Buderim Ginger Limited

annual report 2005

Buderim Ginger

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Buderim Ginger

It wasn't long before World War I when the first raw ginger found its way into the then small farming area of Buderim, some 100 kilometres north of Brisbane.

It had found a home, because the comparatively high rainfall and humidity of the region combined to produce ideal conditions for growing this unusual crop.

So it was that Buderim began to grow ginger, but it wasn't until World War II that the interruption of the supply of ginger out of China created an opportunity for the Buderim growers. And they seized it!

Five of the farmers met in an old blacksmith shop and formed the Buderim Ginger Growers Co-operative Association Limited.

Between them they had capital of £25, 2 wooden vats and 14 tons of green ginger.

They prospered, as they deserved to do, and in 1979 an area of some 9 hectares was leased from the Government and the first stage of a new factory complex was opened in time to help in processing the early harvest of 1980. The establishment of a tourist and administrative complex in Yandina during 1985 completed the industry's relocation program and in 1989 Buderim Ginger Limited was listed on the stock exchange.

Today, Buderim Ginger, with exports to over seventeen countries, is recognised as being the producer of The World's Finest Ginger.

Queensland Icon

ANNUAL GENERAL MEETING

The Annual General Meeting of Buderim Ginger Limited will be held at the *Ginger Factory*, 50 Pioneer Road, Yandina on 28 April 2006 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.

Buderim Ginger Limited

"The World's Finest Ginger"

Corporate Values

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

Corporate Mission

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

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

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

Company Profile

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

Buderim Ginger's product base significantly diversified in 2004 following the creation of a specialist bakery business, *Buderim Baking Company*. This new business segment was created through the acquisition of a long-standing premium pastry manufacturer, *I Spy Pies*, and the subsequent acquisition, in early 2005, of *Aldente Foods*, which produces a range of quality, pre-prepared pasta meals. Both businesses operate from the *I Spy Pies* site at Maroochydore on the Sunshine Coast, close to the original home of Buderim Ginger.

In addition to its traditional ginger processing activities and specialty food business, Buderim Ginger operates one of the Sunshine Coast's most popular and highly awarded tourist attractions, *the Ginger Factory* at its Yandina Site. In May 2005, *the Ginger Factory*'s position as one of the region's most popular tourist destinations was reinforced with the opening of the innovative ride, "*Overboard – Adventures of a Stowaway*", upgraded restaurant and piazza facilities and a new state-of-the-art Ice Cream Gallery.

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

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

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

SIX YEAR FINANCIAL SUMMARY

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000	2000 $000
Revenue	46,605	35,739	30,691	30,523	30,641	28,256
Profit (loss) before income tax expense	495	560*	752	1,108	1,688	(1,757)
Net profit (loss) after income tax expense and minority interest	536	343*	504	770	1,284	(1,611)
Total assets	43,755	37,233*	28,939	28,479	28,512	28,271
Earnings per share (cents)	1.97	1.43*	2.30	3.64	6.14	(7.70)
Net tangible asset backing (cents)	73	77*	80	82	79	76
Dividend per share	1	–	1.5	3	3	–

** restated under AIFRS*
Subsequent to 31 December 2005, directors have recommended that a dividend of 1 cent per share be paid out of the profits for the year ended 31 December 2005.

