



[recipe for success]

Diversifying for future growth and profits



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ANNUAL GENERAL MEETING

The Annual General Meeting of Buderim Ginger Limited will be held at the *Ginger Factory*, 50 Pioneer Road, Yandina on 29 April 2005 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.

[recipe]

Creating tasty treats through Buderim's range of ginger sauces



Front Cover - The acquisition of the established, premium pastry maker, *I Spy Pies* in 2004 marked the start of a successful diversification by Buderim Ginger into other specialty food areas.



Strategic Plan

Recipes for future success

Our vision

"The World's Finest Ginger"

Our 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.



Our strategic objectives

- Get the Core Business Right
- Build Critical Mass
- Develop Tourism
- Strengthen Management of the Business

Our 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 like their own

Company profile

Established in 1941 as a grower co-operative, Buderim Ginger Limited has grown to become 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.

In 2004 the company diversified its product base with the creation of a specialist bakery business through the acquisition of a long-standing premium pastry manufacturer, "I Spy Pies". This business was expanded further in early 2005 through the acquisition of Aldente Foods, which produces a range of quality, pre-prepared pasta meals. From April 2005, the Aldente business will 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 businesses, Buderim Ginger operates one of the Sunshine Coast's most popular and highly awarded tourist attractions "The Ginger Factory" at its Yandina Site. In May 2005, the tourist park will be transformed with the opening of the innovative ride "Overboard – Adventures of a Stowaway" featuring world-class animated puppetry.

Buderim Ginger employs over 300 people through its head office and major processing plant at Yandina on the Sunshine Coast, its bakery operations at nearby 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 New Jersey, 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 Hallal Certifications.

[recipe]

Buderim's Ginger Refresher – niche market success

Financial Summary

| | 2004 \$000 | 2003 \$000 | 2002 \$000 | 2001 \$000 | 2000 \$000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Revenue | 35,777 | 30,691 | 30,523 | 30,641 | 28,256 |
| Profit (loss) before income tax expense | 368 | 752 | 1,108 | 1,688 | (1,757) |
| Net profit (loss) after income tax expense | 293 | 504 | 770 | 1,284 | (1,611) |
| Total assets | 37,231 | 28,939 | 28,479 | 28,512 | 28,271 |
| Earnings per share (cents) | 1.22 | 2.30 | 3.64 | 6.14 | (7.70) |
| Net tangible asset backing (cents) | 78 | 80 | 82 | 79 | 76 |
| Dividend per share | – | 1.5 | 3 | 3 | – |

Subsequent to 31 December 2004, directors have declared that no dividend be paid out of the profits for the year ended 31 December 2004.

2005 Operations Summary

- Future earnings base diversified with acquisitions of specialty food producers: *I Spy Pies* (quality pastry products) in August 2004; and Aldente Foods (pre-prepared pasta meals) in February 2005.
- Due to diversification and retail sales growth, group revenue reaches a record \$35.78 million.
- Construction starts on “*Overboard – Adventures of a Stowaway*”, a major new attraction for the company’s tourism facility, opening in May 2005.
- Sustained competitive and adverse currency exchange pressures within the company’s traditional ginger export markets results in a 6% decline in export revenue to \$14.50million.
- New product releases and continued growth of the company’s branded retail products result in domestic revenue from ginger operations climbing nearly 17% to \$14.17 million.
- Continued adverse weather conditions result in ginger intake being 8% under requirements, constraining production efficiencies and overhead cost recovery.
- Installation of new equipment in the second half causes start-up supply interruptions and production inefficiencies, however benefits are set to be realised in 2005.
- Buderim Ginger announced as one of the inaugural recipients of an Eco-biz grant from the Queensland State Government to assist in upgrading the company’s effluent treatment and water recycling program.
- Tourism revenue increases marginally to \$3.72 million despite a decline in visitor numbers for the *Ginger Factory* in 2004.
- Share Purchase Plan generates a strong response from shareholders in August 2004, raising \$1.83 million to support investment in ginger processing and tourism operations, and to help fund strategic acquisitions.



Getting our foundations right.

Growing our branded retail products and investing in profitable new food ventures.

2004 was a defining year for the company. It was the year the board implemented its diversification strategy to protect the company from reliance on a single product/activity. Our intentions were flagged last year and after thorough evaluation of a number of possibilities we made our first major acquisition in August 2004. This move actually helped the company avoid an even more disappointing result for the year. I have no doubt that this has been a major turning point in the company's history and will lead to future growth and prosperity.

The company reported a loss of \$587,000 before tax in the first half of 2004 when it was solely reliant on ginger and tourism. The second half was much improved with a profit of \$955,000 before tax. Whilst profits improved in line with the normal seasonal cycle much of the increased profit was derived from new activities. In spite of this second half improvement the annual result was constrained by poor returns from the export of processed ginger products leading to a disappointing final profit of only \$368,000 before tax.

Shareholders will be as sick of reading about droughts, poor crops, low ginger intakes, the strength of the \$A, currency volatility, etc as I am of writing about them. However they are a fact of life and largely outside the control of the company.

During 2004 we once again failed to achieve our ginger intake requirements. The crop was of average quality only and we incurred very unfavourable production efficiencies.

In export markets, profit margins were savaged by both competitive pressures and the high value of the \$A which not only limited our ability to extract price increases to recover costs, but in some cases forced us to actually reduce prices at the commodity end of the market. Freight increased by up to 100% through rising oil prices and capacity shortages in shipping.

Fortunately our domestic market remained strong where sales of our retail branded products underpinned both growth and profitability. We were particularly pleased with sales of our newer products such as Refresher, Ginger Bears and Golden Delights.

Tourism also held up well in spite of flat visitor numbers. *The Taste of Ginger Tour* introduced a new dimension to our offer and proved popular with visitors. Our new joint venture attraction "*Overboard – Adventures of a Stowaway*" which will open in May, will provide additional visitations and profits.

As a board we have now done most of the things we indicated we needed to do to get the core business right when we assumed our positions three years ago. Assets have been upgraded, improved production technologies and machinery have been installed, processed ginger inventories have been balanced and reduced, the level of debt is now satisfactory and product quality is first class and consistent. Both our Yandina and Fijian operations are now well staffed and operating satisfactorily. There is still work to be done on improving robotic sorting at Yandina but this is expected to be completed in 2005. We will also complete the first phase of our effluent treatment project this year, after many years of research.

In spite of these improvements it is clear that we are unable to extract the financial benefit we expected from export activities. Rising costs in Australia and increased global competition coupled with a strong \$A suggest that, at least in the short term, we will struggle to reach acceptable profitability. However we do not intend walking away from this business. Over the years the business' profitability from export has fluctuated wildly. It can sometimes turn very quickly. I have no doubt we are at the low point in the cycle and I

do expect it will recover. However, I doubt whether it will ever return to the levels of profitability experienced in the early 1990's.

There are some encouraging developments. We now have better uses for some previously unprofitable raw materials. We will no longer be forced to accept unrealistic prices for generic commodity products. We are implementing some modest price increases. We expect a small but sustainable recovery in export profitability in 2005 and we are now ideally placed to exploit our investments when the external economic conditions improve.

In the meantime, we will use the cash flow from the core business to fund the newer profitable activities and search for further investment opportunities.

We are particularly pleased with our acquisitions in the bakery business. The Buderim Baking Company, trading as *I Spy Pies*, has exceeded our expectations for the first four months. It is growing nicely and its output can be dramatically increased with a modest amount of investment. Aldente Foods will be incorporated into the Maroochydore facility for little expense and will produce considerable operational savings.

This year the board has not declared a dividend on 2004 profits. We believe it is prudent to keep the cash within the company to finance growth. Our normal dividend policy of paying out about 65% of after tax profit has not changed and we expect to revert to this in 2005.

The board is confident that 2005 will be considerably more profitable for the company than the last few years, primarily as a result of our diversification. We intend to provide more definitive financial guidance at the Annual General Meeting in April.

In conclusion I would like to thank my fellow directors for their support and dedication during 2004. In particular I would like to thank Doris Crerar who retired as a director on 28 February 2005. Doris' contribution has been outstanding and her expertise and enthusiasm, particularly in all matters Ginger, will be sorely missed. Equally, I welcome the appointment of John Roy to fill the casual vacancy on our board created by Doris' retirement. John's experience, both domestically and internationally, in the specialty foods arena will be a great asset to our company in the years ahead.

I would also like to recognize the efforts of our staff who have toiled against often difficult and seemingly thankless conditions over recent years. I also welcome new members of staff who have joined us through our expansion activities. I trust that they will enthusiastically embrace the company's core value of "people who treat the business like their own."

Finally, I would also like to thank shareholders for their continued support in the face of disappointing results. I believe your patience will be rewarded in the near future.



JOHN RUSCOE

Chairman



[reci]pe]

Moving Buderim Ginger's retail products onto consumers' plates.

Mixing it up.

Adding a profitable new baking division to diversify our future earnings stream.



FINANCIAL OVERVIEW

A continuation of difficult trading conditions in export markets, a third consecutive yearly shortfall in crop intake, rising freight costs and adverse currency exchange movements, particularly in the first half, dampened Buderim Ginger's profitability in 2004.

Despite improved performance in the latter part of the year following a first half loss, the company recorded a before tax profit of \$368,000, a 51% decline from the prior year. After tax profit was 42% down on the prior year at \$293,000, representing earnings per share of 1.22 cents.

In view of the result and the company's strategic corporate activities, the directors have not recommended payment of a final dividend for the year.

During the year, the company activated its previously flagged strategy of diversifying into other specialty food sectors to complement the core activity of ginger processing, through the acquisition of the premium baking business, *1 Spy Pies*. The subsequent acquisition of the ready made pasta meal producer, Aldente Foods in early 2005, represented another significant step in this strategy. These acquisitions, along with the joint venture investment in a major, new attraction at the company's tourist facility, the *Ginger Factory*, are expected to underpin a significant profit turnaround in 2005.

In August 2004, shareholders endorsed the company's forward growth blueprint by strongly supporting the company's second Share Purchase Plan which raised \$1.83 million. Proceeds from the Plan have been allocated for investment in the company's manufacturing and tourism assets, and to help fund our acquisition strategy.

GINGER OPERATIONS

Export Sales

A high Australian dollar, poor economic conditions in some key markets and continued competitive pressures combined to produce a challenging export environment in 2004. Despite these challenges, export revenue was a relatively creditable \$14.50 million (a 6% decrease on 2003). Export margins were further eroded by these same environmental factors and by escalating freight costs, particularly shipping, and by ongoing production inefficiencies (referred to later).

As previously disclosed, the company's export strategy for the foreseeable future will see our overseas marketing efforts focussed more squarely on the company's higher value, elaborately transformed products and branded retail products.

In the UK, sales volumes were maintained largely in line with budget (although down 6% in \$A), assisted by new business and some small initial retail openings for our products. However, this market continued to be subject to intense competitive pressure, and combined with the adverse exchange rate and increased freight and distribution costs, margins declined.

Subdued economic conditions in the key European "ginger" countries (Germany and the Netherlands) in 2004 resulted in a 7% sales decline (in \$A) in this market. The addition of new customers and new product sales from Frespac (our Fijian subsidiary) helped offset the overall revenue decline. On a more positive note, the company's margins in these markets improved slightly over the prior year, mainly due to the increased retail component of sales.

In North America, our efforts to unlock additional opportunities for the company's higher value commodity and branded retail products continued. Sales in the US grew through stronger customer relationships, increased brand visibility through major trade shows, and stringent compliance to quality and delivery deadlines. As a result, a number of exciting opportunities are expected to unfold in the US in 2005, including contracts to provide value-added input to baked products for global-leading retail chains. We are also confident of building on the initial 2004 launch success of Ginger Bears, through expanded distribution into the West Coast. The company's retail push in 2005 will also be boosted by further product launches in healthy confectionery and beverages. Revenue and margins in the US were severely restricted by exchange rate factors and our inability to quickly adjust pricing. The Canadian market (which was less affected by currency fluctuations) held firm at levels roughly similar to prior years. Overall, North American revenue (in \$A) was up by 11%.

Although small by comparison, a new export market opportunity was opened in 2004 with the successful launch of two of our most promising retail products, Ginger Refresher and Ginger Bears, into New Zealand late in the year. This market will be the subject of increasing effort by Buderim Ginger in the years ahead.

Export sales of Frespac (Fiji) ginger were disappointing in 2004 as intense and, often confusing, competition around Fijian-origin ginger products continued. Despite Frespac quality generally being good, it is proving difficult to establish a higher value Fijian product position in traditional markets in Europe and Asia Pacific. Frespac sales to external customers were down by 29% (in \$A).

Domestic Sales

Another strong performance by the company's branded retail products, and higher demand from the industrial and food service sectors, combined to push domestic sales 17% higher to \$14.17 million in 2004.

Retail sales in 2004 reached \$9.18 million. This represents the seventh consecutive year that the company's domestic retail sales have grown strongly (compound annual growth over this period at 11%), and reflects the success of product innovation and investment in the Buderim Ginger brand. Primary drivers of this growth were the company's beverage and new confectionery lines, which were supported by increased advertising expenditure throughout the year, including targeted, strategic television campaign support. This investment constrained profit contribution from this sector in 2004, but has positioned the company for improved returns in the years ahead. Stand-out sales performances for the year included Ginger Refresher, which has grown

Recipe 1

Buderim Ginger diversifies



to become the company's third largest sales item, and Ginger Bears, which continue to receive strong consumer accolades and support.

Our forward strategy in the domestic retail market involves capitalising on further identified growth opportunities in both the beverage and confectionery segments. As part of this strategy, by year end the company had launched several new confectionery lines including Golden Delight and Gingerbuns. During 2005, our retail range will be further expanded through the planned launch of Naked Ginger. After several years of development, this product is an exciting new concept for true ginger lovers.

The sales growth achieved in the domestic retail market in 2004, was matched by an above-budget result in the domestic industrial and food services markets. Sales increased 20% to \$4.99 million in 2004, fuelled by strong economic conditions and driven by increased acceptance by food manufacturers of ginger as both a flavour enhancer and as a functional ingredient.

