which aims for congruence of corporate objectives with those of executives and staff and the measurement of goal achievement through KPIs by functional area or division.

Statement of Compliance

This report is based on the guidelines in the Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Effective 1 January 2006, 10% of the outside equity interest held by York Bakeries Pty Ltd in Buderim Baking Company Pty Ltd, was transferred to goodwill on acquisition by Buderim Ginger Limited in accordance with the Shareholders Agreement and subsequent Deeds of Variation between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd.

Effective 1 July 2006, Directors approved a further Deed of Variation to the Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd for the purchase of the outside equity interest in Buderim Baking Company Pty Ltd. The changes result in the "freezing" of the current 20% minority interest in Buderim Baking Company for a minimum period of three years, with no buyout of the remaining equity occurring during this term as was originally envisaged by the prior agreements. At the end of this period, either party can trigger a buyout of the remaining equity on pre-agreed terms relating to an earnings multiple based on a weighted average of the three preceding years. The multiple varies depending on which party triggers the buyout.

It is the opinion of the directors that there were no other significant changes in the state of affairs of the economic entity that occurred during the financial year under review other than those disclosed in this report or the financial reports.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since the end of the reporting period, directors have declared that no dividend be paid out of the retained profits for the year ended 31 December 2006.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In light of the poor results in the core Ginger business, a restructuring program commenced in the latter part of 2006 and is expected to be fully implemented by the end of the first half of 2007. Anticipated outcomes from this program include significant productivity gains within the ginger segment, a restructuring of group entities, and a reduction in overheads throughout the business and improved year-on-year profit growth in 2007.

In the Tourism segment, focus will be maintained on lifting trading performance to ensure the business returns to a high level of profitability in line with shareholders' expectations. Market conditions appear to have eased in late 2006 and early 2007 providing optimism for improved visitor number and conversion rates.

In 2007, the Baking business will also focus on maximisation of productivity gains expected through newly commissioned plant and equipment and on new business initiatives to drive continued strong revenue growth. Underpinning this, is the continued delivery of premium product quality at all times.

The company is aware of a bidding process underway in respect of Brumby's Bakeries Limited (BBL). BBL is a franchisor of Brumby's stores nationally, who collectively comprise a significant customer base of Buderim Baking Company. Under some scenarios, it may be possible that existing contracted supply arrangements may be changed as a result of this process. A reduction in contracted supply to Brumby's stores could have an adverse impact on Buderim Baking Company's profitability.

Barring the above, the group results in 2007 are expected to improve significantly over recent years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity holds licenses issued by the Environmental Protection Agency which specify limits for discharges to the environment which are due to the consolidated entity's operations. These licenses regulate the management of discharges to the air and storm water run-off associated with the ginger processing operations as well as the storage of hazardous materials.

There have been no known reportable breaches of the consolidated entity's license conditions.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Buderim Ginger Limited and its subsidiaries have entered into Deeds of Indemnity, Insurance and Access. These deeds provide that the company indemnify all current and future directors and secretaries in accordance with the provisions of the Corporations Act 2001, and provide them with access to the company books and records for a period of 7 years after they cease to be a director or secretary of the company.

During the financial year, the company has paid premiums in respect of a contract insuring all the directors and officers of Buderim Ginger Limited against a liability incurred in their role as directors of the company, except where:

(a) the liability arises out of conduct involving a wilful breach of duty; or

(b) there has been a contravention of sections 232(5) or (6) of the Corporations Act 2001; and

(c) as permitted by section 199B of the Corporations Act 2001.

The directors have not included details of the amount of the premium paid in respect of the Directors and Officers and Supplementary Legal Expenses policies as such disclosure is prohibited under the terms of the contract.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Buderim Ginger Limited (the company).

Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors and executives;
- Link executive rewards to shareholder value; and
- Provide, where appropriate, variable 'at risk' executive remuneration, dependent upon meeting pre-determined performance hurdles.

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non- executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Non-executive directors do not receive any share based remuneration.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 April 2000 when shareholders approved an aggregate remuneration of $250,000 per year, effective from 1 January 2000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers external remuneration surveys as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. Additional fees are not currently paid for each board committee on which a director sits, although considerable time commitments have been afforded by directors serving on various board sub-committees.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have some stake in the company.

The remuneration of non-executive directors for the period ending 31 December 2006 is detailed in Table 1 on page 63 of this report.

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

- Reward executives for the company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee makes reference to external remuneration surveys detailing market levels of remuneration for comparable executive roles, and internal relativities. From these deliberations, the Committee makes its recommendations to the Board.

It is the Remuneration Committee's policy that employment contracts are entered into with all executives to protect the interest of both the company and the employee.

Depending upon the particular role undertaken by executives, remuneration consists of one or all of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration - Bonus Incentive.

The proportion of fixed remuneration and variable remuneration (potential incentives) is established for each senior manager by the Remuneration Committee. Table 2 on page 63 details the fixed and variable component (%) of the 5 most highly remunerated senior managers.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of companywide, business division and individual performance, relevant comparative remuneration in the market, internal relativities and, where appropriate, external advice on policies and practices. As noted above, the Committee makes reference to external advice/surveys independent of management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 63.

Variable Remuneration

Objective

The objective of the incentive program is to link the achievement of the company's operational targets with the remuneration received by the executives charge with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to the MD and selected senior management staff where direct performance linkages can be established. This policy is reviewed annually.

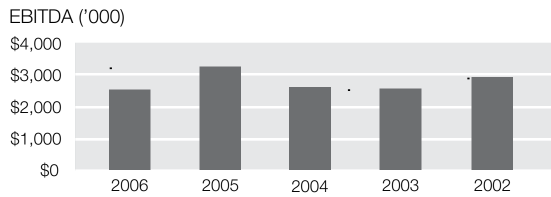
Structure

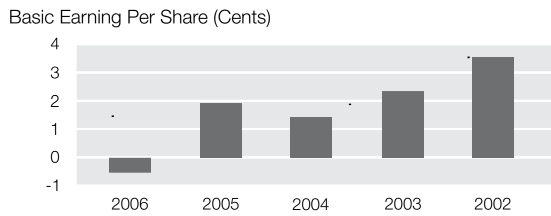
Actual incentive payments granted to sales managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators covering both revenue and profitability of their areas of responsibility. The company has predetermined benchmarks (generally based on year on year improvement) which must be met in order to trigger payments under the incentive scheme. The achievement of revenue targets does not warrant a bonus payment unless a minimum level of profitability target has also been achieved. Bonuses payable are capped at a maximum of 20% of base salary.

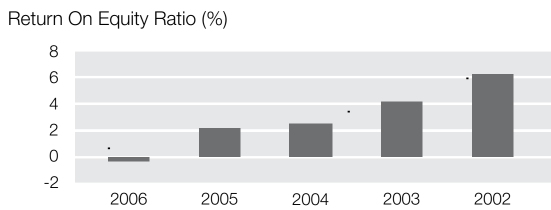
On an annual basis, consideration is given to performance of the individual sales executive against KPIs, and the overall performance of the company. These factors are taken into account when determining the amount, if any, of incentive to be paid to each executive. Annual incentive payments available for executives across the company are subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus, except under the Managing Director's Employee Incentive Scheme where shares only are issued, as approved by shareholders.

Company performance

The graphs below shows the performance of the company as reflected in the movement in the Group's EBITDA, earnings per share and return on equity for the past five years (including the current period).







Shareholder Wealth

	31 December 2006	31 December 2005	31 December 2004	31 December 2003	31 December 2002
Share price (cents)	54	58	65	65	62
Dividend paid per share (cents)	—	1.0	—	1.5	3.0

Employment contracts

All executives are employed under employment contracts to provide a level of security to both the company and the individual.

The current fixed term employment contract between the company and the Managing Director/CEO commenced on 5 March 2001 and has been extended on two occasions and currently is valid for the three year period to 31 December 2007, at which time (or before) the company may choose to commence negotiation to enter into a new employment contract with Mr O'Brien. Under the terms of the present contract:

- Mr O'Brien may resign from his position and thus terminate this contract by giving 3 months written notice.
- The company may terminate this employment agreement by providing 3 months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr O'Brien's remuneration).
- The company may terminate the contract at any time without prior notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of remuneration which is fixed, and accrued remuneration to the date of such termination.

Details of Remuneration of Directors and Executives

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Table 1 - Remuneration of directors of Buderim Ginger Limited

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non-Monetary $	Super-annuation $	Other	Employment Benefits $
J.M. Ruscoe 2006	**Chairman**	**60,000**	**—**	**—**	**5,400**	**—**	**65,400**
J.M. Ruscoe 2005		50,000	—	—	8,898	—	58,898
S.J. Maitland 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
S.J. Maitland 2005		25,000	—	—	2,250	—	27,250
J.H.P. Roy 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
J.H.P. Roy 2005		20,833	—	—	1,875	—	22,708
S.T. Templeton 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
S.T. Templeton 2005		25,000	—	—	2,250	—	27,250
D. Crerar 2005	Non-Executive Director	4,634	—	—	—	—	4,634
G.D. O'Brien 2006	**Managing Director**	**244,644**	**—**	**27,713**	**35,357**	**—**	**307,714**
G.D. O'Brien 2005		236,740	—	26,449	32,470	—	295,659
Total Directors 2006		**409,644**	**—**	**27,713**	**50,207**	**—**	**487,564**
Total Directors 2005		362,207	—	26,449	47,743	—	436,399

Table 2 - Remuneration of the five most highly paid executive officers whose decisions have a major impact on the strategic direction of the company and the consolidated entity

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non-Monetary $	Super-annuation $	Other	Employment Benefits $
P. Bialkowski 2006	**UK Country Manager**	**174,537**	**—**	**22,216**	**20,398**	**—**	**217,151**
P. Bialkowski 2005		159,842	1,620	28,535	15,841	—	205,838
P. Ritchie 2006	**General Manager – Marketing & Sales**	**153,986**	**—**	**28,936**	**19,313**	**—**	**202,235**
P. Ritchie 2005		143,925	10,000	26,930	18,199	—	199,054
K.L. Rogers 2006	**Company Secretary/CFO**	**131,285**	**—**	**23,743**	**14,453**	**—**	**169,481**
K.L. Rogers 2005		120,302	—	23,178	13,117	—	156,597
P. Knight 2006	**Operations Manager**	**106,358**	**—**	**22,459**	**13,311**	**—**	**142,128**
P. Knight 2005		100,616	—	21,160	12,459	—	134,235
S. Dennis 2006	**Process & Engineering Manager**	**98,429**	**—**	**21,326**	**9,702**	**—**	**129,457**
A. Chinlyn 2005	US Country Manager	62,763	—	25,045	6,524	35,617	129,949
Total Executives 2006		**664,595**	**—**	**118,680**	**77,177**	**—**	**860,452**
Total Executives 2005		587,448	11,620	124,848	66,140	35,617	825,673

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

All elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

The category 'Other' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, and/or professional membership subscriptions.

There were no shares issued under the employee incentive scheme under which shareholders approved the issue to the Managing Director of a maximum of 100,000 shares per annum over a period not more than three years from 27 April 2001. Shareholders approved a three year extension to the Managing Director's Employee Incentive Scheme at the Annual General Meeting in April 2004.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees Audit	Remuneration
Number of meetings held:	**12**	**3**	**2**
Number of meetings attended:			
J.M Ruscoe	12	—	2
G.D. O'Brien	12	—	—
J.H.P. Roy	11	—	2
S.J. Maitland	12	3	—
S.T. Templeton	12	3	—

Notes

- *J.M. Ruscoe, Chairman was in attendance at one audit & compliance committee meeting during the year under review.*
- *G D O'Brien, Managing Director was in attendance at two audit & compliance committee meetings and one remuneration committee meeting during the year under review.*

Committee membership

As at the date of this report, the company had an Audit & Compliance Committee and a Remuneration Committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit & Compliance	*Remuneration*
S.J. Maitland (chair)	J.M. Ruscoe (chair)
S.T. Templeton	J.H.P. Roy

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of Buderim Ginger Limited support and strive to achieve the highest principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Buderim Ginger Limited.

ERNST & YOUNG

■ 1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

■ Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

Auditor's Independence Declaration to the Directors of Buderim Ginger Ltd

In relation to our audit of the financial report of Buderim Ginger Ltd for the financial year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ric Roach

Partner
28 February 2007

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young receive or are due to receive the following amount for the provision of non-audit services:

Tax compliance and advisory services	$104,334

Signed in accordance with a resolution of the directors.

J. Ruscoe

Director

Yandina, 28 February 2007

INTRODUCTION

This statement is provided to inform shareholders and other stakeholders of the governance arrangements in the company for the period 1 January 2006 to 31 December 2006. The company applies these arrangements to its operations both in Australia and internationally.

It is based on the requirements of the Corporations Law, the Listing Rules of the ASX, the recommendations of the ASX Corporate Governance Council, and other Australian and international guidelines.

The directors have unanimously resolved to adopt the statement. However this does not infer that the directors endorse all the recommended guidelines as being appropriate to the particular circumstances of the company.

Note should be taken of the descriptions and explanations of the governance arrangements of the company. The directors are firmly of the opinion that these represent a transparent and comprehensive regime that provides a high level of assurance to all stakeholders.

DISCLOSURE

This governance statement should be read in conjunction with the disclosures included in the Directors' Report.

This statement is published on the company's web site (www.buderimginger.com), and is available in hard copy on request to the Company Secretary.

MANAGEMENT AND BOARD OVERSIGHT

Role of the Board

The board has the ultimate responsibility to shareholders for the profitable and proper conduct of the company's operations.

In fulfilling its functions, the board has formally delegated specific authorities to management. These delegations are reviewed periodically.

The specific responsibilities of the board include:

- approval of a strategic plan designed to meet stakeholders' needs and manage business risk. Each year the board considers, and if appropriate, approves annual budgets, proposed capital expenditure and operating plans and strategies against which technical and financial performance is regularly reported;
- involvement in developing and approving initiatives and strategies designed to maintain the currency of the strategic plan and ensure the continued growth and success of the entity;
- continual review of the operational and financial performance of the consolidated entity and each operational unit against key performance indicators (both financial and non-financial);
- establishment of management committees to report on occupational health and safety and environment. The board receives and considers reports on the group's performance in the areas of occupational health and safety, food safety and environmental control;
- review and approval of acquisitions and disposals of businesses and assets, and the approval of financing arrangements within defined limits;
- monitoring of the entity's liquidity, credit policies and exposures, and management's actions to ensure they are in line with company policy; and
- disclosure of any real or potential conflict of interest which is to be recorded in the minutes of meetings. Where a conflict of interest arises, directors are to withdraw from discussion and deliberation. Participation is only available in such situations with the consent of other directors.