2005 OPERATIONS SUMMARY

- Group revenue reaches a record $46.6 million due to expansion of the Baking and Tourism businesses and strong export growth in the Ginger business.
- Group profit after tax and minority interest increases 56% to $536,000 (calculated after restatement of prior year results under the new international accounting standards (AIFRS)). Profit before tax increases 35% to $495,000 on previously published results, however decreases by 12% on the AIFRS-adjusted result for 2004.
- Group EBITDA rises 23% to $3.2 million.
- Export sales of ginger products rebound strongly with 10% growth to $15.9 million despite the sustained strength of the $A and highly competitive international markets.
- A joint venture agreement finalised with Pan Pacific Foods Inc to strengthen the company's presence and marketing in the Americas.
- Domestic ginger sales decline by 4% to $13.6 million principally due to changed stockholding strategies of the major retailers.
- The largest Australian ginger intake since 2001 and a record intake in Fiji deliver improved production efficiencies and overhead cost recovery at both Yandina and Frespac plants
- The Buderim Baking Company completes the acquisition of *Aldente Foods* in March 2005 and the business is relocated and integrated with the *I Spy Pies* facility in April/May 2005.
- Baking revenues rise to $13.4 million in line with forecast, however earnings fall substantially below expectations due to problems with the *Aldente Foods* integration.
- Tourism revenue increases 8% to $4.0 Million, with visitors to *the Ginger Factory* up 7% on 2004.
- Major upgrade to the tourism facility completed with the opening of "*Overboard*" in May, the resumption of the on-site restaurant lease in August, and a subsequent major overhaul of the piazza area including the full redevelopment of the Ice Cream Gallery. Operational costs associated with these improvements result in a one-off dip in tourism earnings for 2005.
- Stage I of the Company's Effluent treatment project is completed and significant improvements in wastewater quality are achieved. The project is part-funded by an Eco-biz grant from the Queensland Government EPA.
- Buderim Ginger announced as a Queensland Icon by the National Trust.
- Share Purchase Plan strongly supported, raising $816,000 to fund tourism initiatives and bakery capacity expansion.

Chairman's Report

2005 has been a year of contrasting results. Shareholders will recall that in 2004 we acquired *I Spy Pies* to diversify our revenue base and lessen our dependence on ginger. In 2005 we progressed this strategy by adding *Aldente Foods*. However, due to a host of problems in integrating the two businesses, these new ventures did not produce the outcome we expected in the first year and were actually a drain on the core business. I'm sure that the irony of this situation will not be lost on shareholders.

I am pleased however, to tell you that we had a much better year with Ginger. The improvements we have made to the processing infrastructure have at last begun to flow through to the bottom line. Both our Australian and Fijian plants exceeded their targets and our export sales rebounded with strong growth for the first time in several years. The only weakness was in the branded retail sector in Australia where sales were restricted by new inventory practices adopted by the major retailers during the year.

For the first time in some years our ginger operating environment proved favourable. We received the volume and quality of ginger we asked for from our Australian suppliers following a growing season which was more benign. The Australian dollar was generally stable against foreign currencies and, although still higher than we would like, the rates were predictable and at levels which allowed us to moderately increase prices and still compete. While increased costs of energy and transportation impacted, they were largely recovered and improvements in warehousing and distribution were made.

During the year we committed to further investments in Tourism. These were difficult decisions as we realized that they would likely have a short-term negative effect on profits. Our new major attraction, "*Overboard*" opened in May after lengthy and costly delays. In the second half we resumed the on-site restaurant from the franchisee. This was an expensive but absolutely critical initiative which has given the company control over the quality and type of food we offer to our visitors. We have subsequently undertaken a major refurbishment of the piazza area and have built a new ice cream gallery with onsite churning. Restructuring expenses were borne during the year but the improvements were realised only in time for the Christmas/New Year season. These additional costs together with delays and interruption to normal activities saw our profits from Tourism fall in 2005. This was a one-off and we expect to return to more typical profitability in 2006 with a better, more appealing and enduring attraction.

We are disappointed with the results achieved during 2005 in the Bakery business. We identified and addressed several problems which emerged as the year progressed. We very much underestimated the difficulty of physically and operationally integrating the *Aldente* business (lasagna) with the *I Spy Pie* business. At the same time, *I Spy* sales increased beyond our expectations and beyond the capability of the staff to manage and the plant to cope. This resulted in high staff turnover, frequent plant breakdowns, inefficient production runs, some quality issues and the need to change warehousing and distribution infrastructure. In hindsight, we could have done things differently, perhaps not shifting lasagna production from Brisbane when we did. However, to satisfy our customers and preserve business for the future we did what we had to. This included some significant upgrades of equipment and unforeseen capital purchases. The net effect of all this was to incur a small loss in the bakery segment whereas we had expected a handsome profit. We are confident this business is now well positioned for future profit growth. Staffing issues, production capacity, warehousing and distribution have all been addressed and we are back on target to achieve our original projections.

The result of all this has seen our 2005 profit, after tax and minority interest, rise to $536,000 which is a 56% increase over the previous year, representing earnings per share of 1.97 cents. This compares with $343,000 and 1.43 cents per share in 2004. Both years' results are based on accounts produced and restated under the new international accounting standards (AIFRS) which became effective on 1 January 2005.