Production

Although proving the best harvest in three years, the 2004 Australian ginger intake again unfortunately fell short of the company's requirements. This 8% shortfall, which followed the two previous years of even larger deficits, once again impacted negatively on both factory efficiency and overhead recovery. It also restricted our ability to supply some product lines to meet market demand. A number of industrial customers, particularly in the dried ginger arena, have reformulated products to minimise exposure to the Australian ginger crop. Much of this market will never be recovered.

We are continuing to work closely with our contracted grower base to improve their supply efficiency and reliability. It is pleasing to report that the 2005 ginger crop in both Australia and Fiji is looking very positive from both a yield and quality perspective.



The application of new ginger sorting technology for the Yandina factory combined with more stringent management control improved operating efficiencies during the second half, and provides the platform for long-term productivity and efficiency gains. Capital improvements in our dicing section during 2004 went smoothly and productivity gains are being realised on plan. A major upgrade of our retail packing capability in the second half of 2004 created unforeseen inefficiencies in the initial operational phase and caused supply pressures particularly late in the year as traditional demand escalated. These inefficiencies were entirely borne in 2004 and the equipment is now running well and the benefits of increased throughput and accuracy will be fully realised in 2005. Further improvements to our syruling systems in Fiji have also been implemented during the year in order to lift finished product yields.

For several years, the company has been researching technologies to deal with its water usage and effluent treatment issues. A two-year, two-stage program of investment in a combination of technologies has been developed which will dramatically reduce water usage and discharge while, at the same time, improve effluent quality. This program has recently been announced as an inaugural recipient of a Queensland State Government (Environment Protection Agency) Eco-biz grant. This funding is expected to provide around one third of the estimated \$1 million investment over the coming two years which will generate significant savings in water, energy and trade waste charges.

Product Development

Since the strategic review conducted in 2002, the company has invested considerable time and resources in product development, particularly in those lines identified as having potential to deliver higher-value returns.

Over this period a number of new products have been successfully promoted and/or launched including Ginger Refresher, Ginger Bears and Honey & Ginger Spread (marketed in conjunction with fellow Queensland food industry icon, Capilano Honey). The success of our invigorated new product development program can be clearly measured by the fact that products which have been in the market two years or under, accounted for 14.5% of our total 2004 sales revenue.

In late 2004 and early 2005 our new product offering was further strengthened with the launch of Golden Delight, Gingerbons and Organic Ginger Puree/Syrup. Based on initial market response we are confident of an even more significant contribution being made by products two years and younger to our revenue base in the current year.

BAKING OPERATIONS

In 2004 we significantly broadened the company's future earnings base by making two strategic acquisitions in the specialty food sector. Combined, these acquisitions are expected to add around \$13 million to our revenue base from 2005, and provide legitimate growth opportunities for Buderim Ginger in both the immediate and longer-term. In addition, synergies with the core business in diverse areas such as administration, purchasing, engineering and sales support, will be progressively realised. From a strategic perspective, the integration of the new businesses into our operating structure are expected to open new growth avenues for Buderim Ginger, and lessen our traditional reliance on ginger processing. Just as importantly, both are expected to be immediately earnings accretive.

The first of these acquisitions, Uppercrust Pie Company, was finalised in August 2004. Located at Maroochydore, Queensland this company is an established, premium quality pastry business with long-standing supply relationships with a number of nationally recognised customers including Brumby's. The company now also distributes products under the / Spy brand (which has been consolidated from the previous brands including Supreme Pies, Country Bake and Uppercrust) to the food services sector nationally.

Initially, Buderim Ginger acquired a 70% interest in the business for a consideration of \$2.5 million cash and up to \$650,000 in Buderim Ginger shares. The remaining 30% will be acquired through equal tranches payable on 31 December 2005 and 2006, with the price payable to the business' manager (and former principal owner), Jeff Sanders, dependent on its financial performance over the respective two years. We are confident this acquisition will provide shareholders with significant longer-term value, and add around \$10 million to our yearly revenue base. The initial purchase price was based on a conservative earnings multiple and under the transaction's structure, Mr Sanders has been given a clear incentive to maximise the business' profit performance for the benefit of shareholders over the next two years he remains with the company. Pleasingly, this business, which operates under our new subsidiary, Buderim Baking Company Pty Ltd, is performing profitably and to expectations, making a contribution of nearly \$4 million to 2004 group revenue since acquisition date.



[recipe]

Making Buderim Ginger's tourism attraction even more tempting.

The scale and earnings capacity of the Buderim Baking Company was bolstered at year end by the announced acquisition of another specialty foods business, Aldente Foods. This Brisbane-based company manufactures and distributes a range of prepared pasta meals under the *Papa Aldente* brand to the retail and supermarket trade throughout Australia. We anticipate the business will generate around \$3 million in revenue per annum. The acquisition was settled in February 2005 for a price of \$1 million, adjusted for stock and staff entitlements. Once again, a remaining acquisition component will be dependent on the business reaching pre-agreed performance targets. We are confident that the integration of Aldente Foods into our baking business will unlock significant operational synergies, and that our existing marketing resources and retail distribution arrangements can be effectively harnessed to create additional sales growth opportunities for the business.

TOURISM

Revenue from the company's award-winning tourism facility, the *Ginger Factory*, rose marginally to \$3.72 million in 2004, despite a slight decline in visitor numbers. The operation's contribution to group earnings for the year also increased slightly.

In a major initiative designed to drive increased visitor numbers, work commenced in the latter part of 2004 on a new world-class tourist attraction, "*Overboard – Adventures of a Stowaway*". This \$2.5 million project which is being undertaken in joint venture with the internationally acclaimed puppetry and animation firm, Promotions-in-Motion, is scheduled to be publicly launched in May 2005. Once opened, it will prove a significant addition to the successful tourism initiatives progressively introduced at the *Ginger Factory* over recent years, including the gourmet *Taste of Ginger Tour* and the increasingly popular *Ginger Flower Festival*.

We are confident that "*Overboard*" will quickly generate a reputation as the Sunshine Coast's most innovative and exciting tour, and in the process substantially broaden the *Ginger Factory's* traditional visitor demographics and significantly build on the 400,000 visitors to the centre each year.

Review of Operations



Based on a similar concept to Disneyland's timeless "It's a Small World" attraction, "Overboard" transports visitors on the Ginger Traveller cargo ship to 14 countries utilising state of the art animated puppetry developed by our joint venture partner. As an intergral part of the experience, travellers will be exposed to the diverse range of Buderim Ginger products exported world-wide.

As part of our longer-term industrial tourism blueprint, the company plans to eventually relocate its baking operations to the Yandina site, as a separate, but side-by-side attraction for visitors.

OUTLOOK

As a result of the major initiatives implemented over the past six months, we expect to achieve a significant turnaround of the company's financial performance in 2005.

While we anticipate that conditions in our ginger export markets will remain difficult, the company is determined to show leadership on pricing early in 2005. We are also confident that a number of the new retail products either just launched or poised for imminent release in these markets will help build our export revenue base in 2005. While 2005 looks to offer improved prospects for the company's export activities, there remains little likelihood that this traditional segment of our business will generate strong returns in the near future. Despite these continuing challenges, we remain committed to consolidating a stronger export performance by focussing our efforts on opportunities where our products' quality position offers the prospect of premium returns and the company is prepared to accept that this may come at the expense of sales volume.

On the domestic front, we are budgeting for further sales growth, again spearheaded by our retail branded products and a number of new lines currently in development.

Operationally, an improved Australian ginger intake in 2005 and full year efficiency gains from new plant should lift margins on core products.

Our new bakery business, comprising *I Spy Pies* and *Aldente Foods*, is expected to make a major impact on group profitability. The business is expected to add at least \$13 million per annum to group revenue, and to make a significant first full-year contribution to group profit in 2005. While both new businesses hold intrinsic growth potential, we are confident *Aldente Foods* in particular, will benefit significantly from Buderim Ginger's existing strong retail relationships and distribution channels.

It should be emphasised that both acquisitions were only finalised following extensive due diligence, and that the acquisition terms negotiated clearly align the interests of the vendors concerned with those of our shareholders. Prior to these acquisitions the company had conducted preliminary investigations into several other business opportunities, but all were rejected as they failed to offer the synergies and potential for long-term profitable growth that our new businesses do.

In addition, the group anticipates an improved revenue stream and profit contribution from tourism operations in 2005. The opening of the "Overboard" attraction in May 2005 should prove the catalyst for strong growth in visitor numbers to the *Ginger Factory* for the remainder of 2005.

Given the new and invigorated base Buderim Ginger has consolidated by early 2005, shareholders should look forward with confidence to receiving increased returns in the year ahead.

A handwritten signature in black ink, appearing to read 'Gerard O'Brien', with a long horizontal line extending to the right.

GERARD O'BRIEN

Managing Director and Chief Executive



Directors' Report

Your directors submit their report for the year ended 31 December 2004.

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 was elected by shareholders at the Extraordinary General Meeting held on 20th and 21st February, 2002, and re-elected at the 2002 Annual General Meeting. 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 64 years of age.

Gerard Daniel O'Brien

(Managing Director)

B Admin., MBA (Georgetown), ASA, MAICD

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 43 years of age.

Stephen James Maitland

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

Mr Maitland was appointed to fill a casual vacancy on 26 February 2002 and elected by shareholders at the 2002 Annual General Meeting. He has had over 30 years experience in the banking and finance industries, and is the principal of Delphin Associates. He holds directorships with Tarong Energy Corporation Ltd, Australian Unity Limited, Electricity Supply Industry Superannuation (Qld) Ltd, Centrepont Finance Group of Companies, Mackay Permanent Building Society Ltd, Corporate Influences Pty Ltd, Laser Dynamics Australia Pty Ltd, and is the Honorary Treasurer of the Surf Life Saving Foundation Inc. Mr Maitland is 54 years of age.

Doris Crerar

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

Mrs Crerar was elected by shareholders at the Extraordinary General Meeting held on 20th and 21st February, 2002 and re-elected at the 2002 Annual General Meeting. She commenced employment with the Buderim Ginger Growers' Co-operative in 1950 and retired in 1989. During her early employment with the Co-operative, Mrs Crerar was appointed Secretary to the Board of the Buderim Ginger Growers Co-operative Association and The Ginger Marketing Board in 1954. In 1967 she became Production Manager and in 1971 was appointed an Associate Director in recognition of her outstanding service to the ginger industry. Mrs Crerar is 72 years of age.

Shane Tyson Templeton

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

Mr Templeton was elected by shareholders at the Extraordinary General Meeting held on 20th and 21st February, 2002 and re-elected at the 2002 Annual General Meeting. Mr Templeton is a third generation ginger grower and is professionally qualified with a business degree. He has been growing ginger since 1991 and held the position of Honorary Secretary of the Australian Ginger Growers Association for 4 years. Mr Templeton is a director of Hatterwick Pty Ltd, Templeton Holdings (Qld) Pty Ltd and Redarea Pty Ltd. Mr Templeton is 33 years of age.

COMPANY SECRETARY

Karon Lesley Rogers

B.Bus., CPA, FCIS, FAICD.

Ms Rogers commenced with Buderim Ginger Limited in 1988 as a company accountant, and has held the position of Company Secretary/Financial Controller since 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.

Directors' Report

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

| | Ordinary Shares |
|--------------------|-----------------|
| J.M. Ruscoe (1) | — |
| G.D. O'Brien | 268,211 |
| D. Crerar | 21,122 |
| S.J. Maitland (2) | — |
| S.T. Templeton (3) | 48,141 |

(1) J.M. Ruscoe holds a relevant interest in 137,639 shares registered in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund).

(2) S.J. Maitland holds a relevant interest in 41,972 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).

(3) S.T. Templeton holds a relevant interest in 40,225 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, and 1,219,738 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 | 1.22 |
| Diluted earnings per share | 1.22 |

There were no options issued or exercised during the period.

DIVIDENDS

| | Cents | \$'000 |
|---|-------|--------|
| Dividends paid in the year | | |
| Final for 2003 approved subsequent to year end. | 1.5 | 336 |

The final 2003 dividend was approved subsequent to year end as detailed in the half year accounts released through the ASX in August 2004. Subsequent to the end of this reporting period, the directors have declared that a dividend not be paid out of the profits for the financial year ended 31 December 2004.

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 the page.

Nature of operations and principal activities

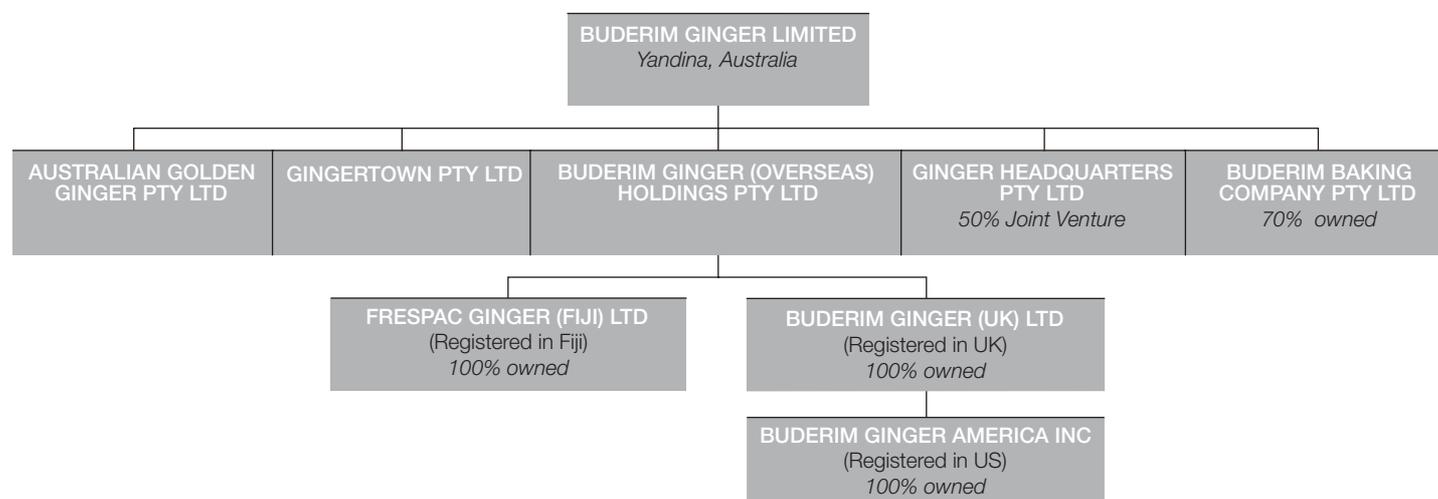
The principal activities during the year of entities within the consolidated entity were:

- 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 pastry products to both industrial and retail operations throughout Australia; and
- tourism operations comprising the sale of ginger and other retail gift and food products within the Australian tourism market.