Role of the Chairman

The Chairman of the board has the responsibility for the conduct of the general meetings of the company, and of the meetings of the directors of the company.

The Chairman also has the role of interfacing with the Managing Director, and the conduct of the Managing Director's performance appraisal.

The Chairman acts as an interface of the organisation with relevant external stakeholders (such as shareholders, government/funding bodies, local organisations and media when necessary).

The Chairman does not have a casting vote at any meeting.

Directors

Directors are elected by the shareholders for a term of three years, or appointed by the board to fill a casual vacancy until the next Annual General Meeting of the company.

On election, directors receive a comprehensive letter of appointment from the Chairman outlining their rights and responsibilities, remuneration and benefits, expectations of commitment, and access to professional advice, documents and insurance.

A Deed of Indemnity, Insurance and Access is entered into between the company and its subsidiaries, and each director. The deed provides that the company indemnify all directors in accordance with the provisions of the Corporations Act 2001, and with access to the company books and records for a period of 7 years after they cease to be a director of the company. During the financial year, no payment was made by the company under the indemnities.

Directors of the company hold the majority of directorships in all subsidiary companies, except in Buderim Ginger America, Inc, and the joint venture company Ginger Headquaters Pty Ltd. In accordance with the Fiji Corporations Act, which requires at least one resident director, Mr Satish Kumar, the General Manager of the company's Fiji operations, has been appointed as a director of Frespac Ginger (Fiji) Limited.

Senior Management

A Managing Director is appointed by the board and charged with the general management of the company. He/she is accountable for delivery of strategic outcomes and reports to the whole board on the delivery or non-delivery of those outcomes. He/she also assumes responsibility as the principal spokesperson for the company on operational matters.

The Company Secretary is appointed as the secretary to the board as a whole. He/she relates one-to-one with the chairman who represents the views of the board.

The Managing Director and the Company Secretary enter into a Deed of Indemnity, Insurance and Access with the company and its subsidiaries on identical terms to the Directors' Deed.

Senior managers are appointed to specific positions within the company with the approval of the board. The Managing Director and senior managers all receive letters of appointment and have formal position descriptions.

During the financial year, no payment was made by the company under the indemnities.

BOARD STRUCTURE

Directors

There are five directors of the company, including the Managing Director. Details of those directors serving at year-end are outlined in the Directors' Report.

Commentary on Director Independence

It is noted that the Chairman ceased employment with the company over 13 years ago. The Chairman, Mr Ruscoe, was employed as a managing director of the company for a period of 12 years. The board believes that his past employment does not impair his independence as a director, but rather allows the company to positively benefit from his depth of industry and technical experience.

Mr Templeton may not be regarded as independent as a director and as a member of the Audit and Compliance Committee by virtue of his substantial shareholding and major supplier status with the company. However, he provides significant industry experience to the board and the company from his own and his family's extensive experience in the cultivation and marketing of this specialised crop. This is of undoubted value in the company's core business and is pivotal to the success of the Australian ginger industry at large. Mr Templeton would also be regarded as financially qualified for Audit Committee purposes. The board and Mr Templeton are diligent in ensuring that a conflict of interest does not interfere with his obligations towards the company.

Mr Roy, who was appointed to the board on 28 February 2005 may not be regarded as independent as a director and as a member of the Remuneration Committee by virtue of his substantial share holding in the company. However, his extensive experience in the Australian and global food industry and the retailing sector, provide a significant input to the board and the company's operations as a whole. Mr Roy would also be regarded as qualified for Remuneration Committee purposes because of his long standing senior involvement with several other companies. The board and Mr Roy are diligent in ensuring that a conflict of interest does not interfere with his obligations towards the company.

Chair

The chair is elected by the directors at the first meeting after each Annual General Meeting.

Director Nomination Committee

The function of a Director Nomination Committee is performed by the whole of the board.

The board reviews the company's succession plan, and assesses the necessary and desirable competencies of directors. External advice is sought in sourcing new directors.

The composition of the board is regularly reviewed to ensure that it continues to have the mix of skills and experience necessary for the conduct of the company's activities. Whether filling a vacancy or expanding the board, the procedures applied include the selection of a panel of nominees. In compiling the panel of nominees, the board draws on advice from external consultants and internal industry experience. Potential directors are approached and their interest in joining the board, together with the responsibilities such an appointment details, are discussed. Terms and conditions of the appointment, including the level of remuneration, are also communicated to the nominee.

The board may appoint the new director(s) during the year, and that person(s) will then stand for election by shareholders at the next Annual General Meeting. When appointed to the board, all new directors are briefed by the chair and senior management and receive comprehensive documentation to assist them in familiarising themselves with matters relating to our business, our strategy and current issues.

ETHICAL AND RESPONSIBLE DECISION MAKING

Corporate Code of Conduct

The company has developed a Code of Conduct to ensure the entity acts in a lawful, highly-principled and socially responsible manner in all of its business practices. Under this Code of Conduct introduced in 2003 directors, executives and staff are expected to:

- have an overriding responsibility to all stakeholders of the business and not to any sectional or personal interests;
- display the highest standards of personal behaviour at all times;
- use every opportunity to promote the interests of the group in the community at large;
- act honestly and with the utmost integrity, and comply with the letter and spirit of any laws, rules and policies of the company and this Code of Conduct;
- receive no benefit from their position other than approved remuneration and conditions of employment, and to use the assets of the company economically and efficiently for business purposes only;
- respect all people with whom they come into contact in their work;
- bring to their work all the skills and experience they possess and diligently apply themselves to their duties;
- participate freely in all discussions and will always be allowed to express their opinions;
- conduct business in the strictest confidence, and avoid any discussion of the information received in their duties unless it is approved for distribution;
- consider binding, all decisions of the board, without public dissent from such decisions; maintain good relations within the group;
- consistently and effectively comply with all established policies and procedures; act within delegated authorities;
- uphold the concept of a competitive economic environment, abstaining from price fixing, misleading or false representations regarding our products or those of our competitors.

Directors & Executive Securities Trading Policy

The company has established the following policy to control the trading in the company's securities by directors and senior executives:

Insider Trading

Directors and other officers of Buderim Ginger Limited are subject to restrictions under the Corporations Law relating to dealings in securities. As required by law and in line with its Insider Trading Policy, buying or selling Buderim Ginger securities is not permitted at any time by any person who possesses price-sensitive information not available to the market in relation to those securities.

In addition to these restrictions, the board's policy is that directors and officers may only buy or sell Buderim Ginger securities, after notifying the Chairman, in the six weeks immediately following our half year and full year financial results announcements and any Annual General Meeting. At all other times directors and officers require the prior consent of the board to buy or sell Buderim Ginger securities, with the board examining each transaction prior to approval to ensure it is not related to insider trading. Exceptions to this process include shares issued under the company's Dividend Re-investment Plan and the Share Purchase Plan.

The Australian Stock Exchange has granted Buderim Ginger Limited a waiver from Listing Rule 10.11 to the extent necessary to permit the company to issue up to $5,000 worth of securities to each of its directors under the Share

Purchase Plan, without obtaining shareholder approval, on condition that directors are offered securities under the plan on the same terms as other security holders.

In order to prevent the unfair use of information, directors and officers are generally prohibited from short-term trading at all times. Short-term trading is a purchase and sale of the same securities within a six month period.

Disclosure of Directors' Security Transactions

Directors must enter into agreements with the company regarding disclosure of directors' securities transactions. Under these agreements, directors are obliged to provide the necessary information to the company, to allow the company to comply with the ASX Listing Rule requiring disclosure of details of directors' interests in securities.

Details of an initial investment and on-going transactions are to include the transaction date, the number and class of securities held before and after the change, the nature of the change, and consideration payable in connection with the change, or if a market consideration is not payable, the value of the securities the subject of the change.

Details of changes in securities not registered in the director's name but in which the director has a relevant interest within the meaning of section 9 of the Corporations Act, must also be provided.

Directors are to provide the required information within three business days after the date of the change.

Directors also agree to provide appropriate information on securities held at the date of ceasing to be a director.

INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The company has established an Audit Committee in order to:

- assist the board in discharging its responsibilities relative to financial reporting and regulatory conformance;
- give additional assurance regarding compliance with directors' statutory responsibilities, the quality and reliability of financial information used by the board and financial statements issued by the company;
- oversee the economic entity's risk management strategies, policies and processes that have the potential to impact significantly on earnings performance;
- monitor performance and advice on selection and retention of external auditors.

The primary responsibilities of the Audit Committee are to:

- assist the board to exercise due care in reviewing the financial statements and assistance in fulfilling their legal responsibilities;
- oversee and appraise the quality of audits conducted by external auditor;
- perform an independent review of financial information prepared by management for external parties;
- assess the adequacy and effectiveness of the internal controls to ensure the integrity of the company's accounting records and to safeguard its assets;
- monitor compliance with Australian Accounting Standards, Taxation and Corporations Law, Australian Stock Exchange Listings Rules, and Australian Investment and Securities Commission regulations;
- ensure adherence to accepted standards of ethical conduct, laws and regulations (e.g. Industrial Relations, Industry Codes, Trade Practices, Consumer Protection, Occupational Health & Safety, Environmental Regulations);
- monitor corporate risk assessment and the internal controls instituted;
- supervise special investigations when requested by the board.

The committee does not include the Chairman of the board, with the two members comprising non-executive directors. The chair of the committee is an independent director. The members of the committee are financially literate, and the chairman of the committee has financial expertise.

The committee has standing invitations to the following attendees:

Auditor, Chairman of the Board, Managing Director, Chief Financial Officer (CFO).

Meetings are held regularly and at times to best manage the audit processes and ensure compliance with statutory timeframes. Minutes of all meetings are provided to the full board.

The committee regularly reviews the work and independence of the external auditor and recommends any change, selection and appointment to the main board.

Letters of Representation

On behalf of management, the Managing Director and CFO, provide the board with a comprehensive letter of representation prior to the acceptance of the annual accounts by the board. The letter particularly certifies the correctness of the accounts, the integrity of the company's financial and risk management systems; and the state of compliance with legal and regulatory requirements.

As part of the process of certifying the annual accounts, the directors and management provide a letter of representation to the external auditors, in similar terms to the letter provided by management to the directors.

TIMELY AND BALANCED DISCLOSURE

Policies and procedures to comply with continuous disclosure and other statutory requirements have been developed by the company.

Under its Continuous Disclosure Policy Buderim Ginger Limited is committed to providing shareholders with comprehensive information about the company and its activities, and to fulfilling its obligations to the broader market for continuous disclosure.

Consistent with best practice disclosure and continuous disclosure requirements, all market-sensitive data, periodic financial reports (Appendix 4 - end of year and half-year) and addresses by the Chairman and Managing Director to shareholder meetings are released to the stock exchange via ASX On-Line prior to release to the market via press release and posting on Buderim Ginger's internet site.

Similarly, annual reports and notices of meetings, dividend re-investment and share plan documentation are released through ASX On-Line prior to being distributed to shareholders via the website or through the mail.

Detailed commentary on financial results is included in the Annual Report, and in the Chairman's Address at the Annual General Meeting. This address is circulated to shareholders with the annual dividend payment.

Further commentary on half-yearly results is included in the press release announcing those results, and circulated to shareholders with the interim dividend payment.

As part of its Continuous Disclosure Policy the Company has processes in place to provide balanced response to market rumours or speculation of which it is made aware.

RESPECT FOR SHAREHOLDERS

Effective Communication

Buderim Ginger Limited is committed to providing shareholders with comprehensive information about the company and its activities, and to fulfilling its obligations to the broader market for continuous disclosure.

Shareholders are now able to receive their shareholder information electronically in preference to mail. Notification via email of company announcements, annual and half year reports and other company information is available by registering for this service through the company's website.

Access to Information

The company publishes a comprehensive Annual Report incorporating financial and other information. This is sent to all shareholders and is available to the public, as well as being posted on the company's website. A Half-Yearly Report incorporating abbreviated financial data and market commentary is also made available on the same basis.

The company maintains a comprehensive web site www.buderimginger.com that contains extensive shareholder and stakeholder information in addition to information about the company's products. The past three years' Annual and Half-Yearly Reports and a corporate governance section are contained within the website.

The company's offices maintain supplies of shareholder information for public access; and the Company Secretary's office is responsible for the distribution of material and responding to requests for information from shareholders and the public.

Under the company's Investor Communication Policy the board, and in particular the Chairman, bear particular responsibility for communication with shareholders and members. This occurs formally through the Annual Report and the Annual General Meeting. At other times, senior management and Chairman liaise between the board and key shareholders and analysts.

Annual General Meeting

The company conducts its Annual General Meetings in rotation between its corporate headquarters and factory site at Yandina and in Queensland's nearby financial capital of Brisbane.

Notice of the meeting is sent to every shareholder and advertised publicly.

The company's auditor attends the Annual General Meeting and is invited to answer relevant questions and make statements to the meeting.

The directors and senior management attend all General Meetings and are available to shareholders and other stakeholders.

The Chairman accepts written questions and pre-submitted questions at a General Meeting and responds appropriately to all questions.

The public and the media are welcome to attend General Meetings as observers.

RISK MANAGEMENT

Systems

The company has well established systems for the conduct of its business. These extend to the major functions of the company (food processing and tourism operations) and to the administrative systems to support its operations.

Policies

The company has documented policies and procedures for all principal areas of its operations.

Policies are approved by the board and procedures developed by management to give effect to the policies.

Review

The company's policies are reviewed periodically by the board.

The Audit Committee also has responsibility for oversight of risk management in the company.

Internal Audit

The company does not maintain a separate internal audit function. It does have a series of independent checking processes that are approved and supervised by the Audit Committee, and co-ordinated with the external audit function. These processes extend to non-financial risk areas such as food safety.

Insurance

The company maintains a program of insurance where insurable risks are identified. The level of self-insurance and exposure to deductibles in insurance policies is not material.

During the financial year, the company paid premiums in respect of a directors' and officers' liability insurance policy. The policy insures each person who is or has been a director or executive officer against certain liabilities arising in the course of their duties to the company and its controlled entities. The insurance policy prohibits disclosure of the nature of the liabilities or the amount of the premium.

IMPROVING PERFORMANCE

A structured process has been undertaken to review and evaluate the performance of the board and board sub committees and to identify areas where improvement can be made. The review process includes assessment of board composition, governance relations and internal processes to ensure continuing corporate governance improvement. The performance and contribution of non-executive directors is assessed against pre-determined criteria.