At the current point in time we are confident about the outlook for 2006. The new season ginger crop both in Australia and Fiji appears good. The $A remains relatively stable and perhaps coming off its highs. Sales of ginger products are forecast to be satisfactory with last year's improved margins being maintained. A potential future problem is the price of sugar which has risen considerably already and is forecast to rise further in the short term. Sugar is a major part of our input costs. We are protected for the present through our hedging strategy, and this may give us a competitive advantage, but may be a concern in the future until the price returns to more sustainable levels. We are confident that the problems encountered with the Bakery business are now well behind us. We believe in the long term future of this business and are confident it will now deliver the profitability originally projected. Tourism should quickly rebound to previous levels of profitability from 2006 onwards.

Although our business diversification strategy worked against us in 2005 we are confident that it is the correct one and will benefit both the company and our shareholders in the future. During 2006 we will concentrate our efforts in bedding down our recent acquisitions to extract full value. Once we have accomplished this we will look at future growth opportunities but we will be very aware of the hard lessons learned during 2005.

Your directors recognise the importance of a sustainable dividend stream to our shareholders and we are conscious of being conservative in the use of cash. In view of the improved 2005 result, the prior year's dividend position and the company's positive outlook, the directors have recommended payment of a final dividend of 1 cent per share for the year. It should be noted that reinstatement of a dividend for the 2005 year lifts the payout ratio to 59% over the four years commencing 2002, which is broadly consistent with the company's long term objective.

2005 also saw the unique recognition of Buderim Ginger as a Queensland Icon by the National Trust. It was an honour to witness Doris Crerar, after a lifelong association with our Company, accept this award on the Company's behalf at a ceremony in Brisbane on 18 November 2005. I believe it was a tribute to the efforts of many hundreds of people over the past 65 years who have all been part of the Buderim Ginger story.

I thank my fellow directors for their efforts and support during the year and also our staff both within Australia and overseas for their contribution in bringing about the improvements in our core business. I also welcome new members of staff to our business and look forward to your contributions. We are committed, as a team, to delivering improved returns to our shareholders in 2006.

JOHN RUSCOE

Chairman

FINANCIAL OVERVIEW

A significant improvement in trading performance of the core Ginger business in 2005, offset by a one-off dip in Tourism earnings and a disappointing Bakery result, constrained expected profit growth in 2005. The company recorded a before tax profit of $495,000, a 35% increase on the prior year's published result (when restated under AIFRS, the 2004 result became $560,000). Group EBITDA in 2005 was $3.2 million, a 23% rise over 2004. After tax and minority interest, profit was 56% up on the prior year at $536,000, representing earnings per share of 1.97 cents (when restated under AIFRS, the 2004 comparative results become $343,000 and 1.43 cents per share). Directors have recommended payment of a final dividend of 1 cent per share for the year.

As referred to above, new company reporting requirements under international accounting standards (AIFRS) became effective on 1 January 2005. This transition required that the comparative results for the 2004 year be re-stated under the same accounting standards, which resulted in some pleasing, but confusing, increases in 2004 results. For Buderim Ginger Limited, the adjustments to 2004 results relate mostly to changes in the methodology applied to the foreign exchange translation of overseas subsidiaries financial statements.

During the year, the company continued its previously flagged strategy of diversifying into other specialty food sectors to complement the core activity of ginger processing, through the acquisition of the ready made pasta meal producer, *Aldente Foods*. The company's Bakery business, which includes *I Spy Pies* and *Aldente Foods*, along with the new investment undertaken in 2005 at the company's tourist facility, *the Ginger Factory*, are expected to underpin sustained profit improvement in 2006 and beyond.

In September 2005, shareholders supported the company's forward growth blueprint through a strong response to the Share Purchase Plan which raised $816,000. Proceeds from the Plan have been allocated for investment in the company's tourism and bakery assets.

GINGER OPERATIONS

Export Sales

Despite record high freight costs, sustained strength of the Australian dollar and highly competitive overseas markets, export revenue rose 10% to $15.9 million. Moderate pricing gains and better production efficiencies resulted in slightly improved export margins. Our strategy of focussing on higher value, elaborately transformed products and branded retail products undoubtedly underpinned these margin gains.