Other than the purchase of the pastry manufacturing business, there has been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 308 employees as at 31 December 2004 (2003: 234 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 84 and 68 respectively.



Directors' Report

REVIEW AND RESULTS OF OPERATIONS

A detailed review of operations is contained on pages 5 to 9 of the annual report.

Summarised operating results are as follows:

| | 2004 | |
|---|--------------------|-------------------|
| | Revenues \$'000 | Results \$'000 |
| <i>Business segments</i> | | |
| Ginger processing and distribution | 28,780 | 233 |
| Baking operations | 3,928 | 435 |
| Tourism operations | 3,722 | 772 |
| | <u>36,430</u> | <u>1,440</u> |
| Consolidated entity adjustments | (653) | — |
| Unallocated expenses | — | (1,072) |
| | <u>35,777</u> | <u>368</u> |
| Consolidated entity sales and profit from ordinary activities before income tax expense | | |

In Summary

- Revenues rose by 16.6% to a record \$35.8m largely as a result of diversification of the business into the pastry business and to the continued growth of the company's retail sales.
- The consolidated entity recorded a profit before tax for the year of \$368k which is 51% down on the corresponding period last year of \$752k. After tax profit of \$293k was 42% down on the corresponding period last year of \$504k. The after tax profit, after outside equity interest, was \$162k.
- Following the third consecutive poor growing season, the 2004 Australian ginger intake was again down on requirements. The lower than anticipated volume again hampered achievement of production efficiency targets, as well as limiting availability of some products to meet market demand.
- Export revenues in the core business were down 5.9% due to competitive factors and the inability to extract price increases in the face of the high \$AUD. Profitability in this sector was further reduced by some significant cost increases, particularly freight.
- Domestic revenue was, however, strong at +16.7% on 2003 due principally to ongoing growth in the company's branded retail products.

Shareholder Returns and Performance Measurements

| | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|-------------------------------------|-------|-------|-------|-------|---------|-------|
| EBIT (\$'000) | 905 | 1,129 | 1,606 | 2,293 | (1,162) | 2,044 |
| EBITDA (\$'000) | 2,449 | 2,505 | 2,869 | 3,533 | 189 | 3,192 |
| Basic earnings per share (cents) | 1.22 | 2.30 | 3.64 | 6.14 | (7.70) | 5.34 |
| Dividend per share (cents) | — | *1.5 | *3 | 3 | — | 4 |
| Dividend payout ratio (%) | — | *65.2 | *82.4 | 48.9 | — | 74.9 |
| Available franking credits (\$'000) | **234 | **236 | **149 | 896 | 877 | 678 |
| Return on assets (%) | 0.8 | 1.7 | 2.7 | 4.5 | (5.7) | 3.9 |
| Return on equity (%) | 1.6 | 4.2 | 6.2 | 10.0 | (10.0) | 9.2 |
| Debt / equity ratio (%) | 40.2 | 33.4 | 34.0 | 37.5 | 47.0 | 41.0 |
| Gearing ratio (%) | 39.1 | 37.4 | 37.6 | 41.0 | 43.1 | 37.2 |
| Current ratio (%) | 203.9 | 298.9 | 235.7 | 237.6 | 167.6 | 189.5 |
| Net tangible asset backing (cents) | 78 | 80 | 82 | 79 | 76 | 85 |

* These figures reflect the dividend amounts declared subsequent to reporting dates (refer note 5)

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

Subsequent to the end of the reporting period, directors have declared that a dividend not be paid out of the profits for the financial year ended 31 December 2004.

- The company successfully completed its second Share Purchase Plan in August 2004, raising \$1,832,500 to support improvements to its primary manufacturing plant and tourism facilities and to support its acquisition activities. Directors were again very pleased with the strong response to the Plan.
- In August 2004, Buderim Ginger Limited acquired 70% of the business assets of a pastry manufacturing business, now operating as Buderim Baking Company Pty Ltd, and trading as I Spy Pies. Profit before tax on the baking business, for the last four months of the year, has been recorded as 11% of sales before outside equity interest.
- Tourism revenue was up 1% on the prior year, despite a decline in visitor numbers over the year. The company has previously announced the formation of a Joint Venture to develop a new attraction at the Company's tourist park which should turnaround the visitor decline. This new attraction, Overboard, is to be launched in May 2005 and will provide the Sunshine Coast with a Disney style feature to enhance the award winning tourism site.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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 a dividend not be paid out of the profits for the year ended 31 December 2004.

On 28 February 2005, Buderim Baking Company Pty Ltd purchased the business assets of Aldente Foods Pty Ltd, a pasta manufacturer, for \$1m including a share issue equivalent to \$200k. The pasta manufacturing operation will be conducted in the existing premises at Slacks Creek until May 2005 when the production equipment will be re-located to Buderim Baking's premises in Kunda Park to be operated under the Aldente division.

On 21 December 2004, Ginger Head Quarters Pty Ltd, ABN 54 112 289 988 was incorporated as a joint venture company through which the operations of the proposed new tourism facility, Overboard, will operate. The shareholders of the company are Buderim Ginger Limited and DPG Enterprises as Trustee

Directors' Report

for The Ginger Unit Trust. The \$2.5m construction of Overboard commenced in 2005 and is expected to be completed for launch in April/May 2005.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In keeping with our Strategic Objectives to get our core business right while looking to build critical mass through expansion into other complementary business areas, your Board is actively seeking business opportunities both within the ginger industry and, more broadly, within the premium Australian food products sector. The recent acquisition of a pastry manufacturer and a pasta manufacturer demonstrate the Board's pursuit of this objective. Accordingly, the group results in 2005 are expected to be well above those achieved in 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.

DIRECTORS' AND SPECIFIED EXECUTIVES' EMOLUMENTS

Remuneration policy

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 emoluments 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. Such officers are given the opportunity to receive their base emolument 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.

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:

Emoluments of directors of Buderim Ginger Limited

| | Annual Emoluments | | | Long Term Emoluments | | | Total Employment Benefits |
|-----------------------------|-------------------------|----------------------|---------------|-----------------------|-------------------------------|----|---------------------------|
| | Annual Emoluments \$ | Leave Expensed \$ | Other \$ | Super-annuation \$ | Bonus Shares Issued Number | \$ | |
| J.M. Ruscoe 2004 | 50,000 | — | — | 8,681 | — | — | 58,681 |
| J.M. Ruscoe 2003 | 50,000 | — | — | 8,665 | — | — | 58,665 |
| D. Crerar 2004 | 27,801 | — | — | — | — | — | 27,801 |
| D. Crerar 2003 | 27,525 | — | — | — | — | — | 27,525 |
| S.J. Maitland 2004 | 25,000 | — | — | 2,250 | — | — | 27,250 |
| S.J. Maitland 2003 | 25,000 | — | — | 2,250 | — | — | 27,250 |
| S.T. Templeton 2004 | 25,000 | — | — | 2,250 | — | — | 27,250 |
| S.T. Templeton 2003 | 25,000 | — | — | 2,250 | — | — | 27,250 |
| G.D. O'Brien 2004 | 206,467 | 19,336 | 30,198 | 32,262 | — (i) | — | 288,263 |
| G.D. O'Brien 2003 | 197,775 | 18,522 | 23,931 | 31,042 | — (i) | — | 271,270 |
| Total Directors 2004 | 334,268 | 19,336 | 30,198 | 45,443 | — (i) | — | 429,245 |
| Total Directors 2003 | 325,300 | 18,522 | 23,931 | 44,207 | — (i) | — | 411,960 |

Directors' Report

Emoluments of the five most highly paid specified executive officers whose decisions have a major impact on the strategic direction of the company and the consolidated entity

| | Annual Emoluments | | | Long Term Emoluments | | Total Employment Benefits \$ |
|------------------------------|----------------------|-------------------|----------------|----------------------|----------------------------|------------------------------|
| | Annual Emoluments \$ | Leave Expensed \$ | Other \$ | Super-annuation \$ | Bonus Shares Issued Number | |
| P.G. Ritchie 2004 | 127,750 | 11,964 | 25,323 | 17,333 | — | 182,370 |
| P.G. Ritchie 2003 | 124,000 | 11,613 | 23,363 | 17,005 | — | 175,981 |
| P. Bialkowski 2004 | 142,815 | 18,126 | 13,650 | 16,006 | — | 190,597 |
| P. Bialkowski 2003 | 141,391 | 17,946 | 24,830 | 15,896 | — | 200,063 |
| A. Chinlyn 2004 | 112,968 | 18,126 | 26,076 | 6,761 | — | 163,931 |
| A. Chinlyn 2003 | 129,504 | 7,471 | 26,627 | 7,663 | — | 171,265 |
| K.L. Rogers 2004 | 102,766 | 9,624 | 22,896 | 12,134 | — | 147,420 |
| K.L. Rogers 2003 | 99,000 | 9,272 | 23,211 | 11,720 | — | 143,203 |
| P. Knight 2004 | 88,125 | 8,253 | 16,873 | 11,473 | — | 124,724 |
| P. Knight 2003 | 78,334 | 7,336 | 16,496 | 10,087 | — | 112,253 |
| Total Executives 2004 | 574,424 | 66,093 | 104,818 | 63,707 | — | 809,042 |
| Total Executives 2003 | 572,229 | 53,638 | 114,527 | 62,371 | — | 802,765 |

Notes

The terms 'director' and 'specified executives' 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.

Specified 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.

(i) 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: | 13 | 2 | 1 |
| Number of meetings attended: | | | |
| J.M. Ruscoe | 13 | — | 1 |
| G.D. O'Brien | 13 | — | — |
| D. Crerar | 13 | — | 1 |
| S.J. Maitland | 13 | 2 | — |
| S.T. Templeton | 13 | 2 | — |

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 one audit & compliance committee meeting 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 | D. Crerar |

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Management is currently reviewing the potential changes in the company's current accounting policies associated with the transition to IFRS. The significant issues under consideration include foreign operations, financial instruments, business combinations and assets and impairment testing. Management and the board are in the process of review and, at the date of this report, have not identified any material impacts.

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.

Signed in accordance with a resolution of the directors.



J. RUSCOE

Director

Yandina, 28 February 2005

Corporate Governance Statement 2004

INTRODUCTION

This statement is provided to inform shareholders and other stakeholders of the governance arrangements in the company for the period 1 January 2004 to 31 December 2004. 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 Headquarters 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.

Corporate Governance Statement 2004

Commentary on Director Independence

Independent directors comprise the majority of the board.

It is noted that the chairman and Mrs Crerar ceased employment with the company over 11 and 16 years ago respectively. The Chairman, Mr Ruscoe, was employed as a managing director of the company for a period of 12 years. Mrs Crerar is recognised as a world leader in ginger processing with extensive expertise in this area. The board believes that their past employment does not impair their independence as directors, but rather allows the company to positively benefit from their 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.

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 as 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.

Trading in Securities

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 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 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.

Corporate Governance Statement 2004

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.

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; Managing director, Chief Financial Officer.

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.

Corporate Governance Statement 2004

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 is currently being established 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 will include assessment of board composition, governance relations and internal processes to ensure continuing corporate governance improvement. The performance and contribution of non-executive directors is to be 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.

Corporate Governance Statement 2004

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 26, 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.