Senior executive performance review is conducted annually, and as a preliminary to annual remuneration review. The Managing Director conducts senior executive performance reviews and reports on these to the board. The Managing Director's performance review is conducted by the Chairman of the board and reported to the board. This evaluation is based on specific criteria, including the group's business performance, whether strategic objectives are being achieved and the development of management and personnel.

While there is no formal program of director education, directors and senior executives attend industry and other related seminars and conferences under relevant professional development programs for which the company has made a budget provision.

Directors are entitled to seek independent professional advice in the performance of their duties. The company will pay for this advice on the approval of the chairman.

The board has appointed a Company Secretary, who also fulfils the role of Chief Financial Officer. The Company Secretary reports directly to the board on all secretarial matters. The Company Secretary's employment may not be terminated without the concurrence of the board.

REMUNERATION

Remuneration Committee

The company has established a Remuneration Committee to ensure that the remuneration policies and practices of the company are consistent with its strategic goals and human-resource objectives.

The committee comprises two independent non-executive directors. It is chaired by the Chairman of the board.

The role of the Remuneration Committee is to:

- recommend aggregate director's remuneration and entitlements to the shareholders for approval;
- establish and approve the remuneration and entitlements of the Managing Director;
- establish remuneration policies and guidelines for senior executives and staff.

Independent external advice is sought on the quantum of remuneration and entitlements for directors and senior staff to enable alignment with market conditions in similar businesses. A formal review of remuneration is conducted annually.

Directors

Directors receive director's fees and associated minimum statutory superannuation payments. Fees payable to individual directors are established by the directors within the aggregate approved by the shareholders.

Directors are not entitled to any retirement allowances nor any bonuses or share options.

Details of the nature and amount of directors' remuneration are outlined in the Directors' Report.

Senior management are engaged on contracts with no fixed term, with remuneration comprising three possible elements:

- fixed component – comprising salary, superannuation, motor vehicle and other standard industry benefits;
- performance component – comprising cash bonus for performance above pre-agreed objective hurdles. The maximum bonus payable is 20% of the fixed component;
- Managing Director employee incentive scheme – as part of the Managing Director's remuneration package, an annual bonus of up to 20% of the total value of the Managing Director's package may be paid as incentive subject to performance targets being met. Under this shareholder approved arrangement, a maximum number of 100,000 shares in the company may be issued each year over a period of 3 years finishing April 2004. A 3 year extension to this scheme was approved by shareholders at the Annual General Meeting in April 2004. The bonus is calculated as a cash sum which is then divided by the average ASX closing price of the company's shares for the 2 trading days immediately after release of the company's annual result to ASX.

The company does not issue options over shares as part of any remuneration arrangements.

Details of the nature and amount of senior executives' remuneration are outlined in the Directors' Report.

STAKEHOLDER INTERESTS

The company recognises that there are many stakeholders in the business in addition to the shareholders. The company endeavours to relate openly, fairly and equitably with all shareholders in terms of their relationship with the company.

Among the stakeholders are:

- staff;
- customers;
- suppliers;
- communities in the countries where we operate;
- local, state and national governments;
- other participants in the food industry.

Stakeholder interests are protected and recognised through the company's policies and procedures and the adoption of a Code of Conduct. The policies cover matters such as accounting and reporting, employment conditions, employee safety and welfare, customer privacy, and legal compliance.

Financial Statements Contents

Balance Sheet

AT 31 DECEMBER 2006

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
CURRENT ASSETS					
Cash and cash equivalents	10	**1,136**	1,092	**960**	532
Trade and other receivables	11	**9,234**	9,698	**6,107**	6,511
Inventories	12	**10,739**	10,524	**7,950**	8,411
Other current assets	13	**566**	548	**495**	870
Derivative financial instruments	23	**6**	13	**6**	13
TOTAL CURRENT ASSETS		**21,681**	21,875	**15,518**	16,337
NON-CURRENT ASSETS					
Receivables	14	**65**	—	**4,684**	4,760
Investments in controlled entities	15	**—**	—	**3,380**	3,382
Investment accounted for using the equity method	16	**1,436**	1,537	**1,126**	1,150
Property, plant and equipment	17	**23,696**	17,125	**18,132**	11,750
Deferred tax assets	7	**733**	434	**785**	370
Intangible assets and goodwill	18	**2,377**	2,784	**355**	364
TOTAL NON-CURRENT ASSETS		**28,307**	21,880	**28,462**	21,776
TOTAL ASSETS		**49,988**	43,755	**43,980**	38,113
CURRENT LIABILITIES					
Trade and other payables	19	**5,719**	5,660	**3,714**	4,112
Interest-bearing loans and borrowings	20	**8,293**	7,037	**8,141**	6,863
Income tax payable	7	**—**	66	**—**	28
Provisions	21	**1,528**	1,360	**1,290**	1,144
Derivative financial instruments	23	**6**	4	**6**	4
TOTAL CURRENT LIABILITIES		**15,546**	14,127	**13,151**	12,151
NON-CURRENT LIABILITIES					
Payables	19	**—**	—	**959**	800
Interest-bearing loans and borrowings	20	**4,025**	5,139	**3,720**	4,729
Deferred tax liabilities	7	**2,633**	743	**2,679**	732
Provisions	21	**112**	98	**95**	83
TOTAL NON-CURRENT LIABILITIES		**6,770**	5,980	**7,453**	6,344
TOTAL LIABILITIES		**22,316**	20,107	**20,604**	18,495
NET ASSETS		**27,672**	23,648	**23,376**	19,618
EQUITY					
Contributed equity	22	**17,472**	17,369	**17,472**	17,369
Reserves	22	**5,048**	367	**4,943**	387
Retained earnings	22	**4,345**	4,794	**961**	1,862
Parent interests		**26,865**	22,530	**23,376**	19,618
Minority interests	22	**807**	1,118	**—**	—
TOTAL EQUITY		**27,672**	23,648	**23,376**	19,618

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
REVENUE					
Sale of goods		**47,977**	45,954	**30,111**	28,134
Rental revenue		**196**	281	**196**	281
Other revenue	6 (a)	**176**	351	**246**	399
Finance revenue		**20**	19	**19**	18
Revenue		**48,369**	46,605	**30,572**	28,832
Cost of sales		**(35,392)**	(33,078)	**(22,253)**	(19,649)
Gross profit		**12,977**	13,527	**8,319**	9,183
Share of profit/(loss) of jointly controlled entities		**(88)**	98	**(24)**	21
Selling and distribution expenses		**(7,066)**	(7,184)	**(4,102)**	(3,902)
Marketing expenses		**(469)**	(419)	**(469)**	(419)
Tourism expenses		**(1,791)**	(1,775)	**(1,791)**	(1,775)
Administration expenses		**(2,989)**	(2,977)	**(2,385)**	(2,336)
OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX and FINANCING COSTS		**574**	1,270	**(452)**	772
Finance costs	6 (b)	**(955)**	(775)	**(574)**	(495)
PROFIT/(LOSS) BEFORE INCOME TAX		**(381)**	495	**(1,026)**	277
Income tax (expense) / benefit	7	**305**	(12)	**409**	(80)
NET PROFIT/(LOSS) FOR THE PERIOD		**(76)**	483	**(617)**	197
Net (profit) / loss attributable to minority interest	22	**(89)**	53	**—**	—
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF PARENT		**(165)**	536	**(617)**	197
Basic earnings per share (cents per share)	8	**(0.58)**	1.97		
Diluted earnings per share (cents per share)	8	**(0.58)**	1.97		
Franked dividends per share (cents per share)	9	**—**	1.00		

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**51,337**	47,573	**32,136**	30,154
Payments to suppliers and employees (inclusive of GST)		**(47,605)**	(45,605)	**(30,879)**	(29,116)
Other receipts		**280**	322	**418**	525
Interest received		**24**	19	**19**	18
Interest paid		**(955)**	(775)	**(574)**	(495)
Income tax received		**24**	90	**8**	75
Income tax paid		**(154)**	(147)	**(54)**	(136)
Goods and services tax received/(paid)		**(808)**	(712)	**90**	66
Receipt of government grant		**50**	75	**—**	—
NET CASH FLOWS FROM OPERATING ACTIVITIES	10	**2,193**	840	**1,164**	1,091
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**38**	224	**—**	138
Purchase of property, plant and equipment		**(2,084)**	(2,825)	**(1,014)**	(1,705)
Acquisition of equity in joint ventures		**—**	(1,367)	**—**	(1,129)
Acquisition of other business investments		**—**	(1,310)	**—**	(218)
Trademark registrations		**—**	(3)	**—**	(3)
Loans to other entities		**—**	—	**(70)**	(2,232)
Loans repaid by other entities		**—**	—	**305**	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(2,046)**	(5,281)	**(779)**	(5,149)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares (SPP)		**—**	816	**—**	816
Proceeds from borrowings		**2,853**	4,615	**2,764**	4,320
Repayments of borrowings		**(2,631)**	(1,469)	**(2,404)**	(1,434)
Payment of dividends on ordinary shares (net of dividend re-investment)		**(182)**	—	**(182)**	—
Payment of outside equity interest		**—**	(59)	**—**	—
Repayment of finance lease principal		**(143)**	(86)	**(135)**	(85)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(103)**	3,817	**43**	3,617
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**44**	(624)	**428**	(441)
Cash and cash equivalents at beginning of period		**1,092**	1,716	**532**	973
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10	**1,136**	1,092	**960**	532

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2006	17,369	367	4,794	**22,530**	1,118	**23,648**
Items of income/expense recognized directly in equity						
Net increase in asset revaluation	—	6,530	—	**6,530**	—	**6,530**
Net tax effect of asset revaluation	—	(1,959)	—	**(1,959)**	—	**(1,959)**
Currency translation	—	125	—	**125**	—	**125**
Cash flow hedges						
Loss taken to equity	—	(15)	—	**(15)**	—	**(15)**
Profit/(loss) for the period	—	—	(165)	**(165)**	89	**(76)**
Total income and expense for the period	17,369	5,048	4,629	**27,046**	1,207	**28,253**
Equity dividend	—	—	(284)	**(284)**	—	**(284)**
Shares issued under DRP	103	—	—	**103**	—	**103**
Transfer outside equity to goodwill on acquisition of 10% of OEI	—	—	—	**—**	(400)	**(400)**
As at 31 December 2006	17,472	5,048	4,345	**26,865**	807	**27,672**

PARENT	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2006	17,369	387	1,862	**19,618**	—	**19,618**
Items of income/expense recognized directly in equity						
Net increase in asset revaluation	—	6,530	—	**6,530**	—	**6,530**
Net tax effect of asset revaluation	—	(1,959)	—	**(1,959)**	—	**(1,959)**
Cash flow hedges						
Loss taken to equity	—	(15)	—	**(15)**	—	**(15)**
Loss for the period	—	—	(617)	**(617)**	—	**(617)**
Total income and expense for the period	17,369	4,943	1,245	**23,557**	—	**23,557**
Equity dividends	—	—	(284)	**(284)**	—	**(284)**
Shares issued under DRP	103	—	—	**103**	—	**103**
As at 31 December 2006	17,472	4,943	961	**23,376**	—	**22,376**

Statement of Change in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2005	16,351	617	4,258	**21,226**	1,230	**22,456**
Items of income/expense recognized directly in equity						
Net tax effect of asset revaluation	—	(197)	—	**(197)**	—	**(197)**
Currency translation	—	(62)	—	**(62)**	—	**(62)**
Cash flow hedges						
Gains taken to equity	—	9	—	**9**	—	**9**
Profit for the period	—	—	536	**536**	(53)	**483**
Total income and expense for the period	—	(250)	536	**286**	(53)	**233**
Shares issued under Aldente acquisition	202	—	—	**202**	—	**202**
Shares issued under SPP	816	—	—	**816**	—	**816**
Outside equity distribution	—	—	—	**—**	(59)	**(59)**
As at 31 December 2005	17,369	367	4,794	**22,530**	1,118	**23,648**

PARENT	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2005	16,351	574	1,665	**18,590**	—	**18,590**
Items of income/expense recognized directly in equity						
Net tax effect of asset revaluation	—	(197)	—	**(197)**	—	**(197)**
Cash flow hedges						
Gains taken to equity	—	10	—	**10**	—	**10**
Profit for the period	—	—	197	**197**	—	**197**
Total income and expense for the period	—	(187)	197	**10**	—	**10**
Shares issued under Aldente acquisition	202	—	—	**202**	—	**202**
Shares issued under SPP	816	—	—	**816**	—	**816**
As at 31 December 2005	17,369	387	1,862	**19,618**	—	**19,618**

1. CORPORATE INFORMATION

The financial report of Buderim Ginger Limited for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 28 February 2007. Buderim Ginger Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except land and derivative financial instruments that have been measured at fair value. This financial report has been prepared adopting the same accounting policies as those adopted in the annual financial statements for the year ended 31 December 2005, with the exception of revisions to Australian Accounting Standards (including interpretations) that have occurred on or after 1 January 2006. These revisions have been assessed to require no change in accounting policies nor are they expected to result in any significant impact upon reported results.

The 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 Class Order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

Except for the amendments to AASB 101 Presentation of Financial Statements, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2006. These are outlined in the table below:

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group*
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures*	1-Jan-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1-Jan-07
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132	1-Jan-07	As above	1-Jan-07
UIG 7	Applying the Restatement Approach under AASB 129 *Financial Reporting in Hyperinflationary Economies*	Addresses the requirement in AASB 129 for financial statements to be stated in terms of the measuring unit current at the reporting date when reporting in the currency of a hyperinflationary economy.	1-Mar-06	As the Group has no investments in foreign operations operating in hyperinflationary economies, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group*
UIG 8	Scope of AASB 2 *Share-based Payment*	Clarifies that the scope of AASB 2 includes transactions in which the entity cannot identify specifically some or all of the goods or services received as consideration for the entity or other share-based payment.	1-May-06	Unless the Group enters into share-based payments arrangements unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07
UIG 9	Reassessment of Embedded Derivatives	Clarifies that an entity reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.	1-Jun-06	Unless the Group enters into arrangements containing embedded derivatives in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07

**designates the beginning of the applicable annual reporting period*

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Buderim Ginger Limited and its subsidiaries as at 31 December each year (the 'Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity. All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(f) Investment in jointly controlled entities

The Group has interests in joint ventures that are jointly controlled entities. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The Group recognises its interest in jointly controlled entities using the equity method. Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture entity.