UK sales revenue (in $A) was level with 2004, driven by stable industrial market share and strong growth in retail sales (albeit from a small base). Intense competitive pressures within the market resulted in overall margins declining slightly. As Buderim's single largest export market, and the one most similar to Australia's, it remains a primary target for retail growth. The company maintains a fully owned sales office in the UK.

European sales rebounded strongly in 2005 to record 8% growth (in $A). Continued difficult economic conditions in the key European "ginger" countries (Germany and the Netherlands) in 2005 resulted in only moderate growth in these markets. However, this was offset by a stronger performance in newer, less traditional markets such as Belgium, Austria, Switzerland and Scandinavia, which lifted our overall European result. Margins in Europe also improved over the prior year, mainly due to the increased level of retail sales. The company maintains a master-distributor style arrangement in this market, trading under the name Buderim Ginger Gmbh, which is based just outside Hamburg, Germany.

In North America, revenue was up by 12% (in $A), despite a significant structural change that occurred in this market during 2005. From 1 July 2005, all sales into the Americas are now managed by, and flow through, Buderim Ginger America LLC, a joint venture between Buderim Ginger and Pan Pacific Foods Inc (PPF). PPF is a San Francisco-based, specialty food management business which owns interests in the brands it represents including *MacFarms of Hawaii, Jeremiahs Fine Foods* and *Botanica Foods*. The 50/50 joint venture will allow the Buderim Ginger product range to be represented through the larger sales network of Pan Pacific while also providing the necessary infrastructure to support the projected growth of our existing and potential customer base. Critical company resources in the US were transferred to the joint venture and the transition was made seamlessly. While North American margins were strong, restructuring costs associated with the transition to the joint venture had a small negative effect on profitability in this market. We expect improved revenues and profitability from our North American operations from 2006 and beyond.

Asia Pacific revenue was 15% up on the prior year, primarily as a result of retail sales growth in New Zealand.

Despite the intense competition continuing to face Frespac (Fiji), its export sales increased 43% in 2005 to record levels. A better quality and delivery

performance by Frespac and improved margins and reduced availability of Chinese-origin ginger in end-markets contributed to the improved result. Further sales growth is anticipated in 2006.

Domestic Sales

An uncharacteristically soft sales performance by the company's branded retail products, and flat demand from the industrial and food service sectors resulted in a 4% decline in domestic sales to $13.6 million in 2005.

Retail sales in 2005 were down almost 6% on the record levels of 2004, representing the first break in a long sequence of year-on-year sales growth achieved in the Australian market. A significant factor contributing to this reversal was the low sales achieved in the first two months of the year due to high retailer carry-over stocks from the previous year. In addition, Woolworths closed their WA, SA and Victorian warehouses, resulting in loss of sales and less stock overall in the system. Exacerbating this was the decision of both major retailers to maintain lower buffer stock in stores. This was particularly detrimental to a number of our products which have very high seasonal demand spikes. Some of these products were under-represented at store level resulting in missed sales at a critical time of the year. We are working with both retailers to overcome this problem in the future. In addition, various product deletions from supermarket shelves (eg Ginger and Mango Jam, Sweet Ginger Sauce) and more disadvantageous shelf positions arising from retailer category reviews harmed sales. However, on the positive side, products such as Ginger Refresher and Crystallised Ginger achieved strong growth. Naked Ginger's introduction to Coles achieved a pleasing response from consumers. Despite the dip in 2005 revenue, compound annual growth for retail products since 1998 still sits at 8%, and reflects the success of product innovation and our continued investment in the *Buderim Ginger* brand. Retail margins were improved, however advertising and promotional support was maintained at relatively high levels in an effort to drive sales and target key products.

Revenue in the domestic industrial and food services markets remained on par with the previous year. Some growth occurred in contract business for the supply of retailer private label products. Offsetting this were some declines in the food manufacturing sector, where some margin-squeezed customers reduced their costs by deleting or reducing usage of relatively highly priced ingredients such as ginger. Given the proven versatility of ginger as a flavour and the inherent health benefits of the product, we are confident this is a short term trend only.

Production

As the best harvest since 2001, the 2005 Australian ginger intake drove significant improvements in production efficiency and overhead recovery. In order to maintain future supply stability and security, we are working closely with our contracted growers to improve their yields and operational efficiency. The company and the Australian Ginger Growers Association are jointly funding a consulting project in this regard. Facilitation of increased mechanisation and co-ordination of the supply chain will be the critical outcome in the years ahead.