Corporate Directory

BUDERIM GINGER LIMITED

ABN 68 010 978 800

ASX Code: BUG

DIRECTORS

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

COMPANY SECRETARY

Karon L. Rogers

SENIOR MANAGEMENT

Stephen T. Dennis (Process & Engineering Manager)
Peter W. Knight (Production & Supply Chain Manager)
Paul G. Ritchie (General Manager - Marketing & Sales)
Karon L. Rogers (Financial Controller)
Nichole Seymore (Tourism Manager)

SUBSIDIARY MANAGEMENT

Paul Bialkowski (UK Manager)
Astor Chinlyn (US Manager)
Satish Kumar (Fiji Manager)
Jeff Sanders (BBC Manager/OEI)

SOLICITORS

Phillips Fox

Waterfront Place
1 Eagle Street
Brisbane, Queensland, 4000
Telephone: (07) 3246 4000
Facsimile: (07) 3229 4077

BANKERS

Westpac Banking Corporation

P O Box 108
Nambour, Queensland, 4560
Telephone: (07) 5441 1533
Facsimile: (07) 5441 4685

Rabobank Australia Limited

GPO Box 2817
Brisbane, Queensland, 4001
Telephone: 1300 303 033
Facsimile: (07) 3115 1881

SHARE REGISTER

Computershare Investor Services Pty Limited

345 Queen Street
Brisbane, Queensland, 4000
(07) 3229 9860

AUDITORS

Ernst & Young

Level 5, Waterfront Place
1 Eagle Street
Brisbane, Queensland, 4000

OFFICES

Registered Office

50 Pioneer Road
Yandina, Queensland, 4561
Telephone: (07) 5446 7100
Facsimile: (07) 5446 7520
Email: buderimg@buderimginger.com

United Kingdom Office

Buderim Ginger (UK) Limited
306 Stafford Road
Croydon, London CRO 4NH
Telephone: 44 181 681 845
Facsimile: 44 181 680 8049
Email: sales@buderimginger.co.uk

United States Office

Buderim Ginger America, Inc
12B Industrial Avenue,
Upper Saddle River, New Jersey 07458
United States of America
Telephone: 201 818 6969
Facsimile: 201 818 6949
Email: astor@buderimgingerusa.com

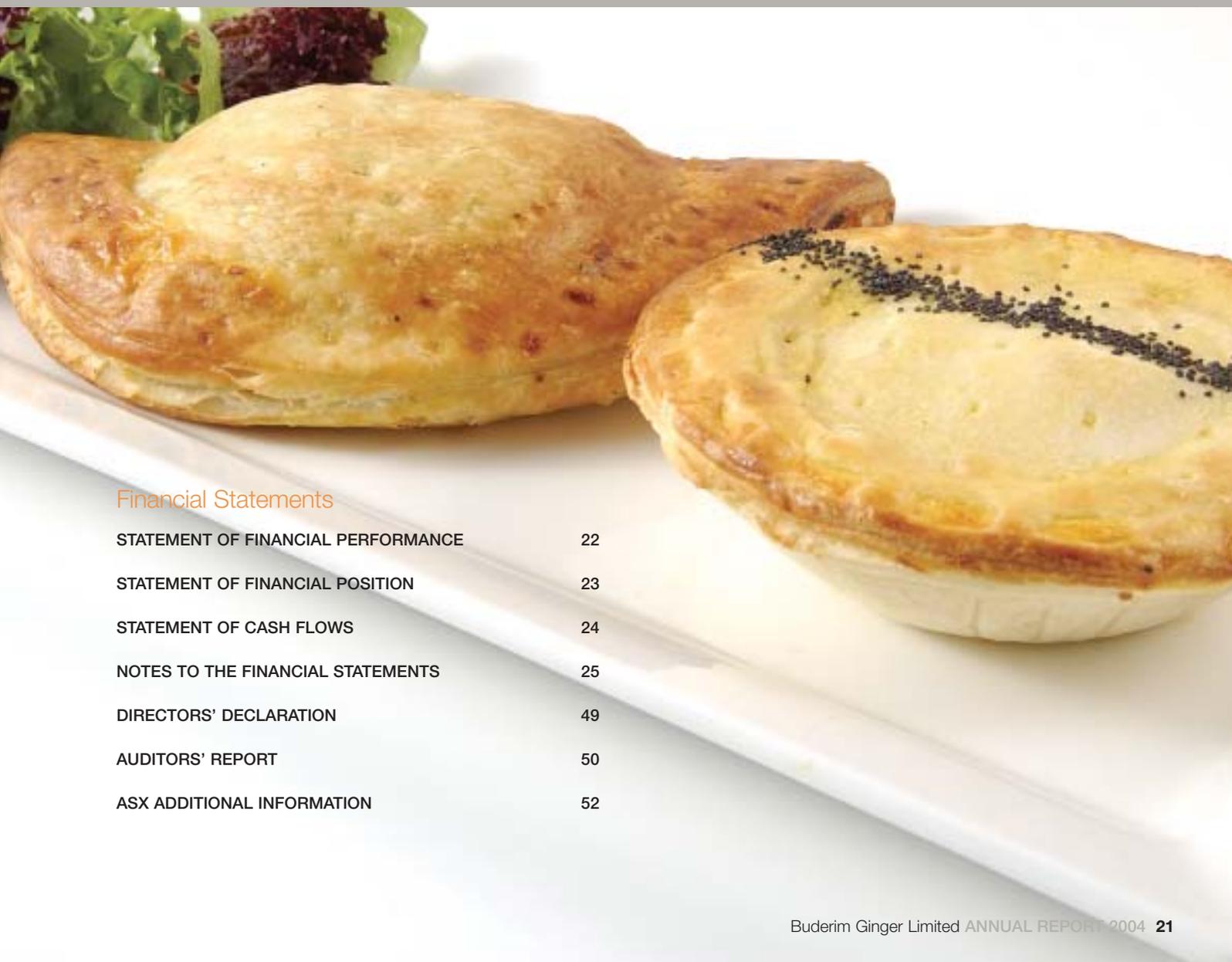
Fiji Office

Frespac Ginger (Fiji) Limited
Lot 14 Wailada Estate, Lami
PO Box 15128
Suva, Fiji
Telephone: 679 3362 863
Facsimile: 679 3361 225
Email: frespac@is.com.fj



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Financial Statements

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Statement of Financial Performance

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| REVENUES FROM ORDINARY ACTIVITIES | 2 | 35,777 | 30,691 | 28,668 | 27,086 |
| Expenses from ordinary activities excluding borrowing costs, depreciation and amortisation, and foreign exchange translation | 3 | 33,328 | 28,186 | 26,609 | 24,527 |
| Earnings before borrowing costs, tax, depreciation and amortisation (ebitda) | | 2,449 | 2,505 | 2,059 | 2,559 |
| Borrowing costs expense | 3 | 537 | 377 | 516 | 345 |
| Depreciation and amortisation expense | 3 | 1,544 | 1,376 | 1,081 | 1,012 |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | 368 | 752 | 462 | 1,202 |
| Income tax expense | 4 | 75 | 248 | (43) | 190 |
| NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE | | 293 | 504 | 505 | 1,012 |
| Profit attributable to outside equity interest | 19.1 | 131 | — | — | — |
| NET PROFIT ATTRIBUTABLE TO MEMBERS OF BUDERIM GINGER LIMITED | 19 | 162 | 504 | 505 | 1,012 |
| Net increase in asset revaluation reserve | 19 | 820 | — | 820 | — |
| Net exchange difference on translation of financial statements of foreign controlled entities | | 74 | (178) | — | — |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS | | 1,056 | 326 | 1,325 | 1,012 |
| Basic earnings per share (cents per share) | 26 | 1.22 | 2.30 | | |
| Diluted earnings per share (cents per share) | 26 | 1.22 | 2.30 | | |
| Franked dividends per share (cents per share) | 5 | — | 1.50 | | |

Statement of Financial Position

AT 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--------------------------------------|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| CURRENT ASSETS | | | | | |
| Cash assets | | 1,716 | 1,580 | 973 | 1,220 |
| Receivables | 6 | 7,980 | 5,785 | 6,460 | 5,415 |
| Inventories | 7 | 9,143 | 8,986 | 7,041 | 7,472 |
| Other | 8 | 526 | 590 | 1,059 | 578 |
| TOTAL CURRENT ASSETS | | 19,365 | 16,941 | 15,533 | 14,685 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 9 | — | — | 2,124 | 684 |
| Investments | 10 | — | — | 3,382 | — |
| Property, plant and equipment | 11 | 15,552 | 11,423 | 11,176 | 9,626 |
| Deferred tax assets | 4 | 378 | 315 | 337 | 315 |
| Intangible assets | 12 | 1,936 | 260 | 122 | 123 |
| TOTAL NON-CURRENT ASSETS | | 17,866 | 11,998 | 17,141 | 10,748 |
| TOTAL ASSETS | | 37,231 | 28,939 | 32,674 | 25,433 |
| CURRENT LIABILITIES | | | | | |
| Payables | 13 | 4,509 | 3,394 | 3,815 | 3,028 |
| Interest-bearing liabilities | 14 | 3,673 | 1,191 | 3,553 | 1,127 |
| Current tax liabilities | 4 | 42 | 117 | (37) | 82 |
| Provisions | 15 | 1,273 | 966 | 1,059 | 907 |
| TOTAL CURRENT LIABILITIES | | 9,497 | 5,668 | 8,390 | 5,144 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | 13 | — | — | 600 | — |
| Interest-bearing liabilities | 16 | 4,663 | 4,779 | 4,499 | 4,693 |
| Deferred tax liabilities | 4 | 311 | 228 | 300 | 246 |
| Provisions | 17 | 98 | 135 | 81 | 128 |
| TOTAL NON-CURRENT LIABILITIES | | 5,072 | 5,142 | 5,480 | 5,067 |
| TOTAL LIABILITIES | | 14,569 | 10,810 | 13,870 | 10,211 |
| NET ASSETS | | 22,662 | 18,129 | 18,804 | 15,222 |
| EQUITY | | | | | |
| Contributed equity | 18 | 16,351 | 13,758 | 16,351 | 13,758 |
| Reserves | 19 | 1,283 | 389 | 1,475 | 655 |
| Retained profits | 19 | 3,808 | 3,982 | 978 | 809 |
| | | 21,442 | 18,129 | 18,804 | 15,222 |
| Total outside equity interest | 19.1 | 1,220 | — | — | — |
| TOTAL EQUITY | | 22,662 | 18,129 | 18,804 | 15,222 |

Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 34,693 | 30,695 | 28,596 | 26,090 |
| Payments to suppliers and employees | | (33,309) | (26,717) | (27,861) | (23,095) |
| Other receipts | | 404 | 456 | 504 | 450 |
| Interest received | | 30 | 18 | 30 | 16 |
| Borrowing costs | | (537) | (377) | (516) | (345) |
| Income tax received | | 11 | 36 | 11 | 36 |
| Income tax paid | | (141) | (538) | (56) | (281) |
| Goods and services tax paid | | (141) | (237) | (45) | (237) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 20 | 1,010 | 3,336 | 663 | 2,634 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of property, plant and equipment | | 60 | — | 62 | — |
| Purchase of property, plant and equipment | | (4,239) | (2,428) | (1,281) | (2,048) |
| Investment in controlled entity | | — | — | (2,730) | — |
| Trademark registrations | | (20) | (21) | (20) | (21) |
| Loans repaid by other entities | | — | — | (240) | (277) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (4,199) | (2,449) | (4,209) | (2,346) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of shares (SPP) | | 1,832 | 500 | 1,832 | 500 |
| Proceeds from borrowings – other | | 3,427 | 3,860 | 3,284 | 3,860 |
| Repayments of borrowings – other | | (1,560) | (3,780) | (1,555) | (3,030) |
| Payment of dividends on ordinary shares (net of dividend reinvestment) | | (226) | (460) | (226) | (460) |
| Payment of outside equity interest | | (110) | — | — | — |
| Repayment of finance lease principal | | (38) | (69) | (36) | (68) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 3,325 | 51 | 3,299 | 802 |
| NET INCREASE/(DECREASE) IN CASH HELD | | 136 | 938 | (247) | 1,090 |
| Add opening cash brought forward | | 1,580 | 642 | 1,220 | 130 |
| CLOSING CASH CARRIED FORWARD | 20 | 1,716 | 1,580 | 973 | 1,220 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

(i) General

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for freehold land which is measured at the fair value amount.

(ii) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all the entities controlled by the parent entity, Buderim Ginger Limited, as at 31 December 2004 and the results of all controlled entities for the year then ended. Buderim Ginger and its controlled entities are referred to collectively as the 'Group'. The effects of all transactions between entities in the Group are eliminated. Control means the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that entity to operate with it in pursuing the objectives of the controlling entity.

Where a controlled entity has been acquired during the year, its results have been included from the date of acquisition. Controlled entities are listed in note 10.

(iii) Acquisition of assets

Assets acquired including property, plant and equipment and intangibles, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Provisions for employee benefits are recognised on the basis described in the accounting policy for employee entitlements.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to freehold land.

AASB 1041 "Revaluation of Non-Current Assets"

The consolidated entity has revalued freehold land as at 30 June 2004 based on an independent valuation of fair market value for existing use, to reflect a more realistic asset value. This has resulted in an increase in the revaluation reserve of \$820k. Refer to note 19. Under Australian Accounting Standards current at reporting date, this class of assets should be revalued to reflect its fair value at each reporting date.

(c) The impact of adopting Australian equivalents of International Financial Reporting Standards (AFIRS)

Australian incorporated entities are required under the Corporations Act to apply Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005.

The Australian Accounting Standards Board has issued Australian Accounting Standard 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' which deals with the disclosures required in periodic reporting during the transitional period leading up to a company's adoption of AIFRS.

As Buderim Ginger Limited has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 January 2004 in order to provide comparatives on initial adoption as from 1 January 2005. Training and research has been undertaken by accounting staff over the past 18 month period, in preparedness for the adoption of AIFRS and to assist in the evaluation of the likely effect that AIFRS will have on the entity's operations and the reporting of its financial performance. The Board, through its Audit & Compliance Sub-Committee, have monitored:

- the assessment of the necessary changes to existing accounting policies and procedures; and
- the identification of potential financial impacts as at the transition date and for subsequent reporting periods.

Directors are in the process of reconciling the anticipated opening balances under AIFRS as at 1 January 2005 and at this stage, the effects of the adoption of AIFRSs are not sufficiently definite or reliably estimable to provide quantified disclosures of impact. The entity's financial reports for the interim and annual reporting periods ending on or after 30 June 2005 will be prepared under the AIFRS and will include all the relevant disclosures about the impact of the adoption of the new standards on reports of financial performance.

Set out below are the key areas where accounting policies will change and may impact on the financial report of Buderim Ginger Limited.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The entity currently applies hedge accounting to its purchase and sale of inventory under forward foreign exchange contracts. As Buderim Ginger Limited's foreign exchange contracts are specific to orders, it is expected there will be no requirement to adjust the opening balance of retained earnings with any gains or losses.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Under AASB 3 *Business Combinations* goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Although adjustments at transition are not expected to be significant, reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions and measurements under which impairment will be assessed are currently being defined, and are specific to recent investments.

Impairment of Assets

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. The group's current accounting policy determines the recoverable amount of an asset on the basis of discounted cash flows which is consistent with the requirements of AASB 136. Reliable estimation of the future financial effects of this accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible Assets

The value of Trademarks currently held on the Statement of Financial Position is \$124k. Under AIFRS, these costs represent a registered right with an indefinite life which will be subject to impairment testing. This asset will not require derecognition on transition to IFRS.

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown. However, no associated adjustment is required to the opening balance of retained earnings on transition to AIFRS. There are no options currently on issue.