(g) Foreign currency translation

Both the functional and presentation currency of Buderim Ginger Limited and its Australian subsidiaries is Australian dollars (AUD) or ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the overseas subsidiary, Buderim Ginger (UK) Limited, is (GBP). The functional currency of the overseas subsidiary, Buderim Ginger America, Inc. is (USD). The functional currency of the overseas subsidiary, Frespac Ginger (Fiji) Limited, is (FJD). The functional currency of the overseas joint venture entity, Buderim Ginger America, LLC is (USD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Buderim Ginger Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made where there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Property, plant and equipment

Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is measured at fair value. Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land, over the estimated useful life of the assets as follows:

Major depreciation periods are:

Tourism buildings	**15 years**
Freehold buildings	**50 years**
Leasehold buildings	**20 years**
Plant and equipment	**3 – 10 years**
Plant and equipment under lease	**The lease term (3 – 5 years)**

The asset's residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end. The useful lives of assets and major depreciation periods used in 2006 are consistent with those used in the prior year.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds it estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised separately in the income statement. However, because land is measured at revalued amounts, impairment losses on land are treated as a revaluation decrement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Property, plant and equipment (cont)

Revaluations

Following initial recognition at cost, land is carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in any arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve, to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(l) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

(m) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised developments costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and developments costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet available for use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Intangible assets (cont)

A summary of the policies applied to the Group's intangible assets is as follows:

	Goodwill	Brand Value	Trademarks
Useful lives	*Indefinite*	*Indefinite*	*Indefinite*
Method used	*Not amortised*	*Not amortised*	*Not amortised*
Internally generated / Acquired	*Acquired*	*Acquired*	*Acquired (Registration costs)*
Impairment test / Recoverable amount testing	*Annually and where an indicator of impairment exists*	*Annually and where an indicator of impairment exists*	*Annually and where an indicator of impairment exists*

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(n) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired assets unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

(p) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(r) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(s) Share-based payment transactions

The Group provides benefits to the Managing Director of the Group in the form of share-based payment transactions, whereby the Managing Director renders services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Buderim Ginger Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the time the share-based payment is made ('vesting date').

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(u) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of shipment of the goods to the customer.

Interest

Revenue is recognised as the interest accrues using the effective interest method, or at the time interest is credited to bank statements.

Rental Income

Rental income is recognised in line with lease commitments defined in lease agreements which is a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(v) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax assets is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(w) Income tax (cont)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(x) Other taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of GST except:

a. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
b. receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to, the taxation authority.

(y) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractural rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(z) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency fluctuations and interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(aa) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financials assets is collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(ab) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ac) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. As there are no dilutive potential ordinary shares, diluted earnings per share is the same as basic earnings per share.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, overdraft, bills of exchange, finance leases, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, principally forward currency contracts and interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 23.

The Group's accounting policies in relation to derivatives are set out in note 2.

Foreign currency risk

As a result of significant investment operations in the United Kingdom, Fiji and the United States, the Group's balance sheet can be affected significantly by movements in the USD/AUD, FJD/AUD and GBP/AUD exchange rates.

The Group seeks to mitigate the effect of its structural currency exposure by borrowing a portion of its facility in overseas currency loans. The Group has designated entry and exit points for converting between AUD and other currencies, in order to maximize the benefit of the hedging philosophy. In addition, maximum levels of foreign currency borrowings have been restricted to the lowest historical monthly net asset level, denominated in a particular overseas currency.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency. Approximately 23% of the Group's sales are denominated in currencies other than the reporting currency of the operating unit making the sale, whilst almost 77% of costs are denominated in the unit's reporting currency.

The Group requires all its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $15,000. Contracts are not to exceed $100,000 in value, nor a maximum of 12 month duration.

The forward currency contracts must be in the same currency as the hedged item.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2006, the Group had hedged 100% of its foreign currency sales for which firm commitments existed at the balance sheet date, extending to 31 December 2007.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

To manage this risk in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

These swaps are designated to hedge underlying debt obligations.

At 31 December 2006, after taking into account the effect of interest rate swaps, approximately 15% of the Group's borrowings are at a fixed rate of interest.

Commodity price risk

The Group's exposure to price risk is minimal. Processes are in place to monitor the price movements associated with commodities such as meat, sugar and flour. Where appropriate forward contracts are established to minimise exposure to price risks for these commodities.

Credit risk

The Group trades only with recognised, credit worthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. All debtors are covered by trade credit indemnity insurance.

With respect to credit risk arising from certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and bill facilities. The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers. A general policy is that 50% of term debt be established on fixed terms.

4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact of the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumption of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimate of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 18.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attribution rates and pay increases through promotion and inflation have been taken into account.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is either based on supportable past collection history and historical write-offs of bad debts and/or known occurrences debtors' inability to honour commitments.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies where applicable. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 6.

5. SEGMENT INFORMATION

The Group's primary reporting format is business segments and its secondary format is geographical 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.

The Group operates predominantly in the ginger processing industry, and in two geographic areas, Australia and Fiji, although it has marketing operations in the U.K. and USA.

The ginger processing operations comprise the production and sale of a variety of sugar processed, brined and dried products to both wholesale and retail operations throughout the world.

The bakery segment comprises the manufacture and distribution of wholesale pastry and pasta products throughout Australia.

The tourism operations comprise the sale of ginger and other retail gift and food products and leisure activities within the Australian tourism market.

The group generally accounts for intersegmental 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 at on an arms length basis. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 2. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2006 and 2005.

Business segments	Ginger Processing		Baking		Tourism		Eliminations		Consolidated	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenue										
Sales to external customers	**29,379**	28,810	**14,779**	13,392	**3,819**	3,752	**—**	—	**47,977**	45,954
Other revenue from external customers	**186**	362	**10**	8	**196**	281	**—**	—	**392**	651
Inter-segment sales	**673**	671	**—**	—	**—**	—	**(673)**	(671)	**—**	—
Total segment revenue	**30,238**	29,843	**14,789**	13,400	**4,015**	4,033	**(673)**	(671)	**48,369**	46,605
Results										
Segment result	**402**	1,441	**444**	(177)	**394**	436	**—**	—	**1,240**	1,700
Share of profit/(loss) of jointly controlled entities'	**(64)**	77	**—**	—	**(24)**	21	**—**	—	**(88)**	98
Unallocated expenses									**(1,533)**	(1,303)
Profit/(loss) before income tax expense and minority interest									**(381)**	495
Income tax (expense)/benefit									**305**	(12)
Net profit/(loss)									**(76)**	483
Assets and liabilities										
Segment assets	**43,034**	36,513	**10,327**	10,418	**1,755**	1,942	**(6,564)**	(6,655)	**48,552**	42,218
Investment in jointly controlled entities	**310**	387	**—**	—	**1,126**	1,150	**—**	—	**1,436**	1,537
Total assets	**43,344**	36,900	**10,327**	10,418	**2,881**	3,092	**(6,564)**	(6,655)	**49,988**	43,755
Segment liabilities	**19,793**	17,326	**5,772**	5,779	**262**	276	**(3,511)**	(3,274)	**22,316**	20,107
Other segment information:										
Capital expenditure including intangibles	**1,164**	1,255	**849**	2,301	**40**	835	**—**	(18)	**2,053**	4,373
Depreciation	**1,140**	1,150	**490**	483	**227**	197	**—**	—	**1,857**	1,830
Amortisation	**77**	77	**7**	2	**—**	—	**—**	—	**84**	79

5. SEGMENT INFORMATION (CONT)

Geographic segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 31 December 2006 and 31 December 2005.

Year ended 31 December 2006	Australia		Fiji		Eliminations		Consolidated	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenue								
Sales to external customers	**45,944**	43,551	**2,033**	2,403	**—**	—	**47,977**	45,954
Other revenue from external customers	**384**	651	**8**	—	**—**	—	**392**	651
Inter-segment sales	**—**	—	**1,346**	802	**(1,346)**	(802)	**—**	—
Total segment revenue	**46,328**	44,202	**3,387**	3,205	**(1,346)**	(802)	**48,369**	46,605
Other segment information								
Segment assets	**46,038**	39,652	**2,673**	2,623	**(159)**	(57)	**48,552**	42,218
Investment in jointly controlled entities	**1,436**	1,537	**—**	—	**—**	—	**1,436**	1,537
Total assets	**47,287**	41,189	**2,673**	2,623	**(159)**	(57)	**49,988**	43,755
Capital expenditure	**1,859**	4,241	**194**	150	**—**	(18)	**2,053**	4,373

		CONSOLIDATED		BUDERIM GINGER LIMITED	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
6.	**REVENUES AND EXPENSES**				
(a)	**Other income**				
	Gain on disposal of property, plant and equipment	**7**	130	**—**	123
	Management fees	**—**	—	**92**	117
	Sundry income	**169**	221	**154**	159
		176	351	**246**	399
(b)	**Finance costs**				
	Bill facility	**761**	614	**478**	406
	Bank loans and overdraft	**148**	111	**52**	39
	Finance charges - lease liability	**46**	50	**44**	50
	Total finance costs	**955**	775	**574**	495
(c)	**Depreciation and amortisation**				
	Amortisation of non-current assets				
	Plant and equipment under lease	**84**	79	**77**	77
	Depreciation of non-current assets				
	Plant and equipment	**1,504**	1,470	**806**	750
	Buildings	**353**	360	**280**	289
		1,857	1,830	**1,086**	1,039
	Total depreciation and amortisation	**1,941**	1,909	**1,163**	1,116
(d)	**Lease payments and other expenses included in income statement**				
	Minimum lease payments on operating leases	**185**	179	**144**	136
(e)	**Employee benefits expense**				
	Wages and salaries	**9,980**	10,078	**5,962**	6,091
	Workers Compensation costs	**419**	432	**325**	350
	Superannuation costs	**750**	804	**484**	501
	Cost of redundancies and terminations	**118**	49	**91**	—
		11,267	11,363	**6,862**	6,942
(f)	**Foreign currency expenses**				
	Net foreign currency losses/(gains) realised	**(1)**	31	**4**	(31)
	Net foreign exchange translation losses/(gains) unrealised	**52**	(77)	**27**	(4)
		51	(46)	**31**	(35)
(g)	**Research and development costs**				
	Research and development costs	**35**	33	**35**	33

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
7. INCOME TAX				
Major components of income tax expense for the years ended 31 December 2006 and 2005 are:				
Income Statement				
Current income tax				
Current income tax charge/(benefit)	**(179)**	101	**(326)**	116
Adjustments in respect of current income tax of previous years	**(67)**	(26)	**(87)**	7
Deferred income tax				
Relating to origination and reversal of temporary differences	**(59)**	(63)	**4**	(43)
	(305)	12	**(409)**	80
Statement of Changes in Equity				
Deferred income tax related to items charged or credited directly to equity				
Revaluation of land	**(1,959)**	(197)	**(1,959)**	(197)
Income tax reported in equity	**(1,959)**	(197)	**(1,959)**	(197)

A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income tax at the statutory income tax rate, to income tax expense at the Group's effective income tax rate for the years ended 31 December 2006 and 2005 is as follows:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	BUDERIM GINGER LIMITED 2006 $'000	BUDERIM GINGER LIMITED 2005 $'000
Accounting profit/(loss) before minority interest	**(381)**	495	**(1,026)**	277
Minority interest	**89**	(53)	**—**	—
Accounting profit/(loss) before income tax	**(470)**	442	**(1,026)**	277
At the statutory income tax rate of 30% (2005: 30%)	**(141)**	133	**(308)**	83
Adjustments in respect on current income tax of previous years	**(67)**	(26)	**(87)**	7
Research and development deductions	**(35)**	(28)	**(35)**	(28)
Depreciation of buildings	**19**	19	**19**	19
Non-assessable income from foreign operations	**(84)**	(95)	**—**	—
Other	**3**	9	**2**	(1)
At effective income tax rate of (65%) (Parent (40%))	**(305)**	12	**(409)**	80

(2005: 3%, Parent: 29%)

	BALANCE SHEET 2006 $'000	BALANCE SHEET 2005 $'000	INCOME STATEMENT 2006 $'000	INCOME STATEMENT 2005 $'000
7. INCOME TAX (CONT)				
Deferred income tax				
Deferred income tax at 31 December relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities				
Revaluation of land to fair value	**(2,402)**	(443)	**—**	—
Accelerated depreciation for tax purposes	**(118)**	(188)	**—**	—
Other temporary differences	**(113)**	(112)	**—**	—
	(2,633)	(743)		
CONSOLIDATED				
Deferred income tax assets				
Future and post-employment benefits	**425**	408	**69**	(29)
Losses available for offset against future taxable income	**308**	26	**(128)**	(34)
Gross deferred income tax assets	**733**	434		
Deferred income tax charge			**(59)**	(63)

	BALANCE SHEET 2006 $'000	BALANCE SHEET 2005 $'000	INCOME STATEMENT 2006 $'000	INCOME STATEMENT 2005 $'000
PARENT				
Deferred income tax liabilities				
Revaluation of land to fair value	**(2,402)**	(443)	**—**	—
Accelerated depreciation for tax purposes	**(168)**	(178)	**—**	—
Other temporary differences	**(109)**	(111)	**—**	—
	(2,679)	(732)		
PARENT				
Deferred income tax assets				
Future and post-employment benefits	**373**	360	**46**	(22)
Losses available for offset against future taxable income	**412**	10	**(42)**	(21)
Gross deferred income tax assets	**785**	370		
Deferred income tax charge			**4**	(43)

At 31 December 2006, there is no recognised or unrecognised deferred income tax liability (2005: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Buderim Ginger Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the group have entered into a tax sharing arrangement applying the group allocation approach in determining the amount of current tax and deferred taxes to allocate to members of the tax consolidation group. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group in Buderim Ginger Limited.

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
As Buderim Ginger Limited does not have preference shares or other dilutive potential ordinary shares, the diluted earnings per share is the same as the basic earnings per share.

	CONSOLIDATED 2006	2005
The following reflects the income and share data used in the total operations basic earnings per share computations:		
Net profit/(loss) attributable to ordinary shareholders of parent ($'000)	**(165)**	536
Basic earnings per share (cents per share)	**(0.58)**	1.97
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share.	**28,575,385**	27,283,046

There are no issued preference shares and therefore no adjustment to profit for the cost of equity. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
9. DIVIDENDS PAID OR PROPOSED				
Declared and paid during the year:				
Previous year final				
Final franked dividends for 2005: 1 cent (2004: nil cents per share)	**284**	—	**284**	—
Dividend proposed for approval at AGM (not recognised as a liability as at 31 December):				
Dividends on ordinary shares:				
Final franked dividend for 2006: nil cent per share (2005: 1 cent)	**—**	284	**—**	284
(c) **Franking credit balance**				
The amount of franking credits available for future reporting periods are:				
– franking account balance as at the end of the financial year at 30% (2005: 30%)	**269**	343	**269**	343
– franking credits that will arise from the refund of income tax paid as at the end of the financial year	**(102)**	(8)	**(102)**	(8)
– franking debits that will arise from the payment of dividends proposed.	**—**	(122)	**—**	(122)
	167	213	**167**	213

The tax rate at which paid dividends in 2005 have been franked is 30%.