Production costs during the year were positively impacted by improved processing yields resulting from previous process upgrades, but offset by lower syrup gains. Higher throughput rates improved cost per unit but also had a detrimental effect on syrup gains as product is "pushed" through the process faster.

A major upgrade of a critical piece of processing equipment, the Robosorter, was completed in the second half of 2005. The underlying "vision technology" in this equipment was completely replaced resulting in improved sorting results and product recovery.

During 2005, Stage 1 of a longer term program to deal with our water usage and effluent treatment issues was implemented. A combination of technologies has been developed which will dramatically reduce water usage and discharge while, at the same time, improving effluent quality. Supported by a Queensland Government (Environment Protection Agency) Eco-biz grant, a state-of-the-art trickle filter was installed at Yandina in November 2005. Improvements in discharge quality were achieved and further gains will be made with operational refinement. Further initiatives, also subject to funding applications, are planned in 2006 to capitalise on this success with the aim of substantially reducing overall water usage and discharge. Although savings from this project will be significant, they will predominately help offset future fee increases.

The 2005 ginger segment results include the proceeds from the sale of equipment previously made surplus at our Yandina factory through processing technology advances reported in 2004, yielding a $100,000 profit on sale.

Moderate investment was made in the Fiji plant during 2005, primarily in improving basic infrastructure to support increased storage and processing capacity. Strong actual and prospective sales growth supports this investment.

Product Development

In line with our strategic priorities, the company continues to invest considerable time and resources in product development, particularly those lines identified as having potential to deliver higher-value returns. During 2005, the formula and process for Naked Ginger (an uncrystallised snacking version of our traditional product) was finalised and the retail pack was launched in the last quarter of the year. The product is performing well in retail markets and we are aiming to increase its distribution in 2006. This product format will also be released to industrial customers, with premium chocolate confectioners being a primary target in early 2006.

Other development work was directed towards further growth opportunities in both the beverage and confectionery segments with planned product releases in these areas in 2006. The success of our new product development program is reflected by the fact that products which have been in the market two years or under, accounted for around 15% of our total 2005 sales revenue.

BAKING OPERATIONS

In 2005 we broadened the company's Baking business through the acquisition and subsequent relocation of *Aldente Foods*. Revenue for the combined business was $13.4 million (up from $3.9 million in the prior year, which was not a full year result). While above expectations, the result masked the fact that a strong sales result by *I Spy Pies* was seriously dampened by a below forecast performance by *Aldente*. Profitability for the combined business was very disappointing, principally due to unforeseen issues in integrating the two businesses physically, operationally and culturally. While the *I Spy Pies* business fell short of its profit targets, sales growth was strong and the business has remained profitable. With increased capacity now added to meet the higher than anticipated demand, improved plant reliability and an enhanced staff capability, the margin problems identified in this business had largely been overcome by year-end.

Unfortunately, the *Aldente* business has proved to be a significant drain on group profitability, with the complexity and cost of integration significantly exceeding our estimates. While product quality has been improved, interruptions to sales for an extended period during the second half pulled the business below its breakeven point. Significant costs were incurred during the initial phases of integration and operating efficiencies were well below expected levels due to low volumes and plant unreliability. These issues have now been remedied and the business is expected to generate profit levels more in line with original projections in 2006.

While the trading results in 2005 have been unsatisfactory, the underlying strategic rationale for developing the Baking business remains valid. The business holds significant profitable growth opportunities for Buderim Ginger in both the immediate and longer-term and will lessen our traditional reliance on ginger processing.

Initially, Buderim Ginger acquired a 70% interest in the Baking business with the remaining 30% to be acquired over two years. The price payable to the business' manager and former principal owner, Jeff Sanders, is dependent on its financial performance over the same two years. Early in 2006, the Board negotiated a variation to this agreement to amend the "earn out" arrangement on the 30% minority interest to effectively extend the term by one year to three years in total. The Board considered that it was critical to secure Mr Sanders management services for an additional period given the significant changes that have been made to the scope of the Baking business during 2005. The minority interest will now be purchased in three equal tranches of 10% and all other terms remain the same. The Board considers that the agreement will facilitate improved operating results from this business over the coming years. Mr Sanders has been given a clear incentive to maximise the business' profit performance for the benefit of shareholders over the two years to 31 December 2007 he remains with the company.