Foreign Currency Translations

Under AASB 121 *Foreign Currency Translations*, the consolidated entity will reclassify Buderim Ginger (UK) Limited and Buderim Ginger America, Inc such that the accounting effectively changes from integrated to self-sustaining, as these subsidiaries sell in their local currencies. The change in classification under IFRS will result in the translation of the subsidiaries statement of financial position at spot rates rather than the rates applicable at the date of transaction, as applied under the current accounting policies. Exchange variations on translation of self-sustaining operations are allocated to reserves rather than retained earnings. A reliable estimation of the future financial effects of this change in accounting policy is impracticable as it is dependent upon future economic conditions and currency fluctuations.

Income taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact of this standard would be the recognition of a deferred tax

liability in relation to the asset revaluation reserve, but as Buderim Ginger's land is not subject to capital gains tax, no adjustment to the opening balance of retained earnings is anticipated. It is not anticipated that there will be any significant material impact as a result of adoption of this standard.

(d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to Australian currency at the rate of exchange ruling at the date of the transaction unless hedged prior to the date of the transaction, whereupon the hedged rate is used.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the Statement of Financial Performance.

Translation of financial reports of overseas operations

All overseas operations, except Frespac Ginger (Fiji) Limited, are deemed to be integrated as they are financially and operationally dependent on Buderim Ginger Limited. Frespac Ginger (Fiji) Limited was reclassified as self-sustaining as at 1 July 2003. The accounts of subsidiary operations in the United States and the United Kingdom are translated using the temporal method and exchange differences are brought to account in the determination of profit or loss. The accounts of Frespac Ginger (Fiji) Limited are translated using the current rate method and exchange differences are brought to account in reserves.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(f) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(g) Investments

Investments in all non-current assets are carried at the lower of cost and recoverable amount.

(h) 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 material and labour and a proportion of manufacturing overheads based on normal operating capacity.

(i) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(j) Property, plant and equipment

Cost and valuation

Property, plant and equipment are carried at cost except for land which is carried at fair value in accordance with the Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non-Current Assets".

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land, at rates calculated to allocate the cost of valuation, less estimated residual value at the end of the useful lives of the assets, against revenue over those estimated useful lives.

| | | |
|---------------------------------|-----------------------|----------------|
| Major depreciation periods are: | 2004 | 2003 |
| Tourism buildings | 15 years | 15 years |
| Freehold buildings | 50 years | 50 years |
| Plant and equipment | 3-10 years | 3-10 years |
| Plant and equipment under lease | The lease term | The lease term |

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property,

plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(l) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill has been amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 20 years.

Trademarks

Trademarks have been amortised over their useful lives, being 10 years.

(m) Other non-current assets

Research and development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(o) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

(p) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue recognition

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

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of the right to receive the interest payment.

Rental Income

Rental income is recognised in line with lease commitments defined in lease agreements.

(s) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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

- 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
- 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

Tax Consolidation

Effective 1 January 2003, for the purposes of income taxation, Buderim Ginger Limited and its 100% owned subsidiaries formed a tax consolidated group. Although the election to consolidate was made in July 2004, it was effective for the tax year ended 31 December 2003. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to wholly-owned subsidiaries on a pro-rata basis, where appropriate. 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.

(t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

(u) Derivative financial instruments

Forward exchange contracts

The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into. Exchange gains or losses on forward exchange contracts are recognised in the Statement of Financial Performance except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale or purchase.

(v) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 2. REVENUE FROM ORDINARY ACTIVITIES | | | | | |
| Revenue from sale of goods | | 35,343 | 30,217 | 28,135 | 26,620 |
| Other revenue | | | | | |
| Rental income | | 276 | 275 | 276 | 275 |
| Other income | | 128 | 181 | 227 | 175 |
| | | 404 | 456 | 503 | 450 |
| Interest income – other persons/corporations | | 30 | 18 | 30 | 16 |
| | | 434 | 474 | 533 | 466 |
| Total revenues from operating activities | | 35,777 | 30,691 | 28,668 | 27,086 |
| 3. EXPENSES AND LOSSES/(GAINS) | | | | | |
| (a) Expenses from operating activities | | | | | |
| Cost of goods sold | | 24,952 | 20,352 | 19,993 | 18,706 |
| Write-down of inventory to net realisable value | | — | 18 | — | 18 |
| Selling and distribution expenses | | 5,916 | 4,936 | 4,263 | 3,475 |
| Marketing expenses | | 427 | 347 | 427 | 347 |
| Tourism expenses | | 1,283 | 1,263 | 1,283 | 1,263 |
| Other operating costs | | 750 | 1,270 | 643 | 718 |
| | | 33,328 | 28,186 | 26,609 | 24,527 |
| Borrowing costs expensed | | | | | |
| Interest expense – other parties | | 517 | 364 | 496 | 332 |
| Finance charges – lease liability | | 20 | 13 | 20 | 13 |
| Total borrowing costs expensed | | 537 | 377 | 516 | 345 |
| Amortisation of non-current assets | | | | | |
| Plant and equipment under lease | | 32 | 63 | 32 | 63 |
| Goodwill | | 42 | 9 | — | — |
| Trade Marks | | 21 | 27 | 21 | 27 |
| | | 95 | 99 | 53 | 90 |
| Depreciation of non-current assets | | | | | |
| Plant and equipment | | 1,098 | 976 | 748 | 664 |
| Buildings | | 351 | 301 | 280 | 258 |
| | | 1,449 | 1,277 | 1,028 | 922 |
| Total depreciation and amortisation | | 1,544 | 1,376 | 1,081 | 1,012 |
| Cost of redundancies and terminations | | 28 | 25 | 15 | 25 |
| Bad debts – trade debtors | | 8 | 37 | — | — |
| Net loss/(profit) on disposal of property, plant and equipment | | (32) | — | (34) | — |
| Rental – operating leases | | 136 | 134 | 129 | 134 |
| Net foreign currency losses realised | | 114 | 21 | 122 | 21 |
| Net foreign exchange translation losses unrealised | | 6 | 381 | 4 | — |
| Provision for employee benefits | | 897 | 804 | 758 | 798 |
| Superannuation contributions – accumulated benefit fund | | 603 | 488 | 480 | 423 |
| Write back of intercompany loan provision | | — | — | (600) | (408) |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|---|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 4. INCOME TAX | | | | | |
| The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows: | | | | | |
| Prima facie tax on profit from ordinary activities | | 110 | 226 | 139 | 361 |
| Tax effect of permanent differences | | | | | |
| Research and development deductions | | (21) | (23) | (21) | (23) |
| Depreciation of buildings | | 19 | 19 | 19 | 19 |
| Amortisation of intangible assets | | 16 | 11 | 6 | 8 |
| Reversal of provision for non recovery of inter-company loan | | — | — | (180) | (122) |
| Valuation of fixed assets | | 7 | — | 7 | — |
| Non-assessable income from foreign operations | | (47) | — | — | — |
| Under/(over) provision of previous year | | (9) | 15 | (13) | (53) |
| Income tax expense/(credit) attributable to ordinary activities | | 75 | 248 | (43) | 190 |
| Deferred tax assets and liabilities | | | | | |
| Current tax payable/(receivable) | | 42 | 117 | (37) | 82 |
| Provision for deferred income tax – non-current | | 311 | 228 | 300 | 246 |
| Future income tax benefit – non-current | | 378 | 315 | 337 | 315 |
| Income tax losses | | | | | |
| Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain | | — | — | — | — |

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed *

(b) Dividends paid during the year

Previous year final

Franked dividends (1.5 cents per share)

(2003: 3 cents per share)

336 637 **336** 637

(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

| | | | | |
|---|-------------|-------|-------------|-------|
| – franking account balance as at the end of the financial year at 30% (2003: 30%) | 282 | 316 | 282 | 316 |
| – franking credits that will arise from the refund of income tax paid as at the end of the financial year | (48) | 64 | (48) | 64 |
| – franking debits that will arise from the payment of dividends. | — | (144) | — | (144) |
| | 234 | 236 | 234 | 236 |

*Subsequent to the end of the reporting period, directors have declared that a dividend not be paid out of the profits for the financial year ended 31 December 2004. Franking credits have been calculated on a tax paid basis as required by the Australian Taxation Office.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 6. RECEIVABLES (CURRENT) | | | | | |
| Trade debtors | | 7,816 | 5,595 | 6,377 | 5,293 |
| Provision for doubtful debts | 6(b) | (14) | (11) | (14) | (11) |
| | | 7,802 | 5,584 | 6,363 | 5,282 |
| Deposits and other loans | | 31 | 11 | 31 | 11 |
| Other receivables | | 147 | 190 | 66 | 122 |
| | | 7,980 | 5,785 | 6,460 | 5,415 |
| (a) Aggregate amounts receivable from related parties included in trade debtors | | | | | |
| Wholly-owned group | | | | | |
| – controlled entities | | — | — | 1,890 | 1,173 |
| (b) Movement in provision for doubtful debts | | | | | |
| – balance at beginning of year | | (11) | (10) | (11) | (10) |
| – bad and doubtful debts (provided for)/written back during the year | | (3) | (1) | (3) | (1) |
| – balance at end of year | | (14) | (11) | (14) | (11) |
| 7. INVENTORIES (CURRENT) | | | | | |
| Raw materials and stores | | | | | |
| At cost | | 1,190 | 947 | 793 | 857 |
| Work-in-progress | | | | | |
| At cost | | 1,823 | 2,230 | 1,376 | 1,830 |
| Finished goods | | | | | |
| At cost | | 6,130 | 5,799 | 4,872 | 4,775 |
| At net realisable value | | — | 10 | — | 10 |
| | | 6,130 | 5,809 | 4,872 | 4,785 |
| Total inventories at lower of cost and net realisable value | | 9,143 | 8,986 | 7,041 | 7,472 |
| 8. OTHER CURRENT ASSETS | | | | | |
| Other debtors | | — | — | 600 | — |
| Prepayments | | 489 | 427 | 422 | 415 |
| Deferred Foreign Currency Losses | | 37 | 163 | 37 | 163 |
| | | 526 | 590 | 1,059 | 578 |
| 9. RECEIVABLES (NON-CURRENT) | | | | | |
| Other debtors | | — | — | 600 | — |
| Wholly owned group | | | | | |
| – loan to controlled entities | | — | — | 1,524 | 1,284 |
| – provision for non-recovery of inter-company loan | | — | — | — | (600) |
| | | — | — | 2,124 | 684 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| Name | | Country of incorporation | Percentage of equity interest held by the consolidated entity | | Investment | |
|--|-------|--------------------------|---|-----------|------------------|------------|
| | | | 2004 % | 2003 % | 2004 \$ | 2003 \$ |
| 10. INTERESTS IN SUBSIDIARIES | | | | | | |
| Australian Golden Ginger Pty Ltd | (i) | Australia (a) | 100 | 100 | 6 | 6 |
| Gingertown Pty Ltd | (i) | Australia (a) | 100 | 100 | 2 | 2 |
| Buderim Ginger (Overseas) Holdings Pty Ltd | (i) | Australia (a) | 100 | 100 | 5 | 5 |
| Buderim Baking Company Pty Ltd | (i) | Australian (d) | 70 | — | 3,381,583 | — |
| | | | | | 3,381,596 | 13 |
| 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 | | |
| Ginger Head Quarters Pty Ltd | (iv) | Australia (e) | 50 | — | | |

(i) Investments by Buderim Ginger Limited.

(ii) Investment by Buderim Ginger (UK) Ltd.

(iii) Investment by Buderim Ginger (Overseas) Holdings Pty Ltd.

(iv) Investment by Buderim Ginger Limited in a joint venture with DPG Enterprises Pty Ltd.

(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 | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| <i>(i) Consolidated statement of financial performance</i> | | |
| Operating profit before income tax | 462 | 1,502 |
| Income tax expense relating to operating activities | 203 | (190) |
| Operating profit after income tax expense | 665 | 1,312 |
| Retained profits at the beginning of the financial year | 1,704 | 1,029 |
| Dividends provided for or paid | (336) | (637) |
| Retained profits at the end of the financial year | 2,033 | 1,704 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Investment | |
|--|---------------|---------------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| 10. INTERESTS IN SUBSIDIARIES (CONT'D) | | |
| <i>(ii) Consolidated statement of financial position</i> | | |
| CURRENT ASSETS | | |
| Cash assets | 973 | 1,220 |
| Receivables | 6,460 | 5,415 |
| Inventories | 7,041 | 7,472 |
| Other | 1,059 | 578 |
| TOTAL CURRENT ASSETS | 15,533 | 14,685 |
| NON-CURRENT ASSETS | | |
| Receivables | 1,751 | 311 |
| Investments | 4,533 | 1,151 |
| Property, plant and equipment | 11,176 | 9,626 |
| Deferred tax asset | 306 | 315 |
| Intangible assets | 122 | 123 |
| TOTAL NON-CURRENT ASSETS | 17,888 | 11,526 |
| TOTAL ASSETS | 33,421 | 26,211 |
| CURRENT LIABILITIES | | |
| Payables | 3,811 | 3,024 |
| Interest-bearing liabilities | 3,553 | 1,127 |
| Current tax liabilities | (280) | 57 |
| Provisions | 1,059 | 907 |
| TOTAL CURRENT LIABILITIES | 8,143 | 5,115 |
| NON-CURRENT LIABILITIES | | |
| Payables | 600 | — |
| Interest-bearing liabilities | 4,499 | 4,693 |
| Deferred tax liabilities | 327 | 246 |
| Provisions | 81 | 128 |
| TOTAL NON-CURRENT LIABILITIES | 5,507 | 5,067 |
| TOTAL LIABILITIES | 13,650 | 10,182 |
| NET ASSETS | 19,771 | 16,029 |
| SHAREHOLDERS' EQUITY | | |
| Contributed equity | 16,351 | 13,758 |
| Reserves | 1,387 | 567 |
| Retained profits | 2,033 | 1,704 |
| TOTAL SHAREHOLDERS' EQUITY | 19,771 | 16,029 |

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

(e) Joint venture incorporated in Australia between Buderim Ginger Limited and DPG Enterprises Pty Ltd on 21 December 2004. Each joint venture partner controls 50% of the company. The entity will not be trading until construction and launch of the new tourism facility, Overboard, is completed in 2005.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|---|-------|-----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 11. PROPERTY, PLANT AND EQUIPMENT | | | | | |
| <i>Freehold land</i> | | | | | |
| At fair value | | 1,770 | 950 | 1,770 | 950 |
| <i>Buildings on freehold land</i> | | | | | |
| At cost | | 8,914 | 8,986 | 7,520 | 7,628 |
| Accumulated depreciation | | (3,701) | (3,527) | (3,353) | (3,258) |
| | | 5,213 | 5,459 | 4,167 | 4,370 |
| Total land and buildings | | 6,983 | 6,409 | 5,937 | 5,320 |
| <i>Plant and equipment</i> | | | | | |
| At cost | | 14,745 | 12,475 | 10,222 | 10,586 |
| Accumulated depreciation | | (7,662) | (7,896) | (6,246) | (6,715) |
| | | 7,083 | 4,579 | 3,976 | 3,871 |
| <i>Plant and equipment under lease</i> | | | | | |
| At cost | | 771 | 234 | 771 | 234 |
| Accumulated amortisation | | (44) | (12) | (44) | (12) |
| | | 727 | 222 | 727 | 222 |
| Total plant and equipment | | 7,810 | 4,801 | 4,703 | 4,093 |
| Capital works in progress at cost | | 759 | 213 | 536 | 213 |
| Total property, plant and equipment | | | | | |
| Fair value | | 1,770 | 950 | 1,770 | 950 |
| Cost | | 25,189 | 21,908 | 19,049 | 18,661 |
| | | 26,959 | 22,858 | 20,819 | 19,611 |
| Accumulated depreciation and amortisation | | (11,407) | (11,435) | (9,643) | (9,985) |
| Total written down amount | | 15,552 | 11,423 | 11,176 | 9,626 |

(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 \$726,848 (2003: \$222,153).