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
10. CASH AND CASH EQUIVALENTS				
Reconciliation of cash and cash equivalents				
Cash balance comprises:				
– cash on hand	**1,323**	1,092	**960**	532
– overdraft	**(187)**	—	**—**	—
Closing cash balance	**1,136**	1,092	**960**	532

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. There were no short-term deposits in use as at 31 December 2006.

The fair value of cash and cash equivalents is $1,136,323 (2005: $1,091,628)

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	BUDERIM GINGER LIMITED 2006 $'000	BUDERIM GINGER LIMITED 2005 $'000
Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations				
Net profit/(loss)	**(76)**	483	**(617)**	197
Adjustments for:				
Depreciation of non-current assets	**1,857**	1,830	**1,086**	1,039
Amortisation of non-current assets	**84**	79	**77**	77
Net (profit)/loss on disposal of property	**(7)**	(130)	**—**	(123)
Share of profit of jointly controlled entities	**88**	(98)	**24**	(21)
Other	**142**	(54)		(8)
Changes in assets and liabilities				
(Increase)/decrease in trade receivables	**521**	(1,394)	**305**	116
(Increase)/decrease in inventory	**(214)**	(1,413)	**461**	(1,370)
(Increase)/decrease in deferred tax assets	**(299)**	(61)	**(415)**	(38)
(Increase)/decrease in prepayments and other receivables	**(68)**	(84)	**81**	154
(Decrease)/increase in trade and other creditors	**229**	1,581	**155**	926
(Decrease)/increase in tax provision	**(66)**	24	**(28)**	67
(Decrease)/increase in deferred income tax liability	**(69)**	(10)	**(12)**	(11)
(Decrease)/increase in employee benefits	**71**	87	**47**	86
Net cash flow from operating activities	**2,193**	840	**1,164**	1,091

Disclosure of financing facilities

Refer to note 20.

Disclosure of non-cash financing and investing activities

During the year, the Group funded insurance premiums of $746,755 (2005: $847,158) by way of a loan.
During the year the Group acquired plant and equipment totalling $16,500 (2005: $19,300) by way of finance leases.

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
11. TRADE AND OTHER RECEIVABLES (CURRENT)					
Trade receivables (i)		**8,128**	8,498	**4,846**	4,519
Deposits and other loans		**10**	14	**10**	14
Other receivables		**463**	473	**141**	236
		8,601	8,985	**4,997**	4,769
Related party receivables (ii)					
Jointly controlled entities		**562**	713	**532**	251
Controlled entities		**—**	—	**578**	1,491
Directors and director-related entities		**71**	—	**—**	—
		633	713	**1,110**	1,742
Carrying amount of trade and other receivables		**9,234**	9,698	**6,107**	6,511

(i) Trade receivables are non-interest bearing and are generally on 30 -60 day terms. All trade debtors are covered by trade credit insurance. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of an allowance is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. No allowance has been recognised as an expense for the current year as no evidence of a doubtful debt exists.

(ii) For items and conditions relating to related party receivables refer to note 28 and note 30.

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
12. INVENTORIES (CURRENT)					
Raw materials (at cost)		**1,497**	1,554	**1,022**	979
Work-in-progress (at cost)		**1,409**	1,425	**864**	1,077
Finished goods (at cost)		**7,833**	7,545	**6,064**	6,355
Total inventories at lower of cost and net realisable value		**10,739**	10,524	**7,950**	8,411
13. OTHER CURRENT ASSETS					
Other debtors – controlled entity		**—**	—	**—**	400
Prepayments		**566**	548	**495**	470
		566	548	**495**	870
14. RECEIVABLES (NON-CURRENT)					
Other receivables		**65**	—	**800**	800
Loan to controlled entities		**—**	—	**3,884**	3,960
		65	—	**4,684**	4,760

15. INVESTMENT IN CONTROLLED ENTITIES

Name		Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
			2006 %	2005 %	2006 $'000	2005 $'000
Australian Golden Ginger Pty Ltd	(i)	Australia	**100**	100	**—**	—
Gingertown Pty Ltd	(i)	Australia	**100**	100	**—**	—
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia	**100**	100	**—**	—
Buderim Baking Company Pty Ltd	(i)	Australian	**80**	70	**3,380**	3,382
Buderim Ginger America, Inc	(ii)	United States	**100**	100	**—**	—
Buderim Ginger (UK) Ltd	(iii)	United Kingdom	**100**	100	**—**	—
Frespac Ginger (Fiji) Ltd	(iii)	Fiji	**100**	100	**—**	—
					3,380	3,382

(i) Investments by Buderim Ginger Limited.
(ii) Investment by Buderim Ginger (UK) Ltd.
(iii) Investment by Buderim Ginger (Overseas) Holdings Pty Ltd.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name		Country of incorporation	Percentage of equity interest held by the entity		Investment Consolidated	
			2006 %	2005 %	2006 $'000	2005 $'000
Ginger Head Quarters Pty Ltd	(i)	Australia	**50**	50	**1,126**	1,150
Buderim Ginger America, LLC	(ii)	United States	**50**	50	**310**	387
					1,436	1,537

Name		Country of incorporation	Percentage of equity interest held by the entity		Investment Parent	
			2006 %	2005 %	2006 $'000	2005 $'000
Ginger Head Quarters Pty Ltd	(i)	Australia	**50**	50	**1,126**	1,150
					1,126	1,150

(i) Buderim Ginger Limited has a 50% interest in jointly controlled entity Ginger Head Quarters Pty Ltd with DPG Enterprises Pty Ltd. The joint venture entity is involved in tourism activities with the *Ginger Factory* tourism complex at Yandina.
(ii) The subsidiary, Buderim Ginger America, Inc has a 50% interest in jointly controlled entity Buderim Ginger America, LLC with Greater Pacific Foods, LLC trading as Pan Pacific Foods. The joint venture entity is involved in the distribution of confectionery ginger and other ginger-based products.

The reporting date of both entities is the same as Buderim Ginger Limited. There were no impairment losses, capital commitments or contingent liabilities relating to either investment in these jointly controlled entities.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT)

The following table illustrates summarised information of the investment in Ginger Head Quarters Pty Ltd.

	CONSOLIDATED 2006 $'000	2005 $'000
Share of jointly controlled entities' balance sheet:		
Current assets	**53**	27
Non-current assets	**1,068**	1,113
Current liabilities	**(23)**	(19)
Non-current liabilities	**—**	—
Net assets	**1,098**	1,121
Share of jointly controlled entities' revenues and profit:		
Revenue	**137**	110
Profit before income tax	**(24)**	21
Income tax expense	**—**	—
Profit after income tax	**(24)**	21

The following table illustrates summarised information of the investment in Buderim Ginger America, LLC.

	CONSOLIDATED 2006 $'000	2005 $'000
Share of jointly controlled entities' balance sheet:		
Current assets	**733**	721
Non-current assets	**—**	—
Current liabilities	**(466)**	(368)
Non-current liabilities	**—**	—
Net assets	**267**	353
Share of jointly contolled entities' revenue and profit:		
Revenue	**1,571**	862
Profit before income tax	**(57)**	77
Income tax expense	**(7)**	(5)
Profit after income tax	**(64)**	72

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
17. PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At fair value	**8,300**	1,770	**8,300**	1,770
Buildings on leasehold land				
At cost	**1,417**	1,385	**—**	—
Accumulated depreciation	**(498)**	(416)	**—**	—
	919	969	**—**	—
Buildings on freehold land				
At cost	**8,215**	7,747	**8,215**	7,747
Accumulated depreciation	**(3,923)**	(3,643)	**(3,923)**	(3,643)
	4,292	4,104	**4,292**	4,104
Total land and buildings	**13,511**	6,843	**12,592**	5,874
Plant and equipment				
At cost	**18,475**	17,171	**11,939**	11,068
Accumulated depreciation	**(10,303)**	(8,894)	**(7,600)**	(6,824)
	8,172	8,277	**4,339**	4,244
Plant and equipment under lease				
At cost	**807**	790	**771**	771
Accumulated amortisation	**(207)**	(123)	**(198)**	(121)
	600	667	**573**	650
Total plant and equipment	**8,772**	8,944	**4,912**	4,894
Capital works in progress at cost	**1,413**	1,338	**628**	982
Total property, plant and equipment				
Fair value	**8,300**	1,770	**8,300**	1,770
Cost	**30,327**	28,431	**21,553**	20,568
	38,627	30,201	**29,853**	22,338
Accumulated depreciation and amortisation	**(14,931)**	(13,076)	**(11,721)**	(10,588)
Total written down amount	**23,696**	17,125	**18,132**	11,750

(a) Assets pledged as security

Rabobank Australia Limited holds a registered equitable mortgage over the company's assets. The terms of this first mortgage preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Included in the balance of plant and equipment are assets under lease, which are pledged as security for the associated lease liability to Westpac Banking Corporation. The book value of leased assets amounts to $599,611 (2005: $666,808).

(b) Valuations

In June 2004, Directors re-valued the freehold land based on an independent valuation, resulting in an increase in the revaluation reserve of $820,000.

In 30 June 2004, land, buildings and plant and equipment of the parent company were valued by Aon Valuation Services, registered valuers at $12,563,100 on the basis of Market Value for Existing Use. Valuation for insurance purposes/reinstatement with new value was at $30,877,500. As at 31 December 2004, land and plant and equipment of Frespac Ginger (Fiji) Ltd were valued by Fairview Valuations and Graham & Associates, registered valuers at $2,916,850 on the basis of Market Value for Existing Use. Valuation for insurance purposes/reinstatement with new value was at $3,932,810.

In June 2006 Rushtons Property Valuers were engaged to assist directors in determining an appropriate carrying value for land. As a result the land value has been increased to $8,300,000. In accordance with the consolidated entity's set policy of regular valuation of freehold land and buildings at least once every three financial years, valuations of Yandina and Suva property, plant and equipment are scheduled to be conducted during 2007.

Market valuations for Existing Use are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

17. PROPERTY, PLANT AND EQUIPMENT (CONT)

(c) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Freehold land				
Carrying amount at beginning	**1,770**	1,770	**1,770**	1,770
Revaluation	**6,530**	—	**6,530**	—
	8,300	1,770	**8,300**	1,770
Buildings on leasehold land				
Carrying amount at beginning	**969**	1,046	**—**	—
Transfers	**1**	—	**—**	—
Net foreign currency movements	**22**	(6)	**—**	—
Depreciation expense	**(73)**	(71)	**—**	—
	919	969	**—**	—
Buildings on freehold land				
Carrying amount at beginning	4,104	4,167	4,104	4,167
Transfers	468	226	468	226
Net foreign currency movements	**—**	—	**—**	—
Depreciation expense	**(280)**	(289)	**(280)**	(289)
	4,292	4,104	**4,292**	4,104
Plant and equipment				
Carrying amount at beginning	**8,277**	7,083	**4,244**	3,976
Additions	**—**	887	**—**	—
Transfers	**1,494**	1,876	**958**	1,033
Disposals	**(104)**	(94)	**(57)**	(15)
Net foreign currency movements	**11**	(5)	**—**	—
Depreciation expense	**(1,506)**	(1,470)	**(806)**	(750)
	8,172	8,277	**4,339**	4,244
Plant and equipment under lease				
Carrying amount at beginning	**667**	727	**650**	727
Additions	**17**	19	**—**	—
Transfers	**—**	—	**—**	—
Amortisation expense	**(84)**	(79)	**(77)**	(77)
	600	667	**573**	650
Capital Works in progress at cost				
Carrying amount at beginning	**1,338**	759	**982**	536
Additions	**2,038**	2,681	**1,073**	1,705
Transfers	**(1,963)**	(2,102)	**(1,427)**	(1,259)
	1,413	1,338	**628**	982

	CONSOLIDATED Goodwill $'000	CONSOLIDATED Brand Value $'000	CONSOLIDATED Trademarks $'000	CONSOLIDATED Total $'000	PARENT Goodwill $'000	PARENT Trademarks $'000	PARENT Total $'000
18. INTANGIBLE ASSETS AND GOODWILL							
At 1 January 2006							
Cost (gross carrying amount)	2,215	480	228	**2,923**	218	226	**444**
Accumulated amortisation and impairment	(59)	—	(80)	**(139)**	—	(80)	**(80)**
Net carrying amount	2,156	480	148	**2,784**	218	146	**364**
Year ended 31 December 2006							
At 1 January 2006, net of accumulated amortisation	2,156	480	148	**2,784**	218	146	**364**
Reduction on acquisition of 10% of OEI	(397)	—	—	**(397)**	—	—	**—**
Impairment	—	—	(10)	**(10)**	—	(9)	**(9)**
At 31 December 2006, net of accumulated amortisation	1,759	480	138	**2,377**	218	137	**355**
At 31 December 2006							
Cost (gross carrying amount)	1,818	480	214	**2,512**	218	213	**431**
Accumulated amortisation and impairment	(59)	—	(76)	**(135)**	—	(76)	**(76)**
Net carrying amount	1,759	480	138	**2,377**	218	137	**355**

Effective 1 January 2006, 10% of the outside equity interest held by York Bakeries Pty Ltd in Buderim Baking Company Pty Ltd was transferred to goodwill on acquisition by Buderim Ginger Limited in accordance with the Shareholders Agreement and subsequent Deeds of Variation between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd.

The parent entity resumed the restaurant lease within the company's tourist complex, the *Ginger Factory* on 8 August 2005. This transaction resulted in an addition in goodwill. The acquisition has been capitalised at cost and its useful life has been assessed to be indefinite. The assets are tested for impairment where an indicator of impairment arises, or annually.

The addition to brand value represents intangible assets purchased through the effect of a business combination. This intangible asset has been capitalised at fair value. An independent valuation was obtained to determine the fair value at date of acquisition. The useful life of the brand value has been determined to be indefinite. The assets are tested for impairment where an indicator of impairment arises, or annually.

Trademark additions are capitalised at cost. Their useful lives have been assessed as indefinite. Impairment testing is undertaken where an indicator of impairment arises, or annually. During the reporting year, an impairment loss associated with a trademark registered for a range of products no longer distributed in the United States, was recognised to the value of $10k.

No other impairment loss was recognised for continuing operations in the 2006 financial year.