Tourism Operations

Revenue from the company's award-winning tourism facility, *the Ginger Factory*, rose 8% to a record $4.0 million in 2005 driven by a 7% lift in visitor numbers and by the resumption of the on-site restaurant, *Gingers of Yandina*, late in the year. However, the operation's contribution to group earnings for the year decreased markedly, largely as a result of one-off costs associated with the significant investment made in upgrading our tourism facilities during 2005.

The tourist park's newest feature, "*Overboard*", was formally opened in May 2005. This $2.2 million investment was undertaken in joint venture with the internationally acclaimed puppetry firm, Promotions-in-Motion, and is steadily generating a reputation as one of the Sunshine Coast's most innovative attractions. Based on a concept similar to Disneyland's popular "*It's a Small World*" attraction, "*Overboard*" transports visitors on a theatrical pursuit of the Gingerbread Man through 14 countries featuring puppetry developed by our joint venture partner. While "*Overboard*" was integral to the increased visitor numbers generated in 2005, overall per capita spend was down, reflecting a subtle change in visitor profile. Also, patronage by our traditional market of the new attraction was not to anticipated levels. In part this reflects tighter prevailing economic conditions, particularly in the drive-by market where fuel prices have impacted on discretionary expenditure. The tourism business also incurred additional one-off costs as a result of increasing the 2005 advertising spend to support the "*Overboard*" launch. Tourism profitability was further hampered by losses in the on-site restaurant, *Gingers of Yandina*, which was resumed from the franchisee in August with the aim of lifting its standards in line with the rest of the park. The Board considered this initiative critical to the long term future of the park as the food offer had previously been well below the standards set by the remainder of *the Ginger Factory*, and was clearly damaging visitors' overall perceptions of our attraction.

Redevelopment of the piazza area was subsequently complemented by the upgrade of the Ice Cream Gallery which was completed just before Christmas 2005. The new operation, which features on-site churning, delivers a premium on-site experience and also holds the potential for business development beyond the tourist park as excess ice cream production capacity has been provided for. The local food service market will be targeted in 2006 as an initial step in this strategy.

2006 results are expected to be much improved as "*Overboard*" continues to gain momentum and the benefits of the operational improvements made in 2005 flow through to the current year.

Outlook

As a result of the major initiatives implemented over the past eighteen months, the group is poised to realise a further lift in financial performance. 2006 will be a year of consolidation in all our business segments.

While we anticipate that conditions in our core Ginger business will remain competitive, the company is determined to build on the gains made in 2005. We are confident our strategy of focussing on higher value industrial applications and retail branded sales, underpinned by product innovation, will deliver long term steady improvements in this business. However, this traditional segment of our business does remain exposed to short term fluctuations such as supply failures and currency movements. Despite these continuing challenges, we remain committed to year-on-year performance improvement by focussing our efforts on opportunities where our products' premium quality position offers the prospect of superior returns.

Our Baking business, comprising *I Spy Pies* and *Aldente Foods*, is expected to sharply improve. Revenue should continue to grow strongly and operating improvements made in 2005 will drive profitability growth. Furthermore, the integration issues experienced during 2005 are now overcome and the substantial costs incurred as a result will not be repeated in future years. The combined business holds intrinsic growth potential and, under more normalised operating conditions, will benefit significantly from Buderim Ginger's existing strong retail relationships and distribution channels.

In addition, the group anticipates an improved revenue stream and profit contribution from Tourism operations in 2006.

Given the improved operating base the company has consolidated by early 2006, shareholders should look forward with confidence to receiving increased returns in the year ahead. While the Board is disappointed with 2005 results, it remains confident in the strategy adopted for the business and that 2006 will see a lift in profitability in line with that anticipated for this year.