(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.

On 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 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED 2004 \$'000 | BUDERIM GINGER LIMITED 2004 \$'000 |
|---|-------|--------------------------------|---|
| 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D) | | | |
| (c) Reconciliations | | | |
| Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year. | | | |
| <i>Freehold land</i> | | | |
| Carrying amount at beginning | | 950 | 950 |
| Revaluation | | 820 | 820 |
| | | 1,770 | 1,770 |
| <i>Buildings on freehold land</i> | | | |
| Carrying amount at beginning | | 5,459 | 4,370 |
| Transfers | | 77 | 77 |
| Net foreign currency movements | | 28 | — |
| Depreciation expense | | (351) | (280) |
| | | 5,213 | 4,167 |
| <i>Plant and equipment</i> | | | |
| Carrying amount at beginning | | 4,579 | 3,871 |
| Additions | | 2,735 | — |
| Transfers | | 881 | 881 |
| Disposals | | (28) | (28) |
| Net foreign currency movements | | 14 | — |
| Depreciation expense | | (1,098) | (748) |
| | | 7,083 | 3,976 |
| <i>Plant and equipment under lease</i> | | | |
| Carrying amount at beginning | | 222 | 222 |
| Additions | | 537 | 537 |
| Transfers | | — | — |
| Amortisation expense | | (32) | (32) |
| | | 727 | 727 |
| <i>Capital Works in progress at cost</i> | | | |
| Carrying amount at beginning | | 213 | 213 |
| Additions | | 1,504 | 1,281 |
| Transfers | | (958) | (958) |
| Depreciation expense | | — | — |
| | | 759 | 536 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|---|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 12. INTANGIBLES | | | | | |
| Goodwill | | 1,912 | 196 | — | — |
| Net foreign currency movements arising from self-sustaining foreign operation | | (13) | (16) | — | — |
| Accumulated amortisation | | (87) | (45) | — | — |
| | | 1,812 | 135 | — | — |
| Trademarks | | 225 | 205 | 223 | 203 |
| Accumulated amortisation | | (101) | (80) | (101) | (80) |
| | | 124 | 125 | 122 | 123 |
| | | 1,936 | 260 | 122 | 123 |

13. PAYABLES

CURRENT

| | | | | | |
|------------------------------------|--|--------------|-------|--------------|-------|
| Trade creditors | | 3,395 | 2,077 | 2,467 | 1,857 |
| Other creditors | | 1,077 | 1,154 | 711 | 1,008 |
| Deferred purchase consideration | | — | — | 600 | — |
| Foreign Exchange Contracts Payable | | 37 | 163 | 37 | 163 |
| | | 4,509 | 3,394 | 3,815 | 3,028 |

Aggregate amounts payable to related parties included in trade creditors

| | | | | | |
|---|--|---|----|---|----|
| Directors and director-related entities | | — | 12 | — | 12 |
|---|--|---|----|---|----|

NON-CURRENT

| | | | | | |
|---------------------------------|--|---|---|------------|---|
| Deferred purchase consideration | | — | — | 600 | — |
|---------------------------------|--|---|---|------------|---|

14. INTEREST-BEARING LIABILITIES (CURRENT)

| | | | | | |
|----------------------|----------|--------------|-------|--------------|-------|
| Secured | | | | | |
| – lease liability | 21,31,32 | 85 | 30 | 85 | 27 |
| – bank bill facility | 31,32 | 3,367 | 1,100 | 3,367 | 1,100 |
| – bank loan | 31,32 | 221 | 61 | 101 | — |
| | | 3,673 | 1,191 | 3,553 | 1,127 |

The bank overdraft and bill finance facilities are secured by a registered equitable mortgage over the parent company's assets.

The lease liability is secured by a charge over the leased assets. The bank loan is secured over the plant and equipment of Frespac Ginger (Fiji) Limited and supported by a guarantee from the parent entity, and over certain items of plant of Buderim Baking Company Pty Ltd.

15. PROVISIONS (CURRENT)

| | | | | | |
|-------------------|----|--------------|-----|--------------|-----|
| Employee benefits | 22 | 1,273 | 966 | 1,059 | 907 |
| | | 1,273 | 966 | 1,059 | 907 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|---|----------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 16. INTEREST-BEARING LIABILITIES (NON-CURRENT) | | | | | |
| Secured | | | | | |
| - lease liability - finance lease | 21,31,32 | 637 | 193 | 637 | 193 |
| - bank bill facility | 31,32 | 3,500 | 4,500 | 3,500 | 4,500 |
| - bank loan | 31,32 | 526 | 86 | 362 | — |
| | | 4,663 | 4,779 | 4,499 | 4,693 |

The lease liability is secured by a charge over the leased assets. The bill facility is secured by a registered equitable mortgage over the parent company's assets. The bank loan is secured over the plant and equipment of Frespac Ginger (Fiji) Limited and supported by a guarantee from the parent entity, and over certain items of plant of Buderim Baking Company Pty Ltd.

17. PROVISIONS (NON-CURRENT)

| | | | | | |
|-------------------|----|----|-----|----|-----|
| Employee benefits | 22 | 98 | 135 | 81 | 128 |
|-------------------|----|----|-----|----|-----|

18. CONTRIBUTED EQUITY

(a) Issued and paid up capital

| | | | | |
|--|--------|--------|--------|--------|
| 26,681,187 ordinary shares fully paid (2003: 22,376,850) | 16,351 | 13,758 | 16,351 | 13,758 |
|--|--------|--------|--------|--------|

(b) Movements in shares on issue

| | 2004 | | 2003 | |
|---|---------------------|---------------|---------------------|--------|
| | Number of shares | \$'000 | Number of shares | \$'000 |
| Beginning of the financial year | 22,376,850 | 13,758 | 21,222,775 | 13,081 |
| Issued during the year | | | | |
| - dividend reinvestment scheme (i) | 172,823 | 110 | 315,173 | 177 |
| - managing director incentive scheme (ii) | — | — | — | — |
| - share purchase plan (iii) | 3,121,653 | 1,832 | 838,902 | 500 |
| - acquisition of I Spy business (iv) | 1,009,861 | 651 | — | — |
| End of the financial year | 26,681,187 | 16,351 | 22,376,850 | 13,758 |

(i) On 20 May 2004, 172,823 ordinary shares were issued under the dividend reinvestment scheme at a value of \$0.636 per share. These shares rank equally with all other ordinary shares.

(ii) There were no ordinary shares issued under the managing director employee incentive scheme during this period.

(iii) On 16 July 2004, 3,121,653 ordinary shares were issued under the share purchase plan at a value of \$0.587 per share. These shares rank equally with all other ordinary shares.

(iv) On 17 August 2004, 1,009,861 shares were issued at a value of \$0.645 per share as part payment for the acquisition of the I Spy business.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 19. RESERVES AND RETAINED PROFITS | | | | | |
| Asset revaluation | | 1,475 | 655 | 1,475 | 655 |
| Foreign currency translation | | (192) | (266) | — | — |
| | | 1,283 | 389 | 1,475 | 655 |
| Retained profits | | 3,808 | 3,982 | 978 | 809 |

(a) Asset Revaluation

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

| | | | | | |
|------------------------------|--|--------------|-----|--------------|-----|
| Balance at beginning of year | | 655 | 655 | 655 | 655 |
| Revaluation of land | | 820 | — | 820 | — |
| Balance at end of year | | 1,475 | 655 | 1,475 | 655 |

(b) Foreign currency translation

(i) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

(ii) Movements in reserve

| | | | | | |
|---|--|--------------|-------|---|---|
| Balance at beginning of year | | (266) | (88) | — | — |
| Exchange difference arising from the translation of the financial statements of self-sustaining foreign operations. | | 74 | (178) | — | — |
| Balance at end of year | | (192) | (266) | — | — |

(c) Retained profits

| | | | | | |
|---|--|--------------|-------|--------------|-------|
| Balance at the beginning of year | | 3,982 | 4,115 | 809 | 434 |
| Net profit after related income tax expense | | 162 | 504 | 505 | 1,012 |
| Total available for appropriation | | 4,144 | 4,619 | 1,314 | 1,446 |
| Dividends provided for or paid | | (336) | (637) | (336) | (637) |
| Balance at end of year | | 3,808 | 3,982 | 978 | 809 |

19.1 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entity

| | | | | | |
|--|--|--------------|---|---|---|
| Opening balance | | — | — | — | — |
| 30% outside equity interest on acquisition of subsidiary | | 1,200 | — | — | — |
| Add share of operating profit | | 131 | — | — | — |
| Less distribution | | (111) | — | — | — |
| Closing balance | | 1,220 | — | — | — |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|---|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 20. STATEMENT OF CASH FLOWS | | | | | |
| (a) Reconciliation of the operating profit after tax to the net cash flows from operations | | | | | |
| Net profit | | 293 | 504 | 505 | 1,012 |
| Non-Cash Items | | | | | |
| Depreciation of non-current assets | | 1,449 | 1,277 | 1,028 | 922 |
| Amortisation of non-current assets | | 95 | 99 | 53 | 90 |
| Write-back of intercompany loan provision | | — | — | (600) | (408) |
| Exchange on translation of self-sustaining entity | | 74 | (178) | — | — |
| Other | | (1) | — | 1 | 3 |
| Changes in assets and liabilities | | | | | |
| (Increase)/decrease in trade receivables | | (2,274) | 491 | (1,096) | (539) |
| (Increase)/decrease in inventory | | (157) | 1,204 | 431 | 1,350 |
| (Increase)/decrease in future income tax benefit | | — | (49) | — | (49) |
| (Increase)/decrease in prepayments and other receivables | | (40) | (12) | 29 | 10 |
| (Decrease)/increase in trade and other creditors | | 1,356 | 198 | 294 | 301 |
| (Decrease)/increase in tax provision | | (75) | (189) | (121) | (9) |
| (Decrease)/increase in deferred income tax liability | | 20 | (15) | 32 | 3 |
| (Decrease)/increase in employee benefits | | 270 | 6 | 107 | (52) |
| Net cash flow from operating activities | | 1,010 | 3,336 | 663 | 2,634 |

(b) Reconciliation of cash

| | | | | | |
|-------------------------|--|-------|-------|-----|-------|
| Cash balance comprises: | | | | | |
| – cash on hand | | 1,716 | 1,580 | 973 | 1,220 |
| Closing cash balance | | 1,716 | 1,580 | 973 | 1,220 |

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.

(c) Financing facilities available

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

| | | | | | |
|-------------------------------------|--|-------|--------|-------|--------|
| Total facilities | | | | | |
| – bank overdraft | | 700 | 700 | 450 | 450 |
| – working capital facility | | 9,500 | 10,000 | 9,500 | 10,000 |
| – bank loans | | 747 | 147 | 463 | — |
| Facilities used at reporting date | | | | | |
| – working capital facility | | 6,867 | 5 600 | 6,867 | 5 600 |
| – bank loans | | 747 | 147 | 463 | — |
| Facilities unused at reporting date | | | | | |
| – bank overdraft | | 700 | 700 | 450 | 450 |
| – working capital facility | | 2,633 | 4,400 | 2,633 | 4,400 |

Working Capital Facility

The working capital facility provided by Rabobank Australia Limited includes a \$5,000,000 long term amortising/multi-option component, \$40,000 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.

Bank Guarantee Facility

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |

20. STATEMENT OF CASH FLOWS (CONT'D)

Interest Rate Swap

Rabobank Australia Limited have provided to the consolidated entity through Cooperatieve Centrale Raiffeisen-Boerenleenbank B.Z. (Rabobank), Australia Branch, an uncommitted interest rate swap facility. As at 31 December 2004 the notional amount of the interest rate swap was \$AUD 1,100,000, fixed at a rate of 5.3% with designated maturity periods of 92 days.

(d) Non-Cash Financing and Investing Activities

Dividend Reinvestment Plan

Under the terms of the dividend reinvestment plan, \$109,906 (2003: \$176,754) of dividends were paid via the issue of 172,823 shares (2003: 315,173).