	CONSOLIDATED				PARENT		
	Goodwill $'000	Brand Value $'000	Trademarks $'000	Total $'000	Goodwill $'000	Trademarks $'000	Total $'000
18. INTANGIBLE ASSETS AND GOODWILL (CONT)							
At 1 January 2005							
Cost (gross carrying amount)	1,912	-	225	**2,137**	-	223	**223**
Accumulated amortisation and impairment	(59)	-	(80)	**(139)**	-	(80)	**(80)**
Net carrying amount	1,853	-	145	**1,998**	-	143	**143**
Year ended 31 December 2005							
At 1 January 2006, net of accumulated amortisation	1,853	-	145	**1,998**	-	143	**143**
Additions	303	480	3	**786**	218	3	**221**
At 31 December 2005, net of accumulated amortisation	2,156	480	148	**2,784**	218	146	**364**
At 31 December 2005							
Cost (gross carrying amount)	2,215	480	228	**2,923**	218	226	**444**
Accumulated amortisation and impairment	(59)	-	(80)	**(139)**	-	(80)	**(80)**
Net carrying amount	2,156	480	148	**2,784**	218	146	**364**

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
19. TRADE AND OTHER PAYABLES				
CURRENT				
Trade payables (i)	**3,915**	3,923	**2,435**	2,485
Other payables (i)	**1,739**	1,691	**1,214**	1,183
Interest payable (ii)	**16**	19	**16**	19
Deferred purchase consideration	**—**	—	**—**	400
	5,670	5,633	**3,665**	4,087
Related party payables (iii)				
Joint venture entities	**49**	27	**49**	25
	49	27	**49**	25
Carrying amount of trade and other payables	**5,719**	5,660	**3,714**	4,112
NON-CURRENT				
Deferred purchase consideration	**—**	—	**800**	800
Controlled entity	**—**	—	**159**	—
	—	—	**959**	800

(i) Trade and other payables are non-interest bearing and are normally settled on 30 - 45 day terms. The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis, except for Buderim Baking Company Pty Ltd who remits the net GST payable on a quarterly basis.

(ii) Interest payable is normally settled monthly throughout the financial year.

(iii) For terms and conditions relating to related parties refer to note 28 and note 30.

Information regarding the effective interest rate and credit risk of current payables is set out in note 23.

	Effective Interest rate %	Maturity	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
20. INTEREST-BEARING LOANS AND BORROWINGS						
CURRENT						
Secured						
Lease liability (i)	7.59	2010	**107**	94	**98**	91
Bank bill facility (ii)	6.96	rolling	**7,596**	6,296	**7,596**	6,296
Bank loans (iii)						
- Frespac Ginger (Fiji) Pty Ltd	8.45	2007	**—**	30	**—**	—
- Buderim Baking Company Pty Ltd	7.75	2010	**143**	141	**—**	—
- Buderim Ginger Limited	7.54	2009	**447**	476	**447**	476
			8,293	7,037	**8,141**	6,863
NON-CURRENT						
Secured						
Lease liability (i)	7.59	2010	**467**	560	**447**	545
Bank bill facility (ii)	6.96	rolling	**3,136**	3,931	**3,136**	3,931
Bank loans (iii)						
- Frespac Ginger (Fiji) Pty Ltd	8.45	2007	**—**	8	**—**	—
- Buderim Baking Company Pty Ltd	7.75	2010	**285**	387	**—**	—
- Buderim Ginger Limited	7.54	2009	**137**	253	**137**	253
			4,025	5,139	**3,720**	4,729

Fair Value Disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note 23.

(i) Lease liability

The lease liabilities are secured by a charge over the leased assets. The average interest rate on leases in 2006 is 7.59% (2005: 7.55%).

(ii) Bank overdraft and bill facilities

The bank overdrafts and bill finance facilities are secured by a registered equitable mortgage over the company's assets. The effective interest rate on the bill facilities was 6.96%. The interest rate on Frespac Ginger (Fiji) Pty Ltd overdraft facility is 10.99% (2005: 7.99%). The overdraft interest rate paid by the parent is 9.70% (2005: 8.95%).

(iii) Bank loans

Bank loans are secured over the plant and equipment of the subsidiaries subject to the loan. Frespac Ginger (Fiji) Limited loan facilities are at an average interest rate of 8.45% (2005: 8.45%) and are supported by a guarantee from the parent entity. Buderim Baking Company Pty Ltd loans are at an average interest rate of 7.75%. (2005: 7.75%) Buderim Ginger Limited's loans are at an average interest rate of 7.54% (2005: 7.54%) and are secured over the plant and equipment subject to the loans.

Working Capital Facility

The working capital facility provided by Rabobank Australia Limited includes a long term amortising/multi-option component, $62,200 (2005:$60,644) of which remains in overseas currency loans at balance date as part of the company's hedge management strategy. The amortising facility reduces by the repayment amount of $500,000 per annum. The working capital facility is on 30 – 90 day rollover terms with variable interest rates linked to BBSY rates.

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT)

Financing facilities available

Financiers

Rabobank Australia Limited are the company's principal financiers, whilst Westpac Banking Corporation supply retail banking facilities such as overdraft, dividend, share purchase plan accounts, internet and deskbank, to group entities.

At reporting date, the following financial facilities had been negotiated and were available:

		CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Total facilities					
- bank overdraft		**850**	700	**450**	450
- working capital facility		**12,245**	10,690	**12,245**	10,690
- bank loans		**1,012**	1,295	**584**	729
Facilities used at reporting date					
- bank overdraft		**187**	—	**—**	—
- working capital facility		**10,732**	10,227	**10,732**	10,227
- bank loans		**1,012**	1,295	**584**	729
Facilities unused at reporting date					
- bank overdraft		**663**	700	**450**	450
- working capital facility		**1,513**	463	**1,513**	463

Bank Guarantee Facility

Rabobank Australia Limited provides for the issue of a $1million guarantee(s) in favour of the consolidated entity's nominated banks in Australia and Fiji in connection with overdraft and transactional facilities.

21. PROVISIONS

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
CURRENT					
Employee benefits	25	**1,417**	1,360	**1,179**	1,144
Restructuring provision		**111**	—	**111**	—
		1,528	1,360	**1,290**	1,144
NON-CURRENT					
Employee benefits	25	**112**	98	**95**	83
		112	98	**95**	83
		1,640	1,458	**1,385**	1,227

(a) Movement in employee benefit provisions

		CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
At 1 January		**1,458**	1,369	**1,227**	1,141
Acquisition of business		**—**	9	**—**	—
Arising during the year		**978**	924	**680**	740
Utilised		**(907)**	(844)	**(633)**	(654)
At 31 December		**1,529**	1,458	**1,274**	1,227

(b) Nature and timing of restructuring provision

In light of the poor results in the core Ginger business, a restructuring program commenced in the latter part of 2006 and is expected to be fully implemented by the end of the first half of 2007. The plan to implement a number of restructuring initiatives within the ginger processing business and the recognition of a provision in accounts for the year ended 31 December 2006 was announced to the market in December of that year. Anticipated outcomes from this program include significant productivity gains within the ginger segment, a restructuring of group entities, a reduction in overheads throughout the business and improved year-on-year profit growth in 2007.

The estimated costs of the restructuring plan which was drawn up by Buderim Ginger Limited's management and approved by directors, are based on detailed analysis of proposed changes under the classifications of corporate, operations and selling and distribution. Costs included in the provision are associated with the early termination of contractural arrangements where applicable, staff restructuring, and a change to group structure. A very large component of gains to be achieved through execution of the restructuring program will not result in additional costs and therefore do not impact on this provision. These particular aspects of the plan are expected to lift profitability through engineering and process modifications. Additionally, immediate savings are anticipated through a reduction in productive labour due to process change, which will not result in increased costs.

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

22. CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Issued and paid up capital				
28,655,832 ordinary shares fully paid				
(2005: 28,444,585)	**17,472**	17,369	**17,472**	17,369

Movements in ordinary shares on issue

	2006 Number of shares	2006 $'000	2005 Number of shares	2005 $'000
Beginning of the financial year	**28,444,585**	17,369	**26,681,187**	16,351
Issued during the year				
- dividend reinvestment scheme (i)	**211,247**	103	**—**	—
- share purchase plan (ii)	**—**	—	**1,443,262**	816
- acquisition of Aldente business	**—**	—	**320,136**	202
End of the financial year	**28,655,832**	17,472	**28,444,585**	17,369

(i) On 19 May 2006, 211,247 ordinary shares were issued at a value of $0.488087 per share fully paid under the company's dividend reinvestment plan. These shares rank equally with all other ordinary shares.

(ii) There were no ordinary shares issued under the share purchase plan during this period.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Retained earnings				
Movement in retained earnings were as follows:				
Opening balance	**4,794**	4,258	**1,862**	1,665
Profit/(loss) for the period	**(165)**	536	**(617)**	197
Dividends	**(284)**	—	**(284)**	—
Closing balance	**4,345**	4,794	**961**	1,862

	CONSOLIDATED Asset Revaluation $'000	CONSOLIDATED Foreign Currency Translation $'000	CONSOLIDATED Cash Flow Hedges $'000	CONSOLIDATED Total $'000	PARENT Asset Revaluation $'000	PARENT Cash Flow Hedges	PARENT Total $'000
Reserves							
As at 1 January 2005	574	43	-	**617**	574	-	**574**
Net gain on cash flow hedges	-	-	9	**9**	-	10	**10**
Net tax effect of asset revaluation reserve	(197)	-	-	**(197)**	(197)	-	**(197)**
Currency translation differences	-	(62)	-	**(62)**	-	-	**-**
As at 31 December 2005	377	(19)	9	**367**	377	10	**387**
Net gain on cash flow hedges	-	-	(15)	**(15)**	-	(15)	**(15)**
Net increase in asset revaluation	6,530	-	-	**6,530**	6,530	-	**6,530**
Net tax effect of asset revaluation reserve	(1,959)	-	-	**(1,959)**	(1,959)	-	**(1,959)**
Currency translation differences	-	125	-	**125**	-	-	**-**
As at 31 December 2006	4,948	106	(6)	**5,048**	4,948	(5)	**4,943**

22. CONTRIBUTED EQUITY AND RESERVES (CONT)

Nature and purpose of reserve

Asset Revaluation

The asset revaluation reserve is used to record increments and decrements in the fair value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Minority interests				
Interest in:				
Ordinary shares	**800**	1,200	**—**	—
Retained earnings	**7**	(82)	**—**	—
	807	1,118	**—**	—
Reconciliation of outside equity interest in controlled entity				
Opening balance	**1,118**	1,230	**—**	—
Transfer of outside equity interest to goodwill on acquisition of 10% of OEI	**(400)**	—	**—**	—
Add share of operating profit/(loss)	**89**	(53)	**—**	—
Less distribution	**—**	(59)	**—**	—
Closing balance	**807**	1,118	**—**	—

23. FAIR VALUE AND INTEREST RATE RISK

Fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, have been reviewed. Buderim Ginger Limited does not have any financial instruments that differ materially from carrying values. The carrying amount is the same as the fair value because of their short-term to maturity for all financial assets and liabilities.

The fair value of derivative items has been assessed and determined to be the same as carrying values, except for one fair value hedge discussed below.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Year ended 31 December 2006	<1 year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years years $'000	Total $'000
CONSOLIDATED							
Fixed rate							
Bill facility	3,000	—	—	—	—	—	3,000
Obligations under finance leases	107	179	284	4	—	—	574
Buderim Baking Company bank loans	143	104	64	69	37	—	417
Buderim Ginger Limited bank loans	447	126	12	—	—	—	585
Floating rate							
Cash assets	1,136	—	—	—	—	—	1,136
Bill facility	7,732	—	—	—	—	—	7,732
PARENT							
Fixed rate							
Bill facility	3,000	—	—	—	—	—	3,000
Obligations under finance leases	98	169	278	—	—	—	545
Buderim Ginger Limited bank loans	447	126	12	—	—	—	585
Floating rate							
Cash assets	960	—	—	—	—	—	960
Bill facility	7,732	—	—	—	—	—	7,732

Refer to note 20 for disclosure on effective interest rates.

23. FAIR VALUE AND INTEREST RATE RISK (CONT)

Year ended 31 December 2005	<1 year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years years $'000	Total $'000
CONSOLIDATED							
Fixed rate							
Bill facility	1,500	—	—	—	—	—	1,500
Obligations under finance leases	—	—	164	472	18	—	654
Frespac Ginger (Fiji) bank loans	21	17	—	—	—	—	38
Buderim Baking Company bank loans	108	16	96	—	—	308	528
Buderim Ginger Limited bank loans	368	—	—	361	—	—	729
Floating rate							
Cash assets	1,092	—	—	—	—	—	1,092
Bill facility	8,727	—	—	—	—	—	8,727
PARENT							
Fixed rate							
Bill facility	1,500	—	—	—	—	—	1,500
Obligations under finance leases	—	—	164	472	—	—	636
Buderim Ginger Limited bank loans	368	—	—	361	—	—	729
Floating rate							
Cash assets	532	—	—	—	—	—	532
Bill facility	8,727	—	—	—	—	—	8,727

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Hedging activities

Cash flow hedges

At 31 December 2006, the Group held foreign exchange contracts designated as hedges of expected future sales to customers in the United Kingdom with varying maturity dates up to 14 December 2007. The average AUD/GBP exchange rate of these contracts is $0.4004 (2005: $0.4207) with an AUD equivalent of $1,739,049 (2005: $1,845,229).

At 31 December 2006, the Group held a number of foreign exchanges contracts designated as hedges of future purchases from overseas suppliers with varying maturity dates up to 31 May 2007. The average AUD/USD exchange rate on these contracts is $0.7751 with an AUD equivalent of $505,303 (2005: nil).

The terms of all foreign exchange contracts have been negotiated to match the terms of the commitments.

Cash flow hedge

At 31 December 2006, the Group had two $1,500,000 interest rate swap agreements in place aggregating to a notional value of $3,000,000 (2005: $1,500,000). The interest rate swap arrangement grants the Group the right to receive interest at a variable rate equal to the ABBSY on the notional amount and pay interest at a fixed rate of 5.86% and 6.44% (2005: 5.86%).

The swaps are being used to hedge exposures to changes in the fair value of a portion of the Group's bill facilities. The bill facilities and the interest rate swaps have the same critical terms.