GERARD O'BRIEN

Managing Director and Chief Executive

Your directors submit their report for the year ended 31 December 2005.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

John Michael Ruscoe

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

Mr Ruscoe has been a director since 21 February, 2002. He was previously Chief Executive Officer of Buderim Ginger Limited and the previous co-operative for the period 1982 to 1994. During this period he was also General Manager of Australian Golden Ginger Pty Ltd and of The Ginger Marketing Board. Before joining the Buderim Ginger Growers' Co-operative he held executive positions in the chemical industry in Fiji, Australia and New Zealand. He is a graduate of The New Zealand Institute of Management in Business Administration. Mr Ruscoe is President of Headland Golf Club, Inc. Buderim. Mr Ruscoe is 65 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 44 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 has been a director since 26 February 2002. He has had over 30 years experience in the banking and finance industries, and is the principal of the Brisbane based Corporate Advisory firm of Delphin Associates. He holds directorships with Australian Unity Limited, Mackay Permanent Building Society Ltd, and a number of private companies. He is the Honorary Treasurer of the Surf Life Saving Foundation Inc. Mr Maitland is 55 years of age. During the past 3 years Mr Maitland has held the following listed company directorships:

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

John Howard Philip Roy

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

Mr Roy was appointed to fill a casual vacancy caused by the retirement of Mrs Doris Crerar on 28 February 2005, and was subsequently elected by shareholders at the Annual General Meeting on 29 April 2005. Mr Roy is the Managing Director of several family owned businesses, including Big Sister Foods Pty Ltd, Big Sister Properties Pty Ltd, Fowlers Vacola Australia Pty Ltd, and George & Simpson Pty Ltd. Mr Roy has an engineering background and an extensive career in the plastics industry. He also has extensive experience in the Australian and global food industry, particularly in the branded speciality arena. Mr Roy is 68 years of age.

Shane Tyson Templeton

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

Mr Templeton has been a director since 21 February, 2002. He is a third generation ginger grower and is professionally qualified with a business degree. He has been growing ginger since 1991 and has held the position of Honorary Secretary of the Australian Ginger Growers Association for 4 years. Mr Templeton is a director of Hatterwick Pty Ltd, Templeton Holdings (Qld) Pty Ltd, Rochnee Pty Ltd, Templeton Nominees Pty Ltd and Redarea Pty Ltd. Mr Templeton is 34 years of age.

Doris Crerar

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

Mrs Crerar was a director from 21st February, 2002 until her retirement on 28 February 2005. 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 73 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. She was promoted to Corporate Services Manager in 1992 and to her current role as Company Secretary/Financial Controller in 1995. Prior to joining the company, she worked in accounting management roles within the food manufacturing and building industries, whilst also teaching part-time in the TAFE system for approximately 10 years. Ms Rogers completed the Directors Diploma in 2002, has been a CPA for over 20 years and is a Fellow of both the Institute of Chartered Secretaries and the Institute of Company Directors.

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

	Ordinary Shares
J.M. Ruscoe (1)	-
G.D. O'Brien (2)	-
J.H.P. Roy (3)	21,122
S.J. Maitland (4)	-
S.T. Templeton (5)	78,756

(1) J.M. Ruscoe holds a relevant interest in 146,478 shares registered in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund).

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

(3) J.H.P. Roy holds a relevant interest in 5,550,830 shares registered in the name of Big Sister Foods Pty Ltd.

(4) S.J. Maitland holds a relevant interest in 50,811 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).

(5) S.T. Templeton holds a relevant interest in 40,225 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, 1,228,577 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	1.97
Diluted earnings per share	1.97

There were no options issued or exercised during the period.

DIVIDENDS

	Cents	$'000
Final dividends recommended*	1.00	284
Dividends paid in the year		

There was no dividend paid for the year ended 31 December 2004.

*Subsequent to the end of this reporting period, the directors have declared that a 1 cent dividend be paid out of the profits for the financial year ended 31 December 2005.

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

The baking segment commenced in August of the prior financial period with the 70% acquisition of I Spy pies through the subsidiary Buderim Baking Company Pty Ltd. On 28 February 2005, the business of Aldente Foods Pty Ltd was purchased and merged into the baking business. The new acquisition falls under the principal activity of manufacture and distribution of a variety of bakery product.