Acquisition of a Business

On 17 August 2004, a controlled entity Buderim Baking Company Pty Ltd acquired the business of I Spy Pies for total consideration of \$4,350,509. This consideration included a cash component of \$2,509,357, the issue of 1,009,861 ordinary shares in Buderim Ginger Limited valued at \$651,309, and the issue of a 30% interest in the ordinary share capital of Buderim Baking Company Pty Ltd valued at \$1,200,000.

Finance Leases

Rabobank Australia has made an uncommitted equipment finance facility available to the company. Plant and equipment purchased under this lease during 2004 amounted to \$537,030 (2003: \$233,845).

21. EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not provided for, payable:

| | | | | |
|--|--|--------------|---|--------------|
| – not later than one year | | | | |
| – construction of Overboard tourism facility | | 1,250 | — | 1,250 |

(b) Lease expenditure commitments

(i) Operating leases (non-cancellable):

| | | | | |
|--|--|------------|-----|------------|
| Minimum lease payments | | | | |
| – not later than one year | | 102 | 101 | 102 |
| – later than one year and not later than five years | | 98 | 73 | 98 |
| – aggregate lease expenditure contracted for at reporting date | | 200 | 174 | 200 |
| Amounts not provided for: | | | | |
| – future rental commitments | | 200 | 174 | 200 |

Operating lease commitments relate to liabilities arising from the lease of motor vehicles.

Operating leases have an average lease term of 3 years and an average implicit interest rate of 6.92% (2003: 6.92%).

(ii) Finance leases:

| | | | | | |
|---|----|--------------|------|--------------|------|
| – not later than one year | | 136 | 44 | 136 | 41 |
| – later than one year and not later than five years | | 761 | 226 | 761 | 226 |
| – total minimum lease payments | | 897 | 270 | 897 | 267 |
| – future finance charges | | (175) | (47) | (175) | (47) |
| – lease liability | | 722 | 223 | 722 | 220 |
| – current liability | 14 | 85 | 30 | 85 | 27 |
| – non-current liability | 16 | 637 | 193 | 637 | 193 |
| | | 722 | 223 | 722 | 220 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |

21. EXPENDITURE COMMITMENTS (CONT'D)

(c) Other Commitments

Under the Shareholders Agreement for Buderim Baking Company Pty Ltd, effective 17 August 2004, Buderim Ginger Limited is committed to acquiring the outside equity interest in that company in two tranches; 15% on 31 December 2005 and 15% on 31 December 2006. The purchase price will be determined based on set formulas applied to the earnings before interest and tax of the I Spy business. An amount of \$1,200,000 has been recognised at 31 December 2004 as a liability in Buderim Ginger Limited in relation to this commitment.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

| | | | | | |
|--------------------------|----|--------------|-------|--------------|-------|
| Provisions (current) | 15 | 1,273 | 966 | 1,059 | 907 |
| Provisions (non-current) | 17 | 98 | 135 | 81 | 128 |
| | | 1,371 | 1,101 | 1,140 | 1,035 |

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.

23. CONTINGENT LIABILITIES

Controlled entities

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 \$AUD600,000 to indemnify the Westpac Banking Corporation for an overdraft facility made available to Frespac Ginger (Fiji) Ltd.

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

24. SUBSEQUENT EVENTS

Since the end of the reporting period, directors have declared that a dividend not be paid out of the profits for the year ended 31 December 2004.

On the 28 February 2005, Buderim Baking Company Pty Ltd purchased the business assets of Aldente Foods Pty Ltd, a pasta manufacturer, for \$1m including a share issue equivalent to \$200k. The pasta manufacturing operation will be conducted in the existing premises at Slacks Creek until May 2005 when the production equipment will be re-located to Buderim Baking's premises in Kunda Park to be operated under the Aldente division.

On 21 December 2004, Ginger Head Quarters Pty Ltd, ABN 54 112 289 988 was incorporated as a joint venture company through which the operations of the proposed new tourism facility, Overboard, will operate. The shareholders of the company are Buderim Ginger Limited and DPG Enterprises as Trustee for The Ginger Unit Trust. The \$2.5m construction of Overboard commenced in 2005 and is expected to be completed for launch in May 2005.

25. ECONOMIC DEPENDENCY

A large proportion of the base ingredient, ginger, used in the Australian manufacturing operations of the consolidated entity is only available from quota holders. All ginger growers who supply ginger have entered into long term agreements with the company. The Ginger Supply Agreements held with Australian growers provide the company with a secure source of ginger and the growers with an outlet for their product. Ginger used in the Fiji manufacturing operation is purchased under open market conditions.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

CONSOLIDATED
2004 2003
\$'000 \$'000

26. EARNINGS PER SHARE

| | | |
|---|------------|------------|
| (a) Basic earnings per share (cents per share) | 1.22 | 2.30 |
| (b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | 24,005,344 | 21,931,703 |

During the financial year, 172,823 ordinary shares have been issued pursuant to the dividend reinvestment scheme, 3,121,653 ordinary shares have been issued pursuant to the share purchase plan and 1,009,861 ordinary shares were issued as part payment for a business acquisition.

There are no issued preference shares and therefore no adjustment to profit for the cost of equity. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report. The diluted earnings per share is the same as the basic earnings per share.

27. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES

Remuneration policy

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 emoluments 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. Such officers are given the opportunity to receive their base emolument 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.

(a) Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to specified directors of the consolidated entity, directly or indirectly, was \$429,246 (2003: \$411,960).

Under the employee incentive scheme 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 further three year extension to this scheme at the Annual General Meeting in April 2004. There were no shares issued under this scheme during 2004.

(b) Executives' remuneration

Remuneration received or due and receivable by specified executive officers (excluding directors) of the consolidated entity who have the greatest authority in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise was \$809,042 (2003: \$802,765).

(c) Options holdings

There are no options held by directors or executives of the company.

(d) Prescribed benefits approved at general meeting

No prescribed benefits have been paid which have not been approved by shareholders or would require further approval at an Annual General Meeting.

(e) Emoluments of directors and the five most highly paid executive officers whose decisions have a major impact on the strategic direction of the company and the consolidated entity, are as follows:

Emoluments of directors of Buderim Ginger Limited

| | Annual Emoluments | | | Long Term Emoluments | | Total Employment Benefits |
|-----------------------------|-------------------------|----------------------|---------------|-----------------------|-------------------------------|---------------------------|
| | Annual Emoluments \$ | Leave Expensed \$ | Other \$ | Super-annuation \$ | Bonus Shares Issued Number | |
| J.M. Ruscoe 2004 | 50,000 | — | — | 8,681 | — | 58,681 |
| J.M. Ruscoe 2003 | 50,000 | — | — | 8,665 | — | 58,665 |
| D. Crerar 2004 | 27,801 | — | — | — | — | 27,801 |
| D. Crerar 2003 | 27,525 | — | — | — | — | 27,525 |
| S.J. Maitland 2004 | 25,000 | — | — | 2,250 | — | 27,250 |
| S.J. Maitland 2003 | 25,000 | — | — | 2,250 | — | 27,250 |
| S.T. Templeton 2004 | 25,000 | — | — | 2,250 | — | 27,250 |
| S.T. Templeton 2003 | 25,000 | — | — | 2,250 | — | 27,250 |
| G.D. O'Brien 2004 | 206,467 | 19,336 | 30,198 | 32,262 | — (i) | 288,263 |
| G.D. O'Brien 2003 | 197,775 | 18,522 | 23,931 | 31,042 | — (i) | 271,270 |
| Total Directors 2004 | 334,268 | 19,336 | 30,198 | 45,443 | — (i) | 429,245 |
| Total Directors 2003 | 325,300 | 18,522 | 23,931 | 44,207 | — (i) | 411,960 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

27. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES (CONT'D)

Emoluments of specified executive officers whose decisions have a major impact on the strategic direction of the company and the consolidated entity

| | Annual Emoluments | | | Long Term Emoluments | | Total Employment Benefits |
|------------------------------|-------------------------|----------------------|----------------|-----------------------|-------------------------------|---------------------------|
| | Annual Emoluments \$ | Leave Expensed \$ | Other \$ | Super-annuation \$ | Bonus Shares Issued Number | |
| P.G. Ritchie 2004 | 127,750 | 11,964 | 25,323 | 17,333 | — | 182,370 |
| P.G. Ritchie 2003 | 124,000 | 11,613 | 23,363 | 17,005 | — | 175,981 |
| P. Bialkowski 2004 | 142,815 | 18,126 | 13,650 | 16,006 | — | 190,597 |
| P. Bialkowski 2003 | 141,391 | 17,946 | 24,830 | 15,896 | — | 200,063 |
| A. Chinlyn 2004 | 112,968 | 18,126 | 26,076 | 6,761 | — | 163,931 |
| A. Chinlyn 2003 | 129,504 | 7,471 | 26,627 | 7,663 | — | 171,265 |
| K.L. Rogers 2004 | 102,766 | 9,624 | 22,896 | 12,134 | — | 147,420 |
| K.L. Rogers 2003 | 99,000 | 9,272 | 23,211 | 11,720 | — | 143,203 |
| P. Knight 2004 | 88,125 | 8,253 | 16,873 | 11,473 | — | 124,724 |
| P. Knight 2003 | 78,334 | 7,336 | 16,496 | 10,087 | — | 112,253 |
| Total Executives 2004 | 574,424 | 66,093 | 104,818 | 63,707 | — | 809,042 |
| Total Executive 2003 | 572,229 | 53,638 | 114,527 | 62,371 | — | 802,765 |

Notes

The terms 'director' and 'specified executives' 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.

Specified 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.

(i) 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.

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

| Ordinary Shares held in Buderim Ginger Limited | Balance 1 January 2004 Ordinary | Dividend Reinvestment Issue Ordinary | Share Purchase Plan Ordinary | Market Acquisition Ordinary | Market Sale Ordinary | Balance 31 December 2004 Ordinary |
|--|---------------------------------|--------------------------------------|------------------------------|-----------------------------|----------------------|-----------------------------------|
| Directors | | | | | | |
| J.M. Ruscoe | 109,579 | 2,585 | 8,517 | 16,958 | — | 137,639 |
| D. Crerar | 12,314 | 291 | 8,517 | — | — | 21,122 |
| S.J. Maitland | 32,684 | 771 | 8,517 | — | — | 41,972 |
| S.T. Templeton | 1,216,340 | 27,944 | 25,551 | 38,269 | — | 1,308,104 |
| G.D. O'Brien | 259,694 | — | 8,517 | — | — | 268,211 |
| Executives | | | | | | |
| P.G. Ritchie | 1,400 | 128 | 8,517 | 4,000 | — | 14,045 |
| P. Bialkowski | — | — | — | — | — | — |
| A. Chinlyn | — | — | — | — | — | — |
| K.L. Rogers | 1,357 | 9 | — | — | — | 1,366 |
| P. Knight | — | — | — | — | — | — |
| Total | 1,633,368 | 31,728 | 68,136 | 59,227 | — | 1,792,459 |

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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED | | BUDERIM GINGER LIMITED | |
|--|-------|----------------|----------------|------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 28. AUDITORS' REMUNERATION | | | | | |
| Amounts received or due and receivable by auditors of Buderim Ginger Limited for: | | | | | |
| – an audit or review of the financial report of the entity and any other entity in the consolidated entity | | 118,303 | 93,465 | 68,250 | 65,000 |
| – tax advice in relation to the entity and any other entity in the consolidated entity | | 50,373 | 46,095 | 41,748 | 36,880 |
| – other services in relation to the entity and any other entity in the consolidated entity | | — | — | — | — |
| | | 168,676 | 139,560 | 109,998 | 101,880 |

29. RELATED PARTY DISCLOSURES

Directors

The directors of Buderim Ginger Limited during the financial year were:

J.M. Ruscoe (Chairman)
G.D. O'Brien (Managing Director)
S.J. Maitland
D.Crerar
S.T. Templeton

Wholly-owned group transactions

Sales and purchases made under normal commercial terms and conditions.

Director transactions

Services

D. Crerar performed consultancy work during the year aggregating to \$Nil (2003: \$5,000) in fees.

Director-related entity transactions

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 \$734,116 (2003: \$653,050) in a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other suppliers.

Equity instruments of directors

Interests at balance date

Interests in the equity instruments of Buderim Ginger Limited held by directors of the reporting entity and their director-related entities:

| | Ordinary Shares Fully Paid | |
|----------------|----------------------------|------------------|
| | 2004 Number | 2003 Number |
| J.M. Ruscoe | 137,639 | 109,579 |
| G.D. O'Brien | 268,211 | 259,694 |
| S.J. Maitland | 41,972 | 32,684 |
| D. Crerar | 21,122 | 12,314 |
| S.T. Templeton | 1,308,104 | 1,216,340 |
| | 1,777,048 | 1,630,611 |

Movements in directors' equity holdings

During the year, Mr J.M. Ruscoe acquired 8,517 ordinary shares under the share purchase plan at an average price of \$0.587. Ordinary shares totalling 2,585 were issued to J.M. Ruscoe under the dividend reinvestment scheme at an average price of \$0.636. Mr Ruscoe also acquired 16,958 ordinary shares in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund) at an average price of \$0.629.

During the year, Mr S.J. Maitland acquired 8,517 ordinary shares in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund) under the share purchase plan at an average price of \$0.587. Ordinary shares totalling 771 were issued to S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund) under the dividend reinvestment scheme at an average price of \$0.636.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

29. RELATED PARTY DISCLOSURES (CONT'D)

During the year, Mr G.D. O'Brien acquired 8,517 ordinary shares under the share purchase plan at an average purchase price of \$0.587. There were no shares issued to Mr G.D. O'Brien under the Managing Director Employee Incentive Scheme.