Hedge on investments in foreign entities

Included in the bill facility at 31 December 2006, as in 2005, are borrowings of USD 10,000 (AUD $12,695) and GBP 20,000 (AUD $49,505). These loans are being used to reduce the exposure to foreign exchange risk. Exchange differences at balance date have been brought to account in the income statement.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000

24. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and office space where it is not in the best interest of the Group to purchase these assets. These leases have an average life of 3 years.
Future minimum rentals payable under non-cancellable operating leases as at 31 December 2006 are as follows:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Within one year	**172**	155	**130**	115
After one year and not more than five years	**161**	191	**116**	109
	333	346	**246**	224

Finance lease commitments – Group as lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have both renewal or purchase options at the end of the lease terms. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases are as follows;

	2006 Minimum lease payments $'000	2006 Present value of lease payments $'000	2005 Minimum lease payments $'000	2005 Present value of lease payments $'000
CONSOLIDATED				
Within one year	**147**	**107**	140	94
After one year and not more than five years	**512**	**467**	644	560
	659	**574**	784	654
Less amounts representing future finance charges	**(85)**	**—**	(130)	—
	574	**574**	654	654

	2006 Minimum lease payments $'000	2006 Present value of lease payments $'000	2005 Minimum lease payments $'000	2005 Present value of lease payments $'000
PARENT				
Within one year	**136**	**98**	136	90
After one year and not more than five years	**490**	**447**	626	546
	626	**545**	762	636
Less amounts representing future finance charges	**(81)**	**—**	(126)	—
	545	**545**	636	636

Capital commitments

At 31 December 2006 the Group has commitments of $88,732 (2005: $288,000) principally relating to plant and machinery upgrades planned for 2007.
Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Within one year				
– plant and equipment upgrades	**89**	288	**74**	219
	89	288	**74**	219

24. COMMITMENTS AND CONTINGENCIES (CONT)

Other Commitments

Under the Shareholders Agreement for Buderim Baking Company Pty Ltd, effective 17 August 2004, Buderim Ginger Limited was committed to acquiring the outside equity interest in that company in two tranches; 15% on 31 December 2005 and 15% on 31 December 2006. A subsequent Deed of Variation has been executed by the relevant parties which extends the terms of the arrangement from 2 years to 3 years by amending the payout structure from two instalments of 15% equity based on multiples of EBIT, to three instalments of 10% equity based on multiples of EBIT for the years ending 31 December 2005, 31 December 2006 and 31 December 2007. During 2006, a further variation to this arrangement was agreed whereby the level of outside equity will remain at 20% for 3 years commencing on 1 July 2006, unless either party trigger a payout during this period. An amount of $800,000 has been recognised at 31 December 2006 as a liability in Buderim Ginger Limited in relation to this commitment.

Guarantees

The parent company has guaranteed under the terms of an ASIC Class Order any deficiency of funds if Australian Golden Ginger Pty Ltd, Gingertown Pty Ltd and Buderim Ginger (Overseas) Holdings Pty Ltd are wound up. No such deficiencies exist.

The parent company has provided a guarantee to Westpac, Suva, Fiji in the sum of AUD $600,000 to indemnify the Westpac Banking Corporation for an overdraft facility made available to Frespac Ginger (Fiji) Ltd.

Termination of service agreements

There are no contingent liabilities in respect of termination of service agreements with executives or directors.

	Notes	CONSOLIDATED		PARENT	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
25. EMPLOYEE BENEFITS					
Employee Benefits					
The aggregate employee benefit liability is comprised of:					
Provisions (current)	21	**1,417**	1,360	**1,179**	1,144
Provisions (non-current)	21	**112**	98	**95**	83
		1,529	1,458	**1,274**	1,227

Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, resignation, disability or death. The Buderim Ginger Employee superannuation plan operates as an accumulation fund with defined contributions. Employees contribute to the plan at various percentages of their wages and salaries. The consolidated entity also contributes to the plan, in accordance with award based superannuation requirements. The plan complies with the Superannuation Industry Supervision Act and Regulations. The company contributions are legally enforceable. Superannuation funds to which the company contributes on behalf of overseas employees, include American Funds, Buderim Ginger (UK) Limited Retirement and Death Benefit Scheme, Norwich Union Life and Pensions Limited Personal Pension Plan and Fiji National Provident Fund. All overseas plans operate as accumulation funds.

26. IMPAIRMENT TESTING OF INDEFINITE LIVED GOODWILL, TRADEMARKS AND BRAND VALUE

An independent assessment has been obtained of a range of discount rates applicable for impairment testing to the Group's cash generating units. The identified cost generating units comprise the Yandina division, Fiji division, Tourism division, and Baking division. The assessed discount rates are based on the cash generating unit's weighted average cost of capital which reflects are rate of return that is required to provide both debt and equity holders with a return that is commensurate with the level of risk inherent in the cash generating unit.

The assessment of appropriate weighted average cost of capital rates involved the determination of appropriate costs of equity and debt and appropriate assumptions in relation to the debt-equity mix.

Goodwill acquired through business combinations has been allocated to two individual cash generating units for impairment testing as follows:

- Tourism cash generating unit
- Baking cash generating unit

Tourism cash generating unit

The recoverable amount of the Tourism unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the board of directors. The budget for 2007 is then used as a basis for projecting performance over a five year period. Growth of 3.5% and an inflationary factor of 3% have been applied to cash forecasts. The discount rate applied to the cash flow projections for tourism is 8.5%.

Baking cash generating unit

The recoverable amount of the Baking unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the board of directors. The budget for 2007 is then used as a basis for projecting performance over a five year period. Growth of 3.5% and an inflationary factor of 3% have been applied to cash forecasts. The discount rate applied to the cash flow projections for baking is 11%.

Carrying amount of goodwill, brand name and trademarks allocated to each of the cash generating units

	Ginger Segment		Baking Segment		Tourism Segment		Total	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
CONSOLIDATED								
Carrying amount of goodwill	**—**	—	**1,541**	1,938	**218**	218	**1,759**	2,156
Carrying amount of brand name	**—**	—	**480**	480	**—**	—	**480**	480
Trademarks	**138**	148	**—**	—	**—**	—	**138**	148
	138	148	**2,021**	2,418	**218**	218	**2,377**	2,784
PARENT								
Carrying amount of goodwill	**—**	—	**—**	—	**218**	218	**218**	218
Carrying amount of brand name	**—**	—	**—**	—	**—**	—	**—**	—
Trademarks	**137**	146	**—**	—	**—**	—	**—**	146
	137	146	**—**	—	**218**	218	**218**	364

Key assumptions used in value in use calculation for 31 December 2006 and 31 December 2005.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, trademarks and brand value.

Budgeted gross margins - the basis used to determine the value assigned to the budgeted gross margins is development of product standards based on known or estimated supply prices, volume throughput factors, labour negotiations, labour and material usage efficiencies and predicted changes in economic factors. The resulting product costs are combined with forecast sales volume for the forthcoming year.

Inflationary factors - the basis used to determine the value assigned to purchases is the forecast price indices during the budget year. Exchange rates - the mean in the most recent Reuters FX Poll is assessed along with predictions from various banking organisations.

Values assigned to economic factors are consistent with external information sources.

27. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the reporting period, directors have declared that no dividend be paid for the year ended 31 December 2006

28. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

J.M. Ruscoe	Chairman (non-executive)
G.D. O'Brien	Managing Director/CEO
S.J. Maitland	Director (non-executive)
J.H.P. Roy	Director (non-executive)
S.T.Templeton	Director (non-executive)

(ii) Executives

P. Bialkowski	UK Country Manager
P. Knight	Production & Supply Chain Manager
P.G. Ritchie	General Manager – Marketing & Sales
K.L. Rogers	Company Secretary/CFO
S. Dennis	Process & Engineering Manager

(b) Compensation of Key Management Personnel

Compensation policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre directors and executives
- Link executive rewards to shareholder value
- Provide, where appropriate, variable 'at risk' executive compensation, dependent upon meeting pre-determined performance hurdles.

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Compensation structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager compensation is separate and distinct.

Non- executive director compensation

Objective

The Board seeks to set aggregate compensation at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Non-executive directors do not receive any share based remuneration.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 April 2000 when shareholders approved an aggregate compensation of $250,000 per year, effective from 1 January 2000.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers external compensation surveys as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. Additional fees are not currently paid for each board committee on which a director sits, although considerable time commitments have been afforded by directors serving on various board sub-committees.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have some stake in the company.

The compensation of non-executive directors for the period ending 31 December 2006 is detailed in Table 1 of this report.

Senior manager and executive director compensation

Objective

The company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company so as to:

- Reward executives for the company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive compensation, the Remuneration Committee makes reference to external remuneration surveys detailing market levels of remuneration for comparable executive roles, and internal relativities. From these deliberations, the Committee makes its recommendations to the Board.

It is the Remuneration Committee's policy that employment contracts are entered into with all executives to protect the interest of both the company and the employee.

Depending upon the particular role undertaken by executives, compensation consists of one or all of the following key elements:

- Fixed Compensation
- Variable Compensation - Bonus Incentive

The proportion of fixed remuneration and variable remuneration (potential incentives) is established for each senior manager by the Remuneration Committee. Table 2 on page 63 details the fixed and variable component (%) of the 5 most highly remunerated senior managers.

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

Fixed Compensation

Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of companywide, business division and individual performance, relevant comparative remuneration in the market, internal relativities and, where appropriate, external advice on policies and practices. As noted above, the Committee makes reference to external advice/surveys independent of management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed compensation component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 63.

Variable Compensation

Objective

The objective of the incentive program is to link the achievement of the company's operational targets with the compensation received by the executives charge with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. At this stage, the Remuneration Committee has determined that this variable compensation component is only offered to the MD and selected senior management staff where direct performance linkages can be established. This policy is reviewed annually.

Structure

Actual incentive payments granted to sales managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators covering both revenue and profitability of their areas of responsibility. The company has predetermined benchmarks which must be met in order to trigger payments under the incentive scheme. The achievement of revenue targets does not warrant a bonus payment unless profitability targets have also been achieved. Bonuses payable are also capped up to 20%.

On an annual basis, consideration is given to performance of the individual sales executive against KPIs, and the overall performance of the company. These factors are taken into account when determining the amount, if any, of incentive to be paid to each executive. Annual incentive payments available for executives across the company are subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus, except under the Managing Director's Employee Incentive Scheme where shares only are issued, as approved by shareholders.

Employment contracts

All executives are employed under employment contracts to provide a level of security to both the company and the individual. It is only the contract between the company and the Managing Director/CEO which is based on limited tenure.

The current employment contract between the company and the Managing Director/CEO commenced on 5 March 2001 and has been extended for a further period from 5 March 2004 to 31 December 2007, at which time the company may choose to commence negotiation to enter into a new employment contract with Mr O'Brien. Under the terms of the present contract:

- Mr O'Brien may resign from his position and thus terminate this contract by giving 3 months written notice.
- The company may terminate this employment agreement by providing 3 months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr O'Brien's compensation).
- The company may terminate the contract at any time without prior notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of compensation which is fixed, and accrued compensation to the date of such termination.

Details of Compensation of Directors and Executives

Details of the nature and amount of each element of the emolument of Key Management Personnel of the company and the consolidated entity for the financial year are as outlined on the next page:

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

Table 1 - Remuneration of directors of Buderim Ginger Limited

	Position Held	Primary Annual Emoluments $	Primary Cash Bonuses $	Non-Monetary $	Post Employment Benefits Super-annuation $	Post Employment Benefits Other	Employment Benefits $
J.M. Ruscoe 2006	**Chairman**	**60,000**	**—**	**—**	**5,400**	**—**	**65,400**
J.M. Ruscoe 2005		50,000	—	—	8,898	—	58,898
S.J. Maitland 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
S.J. Maitland 2005		25,000	—	—	2,250	—	27,250
J.H.P. Roy 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
J.H.P. Roy 2005		20,833	—	—	1,875	—	22,708
S.T. Templeton 2006	**Non-Executive Director**	**35,000**	**—**	**—**	**3,150**	**—**	**38,150**
S.T. Templeton 2005		25,000	—	—	2,250	—	27,250
D. Crerar 2005	Non-Executive Director	4,634	—	—	—	—	4,634
G.D. O'Brien 2006	**Managing Director**	**244,644**	**—**	**27,713**	**35,357**	**—**	**307,714**
G.D. O'Brien 2005		236,740	—	26,449	32,470	—	295,659
Total Directors 2006		**409,644**	**—**	**27,713**	**50,207**	**—**	**487,564**
Total Directors 2005		362,207	—	26,449	47,743	—	436,399

Table 2 - Remuneration of the five most highly paid executive officers whose decisions have a major impact on the strategic direction of the company and the consolidated entity

	Position Held	Primary Annual Emoluments $	Primary Cash Bonuses $	Non-Monetary $	Post Employment Benefits Super-annuation $	Post Employment Benefits Other	Employment Benefits $
P. Bialkowski 2006	**UK Country Manager**	**174,537**	**—**	**22,216**	**20,398**	**—**	**217,151**
P. Bialkowski 2005		159,842	1,620	28,535	15,841	—	205,838
P.G. Ritchie 2006	**General Manager – Marketing & Sales**	**153,986**	**—**	**28,936**	**19,313**	**—**	**202,235**
P.G. Ritchie 2005		143,925	10,000	26,930	18,199	—	199,054
K.L. Rogers 2006	**Company Secretary/CFO**	**131,285**	**—**	**23,743**	**14,453**	**—**	**169,481**
K.L. Rogers 2005		120,302	—	23,178	13,117	—	156,597
P. Knight 2006	**Operations Manager**	**106,358**	**—**	**22,459**	**13,311**	**—**	**142,128**
P. Knight 2005		100,616	—	21,160	12,459	—	134,235
S. Dennis 2006	**Process & Engineering Manager**	**98,429**	**—**	**21,326**	**9,702**	**—**	**129,457**
A. Chinlyn 2005	US Country Manager	62,763	—	25,045	6,524	35,617	129,949
Total Executives 2006		**664,595**	**—**	**118,680**	**71,177**	**—**	**860,452**
Total Executives 2005		587,448	11,620	124,848	66,140	35,617	825,673

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

(c) Shareholdings of Directors and their director-related entities and by Executives are as follows:

Ordinary Shares held in Buderim Ginger Limited	Balance 1 January 2006 Ordinary	Dividend Reinvestment Issue Ordinary	Share Purchase Plan Ordinary	Market Acquisition Ordinary	Market Sale Ordinary	Balance 31 December 2006 Ordinary
Directors						
J.M. Ruscoe	146,478	3,002	—	—	—	149,480
J. H.P. Roy	5,550,830	52,264	—	290,071	—	5,893,165
S.J. Maitland	50,811	1,042	—	15,000	—	66,853
S.T. Templeton	1,347,558	26,787	—	36,312	—	1,410,657
G.D. O'Brien	781,589	—	—	—	—	781,589
Executives						
P.G. Ritchie	14,045	288	—	—	—	14,333
P. Bialkowski	—	—	—	—	—	—
S. Dennis	—	—	—	—	—	—
K.L. Rogers	1,366	29	—	—	—	1,395
P. Knight	—	—	—	—	—	—
Total	**7,892,677**	**83,412**	**—**	**341,383**	**—**	**8,317,472**

All equity transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.
The interests of directors in shares of Buderim Ginger Limited as disclosed above, do not include shares held by parties related to directors where directors do not have the power to exercise or control the exercise of a right to vote attached to the shares.

(d) Other transactions and balances with specified directors and specified executives

Ginger Supplies

S.T. Templeton is a director of Templeton Holdings (Qld) Pty Ltd. Ginger supplies were purchased during the year from Templeton Holdings (Qld) Pty Ltd to the value of $1,214,473 (2005: $872,996) in a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other suppliers.

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2006 $	2005 $	2006 $	2005 $
29. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	**115,000**	100,160	**98,000**	81,660
– tax advice in relation to the entity and any other entity in the consolidated entity	**57,180**	41,513	**32,430**	37,765
– other assurance services in relation to the entity and any other entity in the consolidated entity	**—**	20,000	**—**	20,000
	172,180	161,673	**130,430**	139,425
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
– an audit or review of the financial report of subsidiaries	**32,471**	20,824	**—**	—
– tax advice in relation to subsidiaries	**47,154**	9,459	**—**	—
	79,625	30,283	**130,430**	139,425
	251,805	191,956	**130,430**	139,425

30. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Buderim Ginger Limited and the subsidiaries listed in the following table.

Name		Country of incorporation	Percentage of equity interest held by the consolidated entity 2006 %	2005 %	Investment 2006 $'000	2005 $'000
Australian Golden Ginger Pty Ltd	(i)	Australia (a)	**100**	100	**—**	—
Gingertown Pty Ltd	(i)	Australia (a)	**100**	100	**—**	—
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia (a)	**100**	100	**—**	—
Buderim Baking Company Pty Ltd	(i)	Australian (d)	**80**	70	**3,380**	3,382
Buderim Ginger America, Inc	(ii)	United States (c)	**100**	100	**—**	—
Buderim Ginger (UK) Ltd	(iii)	United Kingdom (b)	**100**	100	**—**	—
Frespac Ginger (Fiji) Ltd	(iii)	Fiji (b)	**100**	100	**—**	—
					3,380	3,382

(i) Investments by Buderim Ginger Limited.
(ii) Investment by Buderim Ginger (UK) Ltd.
(iii) Investment by Buderim Ginger (Overseas) Holdings Pty Ltd.

Buderim Ginger Limited is the ultimate parent of the Group.
The Group also has a 50% interest in two joint venture entities, Ginger Head Quarters Pty Ltd, and Buderim Ginger America, LLC (2005: 50%).

(a) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of Buderim Ginger Limited from the Corporations Act 2001 requirements for preparation, audit, publication and lodgement of their financial reports.

As a condition of the Class Order, Buderim Ginger Limited and the controlled entities, subject to the Class Order 98/1418, entered into a Deed of Indemnity on 4 February 1990. The effect of the deed is that Buderim Ginger Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Buderim Ginger Limited is wound up.

The consolidated statement of financial performance and statement of financial position of the entities which are members of the “Closed Group”, as identified by the symbol (a) above, are as follows:

	CLOSED GROUP 2006 $'000	2005 $'000
(i) Consolidated Income Statement		
Profit/(loss) before income tax	**(1,026)**	277
Income tax (expense)/benefit	**409**	(80)
Profit/(loss) after income tax expense	**(617)**	197
Retained earnings at the beginning of the financial year	**2,809**	2,612
Dividends provided for or paid	**(284)**	—
Retained earnings at the end of the financial year	**1,908**	2,809

	CLOSED GROUP 2006 $'000	CLOSED GROUP 2005 $'000
30. RELATED PARTY DISCLOSURES (CONT)		
(ii) Consolidated Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	**960**	532
Trade and other receivables	**6,107**	6,511
Inventories	**7,950**	8,411
Other	**495**	870
Derivative financial instruments	**6**	13
TOTAL CURRENT ASSETS	**15,518**	16,337
NON-CURRENT ASSETS		
Receivables	**4,311**	4,388
Investments	**5,657**	5,682
Property, plant and equipment	**18,132**	11,750
Deferred income tax asset	**810**	370
Intangible assets and goodwill	**355**	365
TOTAL NON-CURRENT ASSETS	**29,265**	22,555
TOTAL ASSETS	**44,783**	38,892
CURRENT LIABILITIES		
Trade and other payables	**3,820**	4,108
Interest-bearing loans and borrowings	**8,141**	6,363
Income tax payable	**—**	3
Provisions	**1,179**	1,144
Derivative financial instruments	**6**	4
TOTAL CURRENT LIABILITIES	**13,146**	11,622
NON-CURRENT LIABILITIES		
Payables	**959**	800
Interest-bearing loans and borrowings	**3,720**	5,229
Deferred tax liabilities	**2,679**	732
Provisions	**95**	83
TOTAL NON-CURRENT LIABILITIES	**7,453**	6,844
TOTAL LIABILITIES	**20,599**	18,466
NET ASSETS	**24,184**	20,426
SHAREHOLDERS' EQUITY		
Contributed equity	**17,472**	17,369
Reserves	**4,804**	248
Retained earnings	**1,908**	2,809
TOTAL EQUITY	**24,184**	20,426

(b) Controlled entities which are audited by another member firm of Ernst & Young International.

(c) Controlled entity which is incorporated in Delaware. Under United States law the financial statements of this entity are not required to be audited and, accordingly, no auditor has been appointed.

(d) 80% controlled entity (2005: 70%) incorporated in Australia but not covered by the Class Order 98/1418 until outside equity interest has been fully acquired.

30. RELATED PARTY DISCLOSURES (CONT)

Group transactions

Sales and purchases between group entities are made under normal commercial terms and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable except for the $600,000 guarantee provided by the parent to Westpac Banking Corporation, Fiji in relation to the overdraft and loan facilities in place for Frespac Ginger (Fiji) Ltd, and except for the conditions provided under Class Order 98/1418, whereby the parent entity has guaranteed to pay any deficiency in the vent of winding up of the 100% controlled entities.

The following table provides the total amount of transactions which have been entered into with related party entities within the Group for the relevant financial year (for information regarding outstanding balances at year-end, refer to notes 11, 14 and 19).

Related party	% equity interest	Year	Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
PARENT						
Subsidiaries						
Frespac Ginger (Fiji) Ltd	**100**	**2006**	**622**	**1,346**	**—**	**159**
	100	2005	385	802	57	—
Buderim Ginger (UK) Ltd	**100**	**2006**	**4,611**	**—**	**578**	**—**
	100	2005	4,662	—	906	—
Buderim Ginger America, Inc	**100**	**2006**	**—**	**124**	**327**	**—**
	100	2005	669	—	835	—
Buderim Baking Company Pty Ltd	**70**	**2006**	**445**	**20**	**3,184**	**—**
	70	2005	444	12	3,274	—
Joint venture entities						
Ginger Head Quarters Pty Ltd	**50**	**2006**	**197**	**304**	**26**	**31**
	—	2005	137	299	33	25
Buderim Ginger America, LLC	**50**	**2006**	**2,811**	**18**	**505**	**18**
	—	2005	1,302	—	218	—
BUDERIM GINGER AMERICA, INC						
Joint venture entity						
Buderim Ginger America, LLC	**50**	**2006**	**—**	**2**	**—**	**—**
	—	2005	443	2	462	2

The following table provides the total amount of transactions which have been entered into with other related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 11 and 19).

Related party	% equity interest	Year	Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
Other related parties						
Templeton Holdings (Qld) Pty Ltd *	**—**	**2006**	**10**	**1,214**	**—**	**—**
	—	2005	10	873	8	—
Brumby's The Gap **	**—**	**2006**	**49**	**—**	**—**	**—**
	—	2005	13	—	13	—
Upper Crust Pie Company Pty Ltd	**—**	**2006**	**2**	**—**	**—**	**—**
	—	2005	8	—	8	—
Redteam Pty Ltd	**—**	**2006**	**12**	**45**	**71**	**4**
	—	2005	—	—	—	—

* refer note 28 (d)

** refer note 30 Key management personnel

The above amounts owing are represented by either loans or trade debtor amounts in the financial statements.

Sales and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

For the year ended 31 December 2006, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2005: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Then assessed as required the Group raises such a provision.

30. RELATED PARTY DISCLOSURES (CONT)

Key management personnel

During the year, sales to the value of $49,272 (2005: $12,859) were made through Buderim Baking Company Pty Ltd to a retail outlet owned by Jeff Sanders, outside equity interest holder, on normal commercial terms and conditions.
During the year, a loan was made to Jeff Sanders and repaid in accordance with loan conditions. The balance of this loan at year end was $70,607.

Minority Interest

Effective 1 January 2006, 10% of the outside equity interest held by York Bakeries Pty Ltd in Buderim Baking Company Pty Ltd (BBC), was transferred to goodwill on acquisition by Buderim Ginger Limited in accordance with the Shareholders Agreement and subsequent Deeds of Variation between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd.

Effective 1 July 2006, Directors approved a further Deed of Variation to the Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd for the purchase of the outside equity interest in Buderim Baking Company Pty Ltd. The changes result in the "freezing" of the current 20% minority interest in BBC for a minimum period of three years, with no buyout of the remaining equity occurring during this term as was originally envisaged by the prior agreements. At the end of this period, either party can trigger a buyout of the remaining equity on pre-agreed terms relating to an earnings multiple based on a weighted average of the three preceding years. The multiple varies depending on which party triggers the buyout.

Directors' Declaration

In accordance with a resolution of the directors of Buderim Ginger Limited, I state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 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.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2006.

(3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

J.M. RUSCOE
Director
Yandina, 28 February 2007

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INDEPENDENT AUDIT REPORT TO MEMBERS OF BUDERIM GINGER LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Buderim Ginger Limited (the company) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards and International Standards on Auditing, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Buderim Ginger Limited is in accordance with:
   (a) *the Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of Buderim Ginger Limited and the consolidated entity at 31 December 2006 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
   (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
28 February 2007

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 7 March, 2007

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	Number of shares
1 – 1,000	337	172,629
1,001 – 5,000	789	2,110,700
5,001 – 10,000	256	1,951,387
10,001 – 100,000	369	8,679,593
100,001 and over	30	15,741,523
	1,781	28,655,832
The number of shareholders holding less than a marketable parcel of shares are:	268	103,629

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Big Sister Foods Pty Ltd	3,000,000	10.47
2 Big Sister Foods Pty Ltd	2,706,083	9.44
3 Redarea Pty Ltd	1,166,800	4.07
4 Yarran Park Pty Ltd	1,145,000	4.00
5 Consolar Investments Pty Ltd	781,589	2.73
6 Felicity Ruth Benoit & Ashley Laurence Benoit	647,950	2.26
7 Patrick John O'Brien & Janis Margaret O'Brien	551,517	1.92
8 Siben Nominees Pty Ltd	440,000	1.54
9 Primdonn Nominees Pty Ltd	400,000	1.40
10 Ramjan Investments Pty Ltd	400,000	1.40
11 Vittorio Alberti	382,317	1.33
12 Frederick Dannecker	367,700	1.28
13 Rathvale Pty Limited	358,030	1.25
14 Kosata Pty Limited	318,739	1.11
15 Amak Pty Ltd	310,000	1.08
16 Douglas Meaden Pty Ltd	300,536	1.05
17 Berzins Asset Management Pty Ltd	280,000	0.98
18 Big Sister Foods Pty Ltd	262,900	0.92
19 John Barr	255,346	0.89
20 Norman James West	170,108	0.59
Total	14,244,615	49.71
Remainder	14,411,217	50.29
Grand Total	28,655,832	100.00

(c) Substantial shareholders

The name of the substantial shareholder who has notified the Company in accordance with section 671B of the Corporations Act 2001 is:

	Number of shares
Big Sister Foods Pty Ltd	6,020,008

(d) Voting rights

All ordinary shares (all fully paid) carry one vote per share without restriction.

Corporate Directory

BUDERIM GINGER LIMITED

ABN 68 010 978 800

ASX Code: BUG

DIRECTORS

John M. Ruscoe (Chairman)
Gerard D. O'Brien (Managing Director)
John H.P. Roy
Stephen J. Maitland
Shane T. Templeton

COMPANY SECRETARY

Karon L. Rogers

SENIOR MANAGEMENT

Stephen Dennis (Process & Engineering Manager)
Peter Knight (Operations Manager - Yandina)
Paul Ritchie (General Manager - Marketing & Sales)
Karon Rogers (Chief Financial Officer)
Nichole Seymore (Tourism Manager)

SUBSIDIARY MANAGEMENT

Paul Bialkowski (UK Manager)
Satish Kumar (Fiji Manager)
Jason Lyons (Operations Manager – Buderim Baking)
Dan Cashin (Sales Manager – Buderim Baking)

SOLICITORS

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Facsimile: (07) 5441 4685

Rabobank Australia Limited

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Brisbane, Queensland, 4001
Telephone: 1300 303 033
Facsimile: (07) 3115 1881

SHARE REGISTER

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AUDITORS

Ernst & Young

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Buderim Ginger
MILD
CRYSTALLISED
GINGER
THE LOW FAT HIGH ENERGY SNACK
Buderim Ginger
Naked
GINGER
UNCRYSTALLISED
Buderim Ginger
GLACÉ
GINGER
SWEET AND EASY
GINGER
Buderim Ginger
DIVINE DATE
SPREAD
GINGER
Buderim Ginger
NO CANE SUGAR
SPREAD
GINGER
Buderim Ginger
RICH RHUBARB
SPREAD
LIME MIXER
Buderim Ginger
Lime
refresher
PRODUCT OF AUSTRALIA
GINGER MIXER
Buderim Ginger
Ginger
refresher
GINGER BEER
PRODUCT OF AUSTRALIA
Buderim Ginger
CHILLI
BLAST!
EXTREMELY REFRESHING
GINGER
Buderim Ginger
LEMON & LIME
MARMALADE
GINGER
Buderim Ginger
TROPICAL MANGO
CONSERVE
GINGER
Buderim Ginger
ORIGINAL
MARMALADE
Buderim Ginger
GINGER
BEARS
GINGER JUBES WITH BITE
Buderim Ginger
FRUIT
& Ginger
BEARS
REAL FRUIT JUICE
REAL GINGER, ALL NATURAL
Buderim Ginger
Ginger Hearts
Golden
DELIGHT
A silky smooth Ginger centre coated
in deliciously rich Dark Chocolate

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