During the year, Mr S.T. Templeton acquired 8,517 ordinary shares under the share purchase plan at an average purchase price of \$0.587. Ordinary shares totalling 32 were issued to S.T. Templeton under the dividend reinvestment scheme at an average price of \$0.636. He also acquired 38,269 ordinary shares in the name of S.T. Templeton at an average price of \$0.646. Templeton Holdings Pty Ltd, a company of which S.T. Templeton is a director, acquired 8,517 ordinary shares under the share purchase plan at an average purchase price of \$0.587. Redarea Pty Ltd, a company of which S.T. Templeton is a director, acquired 8,517 ordinary shares under the share purchase plan at an average purchase price of \$0.587. Ordinary shares totalling 27,912 were issued to Redarea Pty Ltd under the dividend reinvestment scheme at an average price of \$0.636.

During the year, Mrs D. Crerar acquired 8,517 ordinary shares under the share purchase plan at an average purchase price of \$0.587. Ordinary shares totalling 291 were issued to Mrs D. Crerar under the dividend reinvestment scheme at an average price of \$0.636.

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities. The interests of directors in shares of Buderim Ginger Limited 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. All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

30. SEGMENT INFORMATION - PRIMARY SEGMENT

| Business segments | Ginger Processing | | Baking | | Tourism | | Eliminations | | Consolidated | |
|--|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Revenue | | | | | | | | | | |
| Sales to customers outside the consolidated entity | 27,969 | 26,814 | 3,928 | — | 3,446 | 3,403 | — | — | 35,343 | 30,217 |
| Other Income | 158 | 199 | — | — | 276 | 275 | — | — | 434 | 474 |
| Intersegment revenues | 653 | 731 | — | — | — | — | (653) | (731) | — | — |
| Total segment revenue | 28,780 | 27,744 | 3,928 | — | 3,722 | 3,678 | (653) | (731) | 35,777 | 30,691 |
| Results | | | | | | | | | | |
| Segment result | 233 | 934 | 435 | — | 772 | 718 | — | — | 1,440 | 1,652 |
| Unallocated expenses | | | | | | | | | (1,072) | (900) |
| Consolidated entity profit from ordinary activities before income tax expense | | | | | | | | | 368 | 752 |
| Income tax expense | | | | | | | | | (75) | (248) |
| Net profit | | | | | | | | | 293 | 504 |
| Assets | | | | | | | | | | |
| Segment assets | 32,778 | 27,266 | 7,174 | — | 1,523 | 1,673 | (4,244) | — | 37,231 | 28,939 |
| Liabilities | | | | | | | | | | |
| Segment liabilities | 12,857 | 10,392 | 2,370 | — | 204 | 418 | (862) | — | 14,569 | 10,810 |
| Other segment information: | | | | | | | | | | |
| Acquisition of property, plant and equipment, intangible assets and other non-current assets | 1,914 | 2,056 | 2,866 | — | 16 | 372 | — | — | 4,796 | 2,428 |
| Depreciation | 1,178 | 1,131 | 105 | — | 166 | 146 | — | — | 1,449 | 1,277 |
| Amortisation | 62 | 99 | 33 | — | — | — | — | — | 95 | 99 |

SEGMENT INFORMATION - SECONDARY SEGMENT

| Geographic segments | Australia | | Fiji | | Eliminations | | Consolidated | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Segment revenue | 34,100 | 28,276 | 3,077 | 3,177 | (1,400) | (762) | 35,777 | 30,691 |
| Segment assets | 34,895 | 26,145 | 2,626 | 3,105 | (290) | (311) | 37,231 | 28,939 |
| Other segment information: | | | | | | | | |
| Acquisition of property, plant and equipment, intangible assets and other non-current assets | 4,711 | 2,048 | 85 | 380 | — | — | 4,796 | 2,428 |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

30. SEGMENT INFORMATION - PRIMARY SEGMENT (CONT'D)

Segment products and locations

The consolidated entity 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 products throughout Australia. The tourism operations comprise the sale of ginger and other retail gift and food products within the Australian tourism market.

Segment accounting policies

The group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. 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 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

31. FINANCIAL INSTRUMENTS

Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the reporting date, are as follows:

| Recognised Financial Instruments | Balance Sheet Notes | Accounting Policies | Terms, Notes and Conditions |
|-----------------------------------|---------------------|---|---|
| <i>(i) Financial assets</i> | | | |
| Receivables - trade | 6 | Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A minimum doubtful debt provision of 2.5% of debtors not covered by trade indemnity insurance, supplemented by the recognition of possible non-collection of full nominal amounts. All debtors are covered by QBE trade credit insurance. | Terms for credit sales average between 30-60 days. |
| Deposits & other loans | 6 | Short term deposits are stated at cost. Amounts receivable from related parties are carried at nominal amounts due. Terms and conditions of all transactions in this category, are provided on an arm's length basis. | Interest is recognised as revenue as it accrues |
| <i>(ii) Financial liabilities</i> | | | |
| Bank Overdraft | 14 | The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues. | Interest is charged at the bank's benchmark rate. Details of the security over the bank overdrafts are set out in note 14. |
| Trade Creditors and accruals | 13 | Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. | Trade liabilities are normally settled on 30 day terms. |
| Foreign Exchange Contracts | 13 | Buderim Ginger Limited enters into forward exchange contracts designed as hedges of anticipated future receipts. | At reporting date, the consolidated entity had unrealised (gains)/losses of (\$37,061) (2003: (\$162,670)). |
| Bills of Exchange | 14,16 | Bills of Exchange are carried at the principal amount. Interest is charged as an expense as it accrues. | Exchange have an average maturity of 90 days with variable interest linked to BBSY rates. |
| Bank Loan | 14 | Bank loans are carried at the principal amount. Fixed interest is charged on bank loans. | The bank loans have an average interest rate of 7.81% (2003: 7.9%) |
| Finance Lease Liability | 14,16 | The lease liability is accounted for in accordance with AASB 1008. | As at reporting date, the consolidated entity had finance leases with an average term of 3 years. The average discount rate implicit in the leases is 7.46% (2003: 6.62%). The lease liability is secured by a charge over the leased assets. |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

31. FINANCIAL INSTRUMENTS (CONT'D)

| Recognised Financial Instruments | Balance Sheet Notes | Accounting Policies | Terms, Notes and Conditions |
|--|---------------------|---|---|
| Dividends Payable | 5 | Dividends payable are recognised when declared by the company. | As a dividend was not declared prior to 31 December 2004, there is no dividend provision included in the accounts. Subsequent to the end of the financial year, directors have declared that no dividend be paid. (2003: 1.5 cents fully franked). There was no interim dividend paid in 2004, 2003, 2002 or 2001, although directors are considering the re-instatement of an interim dividend for the financial year ending 31 December 2005. |
| <i>(i) Equity</i> | | | |
| Ordinary Shares | 18 | Ordinary share capital is recognised at the original par value of the amount paid-up, share premium transferred from reserves on 1 July 1998, and the fair value of consideration received since that date. | Shares issued during the reporting period were those securities issued under the shareholders purchase plan, the dividend reinvestment plan and for part payment of the 70% acquisition of Buderim Baking Company Pty Ltd. |
| <i>Un-recognised Financial Instruments</i> | | | |
| Interest Rate Swap | | Interest Rate Swap are only recognised in the accounts, when the hedged interest is calculated on due date. | The fair value of interest rate swap contracts is determined as the difference in present value of future interest cash flows. |

32. FINANCIAL INSTRUMENTS

32(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

| Financial Instruments | Floating interest rate | | Fixed interest rate maturing in: | | | | | | Non-interest bearing | | Total carrying amount as per the statement of financial position | | Weighted average effective interest rate | |
|--|------------------------|----------------|----------------------------------|----------------|-------------------|----------------|-------------------|----------------|----------------------|----------------|--|----------------|--|-----------|
| | | | 1 year or less | | Over 1 to 5 years | | More than 5 years | | | | | | | |
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 % | 2003 % |
| <i>(i) Financial assets</i> | | | | | | | | | | | | | | |
| Cash | 1,716 | 1,580 | — | — | — | — | — | — | — | — | 1,716 | 1,580 | 3.90 | 3.90 |
| Trade and other receivables | — | — | — | — | — | — | — | — | 7,949 | 5,774 | 7,949 | 5,774 | N/A | N/A |
| Short term deposits | 31 | 11 | — | — | — | — | — | — | — | — | 31 | 11 | 4.33 | 4.50 |
| Total financial assets | 1,747 | 1,591 | — | — | — | — | — | — | 7,949 | 5,774 | 9,696 | 7,365 | | |
| <i>(ii) Financial liabilities</i> | | | | | | | | | | | | | | |
| Trade creditors and accruals | — | — | — | — | — | — | — | — | 4,472 | 3,231 | 4,472 | 3,231 | N/A | N/A |
| Foreign currency contracts | — | — | — | — | — | — | — | — | 37 | 163 | 37 | 163 | N/A | N/A |
| Finance lease liability | — | — | 85 | 30 | 637 | 193 | — | — | — | — | 722 | 223 | 7.46 | 6.62 |
| Bills of exchange and promissory notes | 5,767 | — | — | 1,100 | 1,100 | 4,500 | — | — | — | — | 6,867 | 5,600 | 6.12 | 5.17 |
| Bank loan | — | — | 221 | 61 | 526 | 86 | — | — | — | — | 747 | 147 | 7.81 | 7.90 |
| Total financial liabilities | 5,767 | — | 306 | 1,191 | 2,263 | 4,779 | — | — | 4,509 | 3,394 | 12,845 | 9,364 | | |

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2004

32. FINANCIAL INSTRUMENTS (CONT'D)

32(b) Net 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 approximates fair value because of their short-term to maturity for all financial assets and liabilities.

32(c) Credit risk exposures

The consolidated entity's maximum exposures* to credit risk at reporting date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

In relation to unrecognised financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The consolidated entity's maximum credit risk exposure in relation to these is as follows:

(i) forward exchange contracts - the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the company. At reporting date the net amount was \$785,426 (2003: \$1,141,705).

Concentrations of credit risk

Concentrations of credit risk on trade receivables arise in the following market segments:

| Market Segment | Maximum credit risk exposure* for each concentration | | | |
|----------------|--|-------|-------|-------|
| | Percentage of total trade debtors | | \$000 | |
| | 2004 | 2003 | 2004 | 2003 |
| Wholesale | 62 | 60 | 4,826 | 3,356 |
| Retail | 38 | 40 | 2,976 | 2,228 |
| | 100.0 | 100.0 | 7,802 | 5,584 |

*The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Credit risk in trade receivables is managed in the following ways:

- payment terms average between 30-60 days;
- a risk assessment process is used for all customers; and
- credit insurance is obtained for both export and domestic debtors through QBE Insurers. QBE insurance covers 90% of credit exposures.

32(d) Hedging instruments

(i) Hedges of anticipated future transactions

Buderim Ginger Limited has entered into forward exchange contracts designed as hedges of anticipated future receipts. The amount of unrealised (gains)/losses as at 31 December 2004 were (\$37,061) (2003: (\$162,670)).

The unrealised losses/(gains) will be recognised in the statement of financial performance account on settlement of the relevant foreign exchange contracts during 2005.

(ii) Hedges of specific commitments

Forward exchange contracts are established to hedge contracted sales and purchases by customers in the United Kingdom and the United States. The exposure risk posed by the United Kingdom contracts is held by the relevant customers rather than by Buderim Ginger Limited. At balance date, there were no forward exchange contracts for sales into the United States.

(iii) Interest Rate Swap

Buderim Ginger Limited has entered into an interest rate swap at the notional amount of \$AUD 1,100,000, fixed at a rate of 5.3% with a designated maturity period of 92 days.

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 2004 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) 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 10 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 2005



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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 statement of financial position, statement of financial performance, statement of cash flows, 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 2004. 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 on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards 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 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. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. 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, 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 2004 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

R J Roach
Partner
Brisbane
Date: 28 February, 2005

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, 2005

(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 | 314 | 181,845 |
| 1,001 – 5,000 | 927 | 2,477,007 |
| 5,001 – 10,000 | 331 | 2,509,781 |
| 10,001 – 100,000 | 429 | 9,516,767 |
| 100,001 and over | 31 | 12,315,923 |
| | 2,032 | 27,001,323 |
| The number of shareholders holding less than a marketable parcel of shares are: | 212 | 82,049 |

(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 | 1,990,807 | 7.37 |
| 2 RBC Global Services Australia | 1,369,994 | 5.07 |
| 3 Redarea Pty Ltd | 1,219,738 | 4.52 |
| 4 Yarran Park Pty Ltd | 1,000,000 | 3.70 |
| 5 Patrick John O'Brien & Janis Margaret O'Brien | 542,678 | 2.01 |
| 6 Felicity Ruth Benoit & Ashley Laurence Benoit | 506,905 | 1.88 |
| 7 York Bakeries Pty Ltd | 467,183 | 1.73 |
| 8 Siben Nominees Pty Ltd | 440,000 | 1.63 |
| 9 Ramjan Investments Pty Ltd | 400,000 | 1.48 |
| 10 Vittorio Alberti | 382,317 | 1.42 |
| 11 Frederick Dannecker | 367,700 | 1.36 |
| 12 Christopher Josef Frages | 320,136 | 1.19 |
| 13 Kosata Pty Limited | 309,900 | 1.15 |
| 14 Gerard Daniel O'Brien | 268,211 | 0.99 |
| 15 Rathvale Pty Limited | 264,702 | 0.98 |
| 16 Douglas Meaden Pty Ltd | 257,019 | 0.95 |
| 17 John Barr | 250,219 | 0.93 |
| 18 Tyara Pty Ltd | 250,000 | 0.93 |
| 19 Australian Executor Trustees Limited | 200,000 | 0.74 |
| 20 Brazfan Pty Ltd | 174,625 | 0.65 |
| Total | 10,982,134 | 40.67 |
| Remainder | 16,019,189 | 59.33 |
| Grand Total | 27,001,323 | 100.00 |

ASX Additional Information

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| | Number of shares |
|---|------------------|
| Armytage Private Limited | 3,312,482 |
| Big Sister Foods Pty Ltd | 1,990,807 |
| Redarea Pty Ltd (as trustee for the Templeton Family Trust) | 1,259,963 |

(d) Voting rights

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



[recipe for success]

Diversifying for future growth and profits



www.buderimginger.com.au