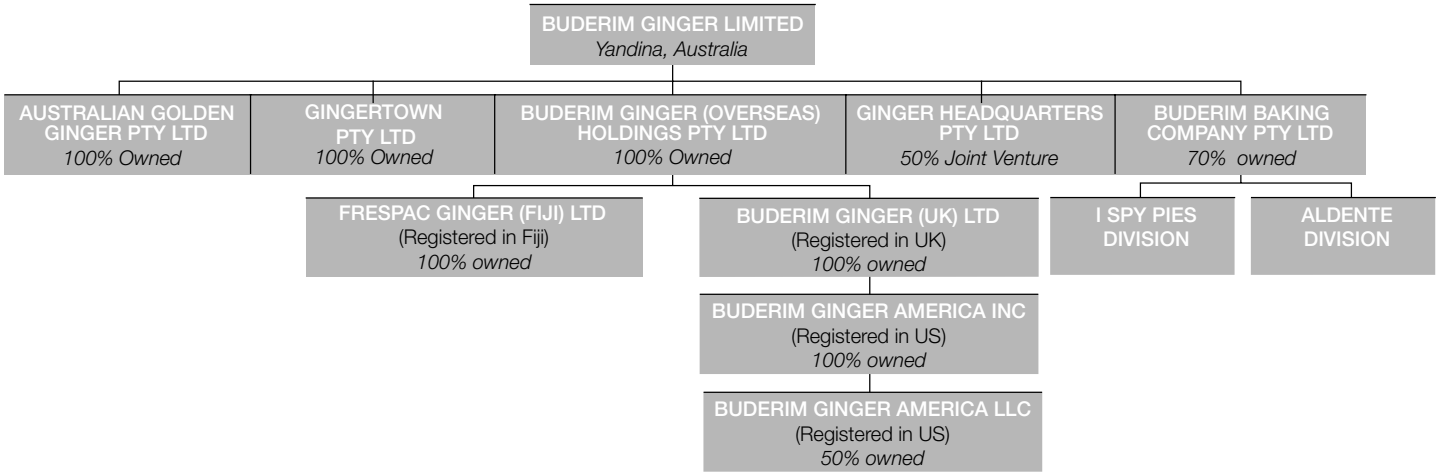
On 28 May 2005, Ginger Head Quarters Pty Ltd commenced tourism activities within *the Ginger Factory* tourism complex at Yandina. These activities fall under the principal activity of tourism.

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

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

EMPLOYEES

The consolidated entity employed 320 employees as at 31 December 2005 (2004: 308 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 80 and 82 respectively.



OPERATING AND FINANCIAL REVIEW

A detailed review of operating and financial performance is contained on pages 4 to 7 of the annual report.

Summarised operating results are as follows:

	2005		2004	
	Revenues $'000	Results $'000	Revenues $'000	Results* $'000
Business segments				
Ginger processing and distribution	29,843	1,441	28,742	392
Baking operations	13,400	(177)	3,928	468
Tourism operations	4,033	436	3,722	772
	47,276	1,700	36,392	1,632
Consolidated entity adjustments	(671)	—	(653)	—
Unallocated expenses	—	(1,303)	—	(1,072)
Share of associate's profit	—	98	—	—
Consolidated entity sales and profit from ordinary activities before income tax expense	46,605	495*	35,739	560*

	2005 $'000	2004 $'000
Geographic segments - revenue		
Australia	44,202	34,040
Fiji	3,205	3,099
	47,407	37,139
Consolidated entity adjustments	(802)	(1,400)
Consolidated entity sales from ordinary activities before income tax excluding non-segment revenues	46,605	35,739

** Comparative figures have been restated under AIFRS and varies from previously reported results. Consolidated profit is before tax and minority interest.*

In Summary

- Group revenue reaches a record $46.6 million due to business expansion activities in the Baking and Tourism businesses and strong export growth in the Ginger business.
- The consolidated entity records a profit before tax for the year of $495k which, although above the published result for 2004 by 35%, was 12% down on comparatives converted under AIFRS. The after tax profit, after outside equity interest, is $536k compared to $343k in the prior year (AIFRS adjusted).
- Group EBITDA rises 23% to $3.2m.
- Export sales of Ginger products bounce back with 10% growth to $15.9 million despite the sustained strength of the $A and highly competitive international markets.
- A joint venture agreement is reached with Pan Pacific Foods to upscale the company's presence and marketing in the Americas from 1 July 2005.
- Domestic ginger sales decline by 4% to $13.6 million principally due to changed stockholding strategies of the major retailers.
- The largest Australian ginger intake since 2001 and a record intake in Fiji drives improvements in production efficiencies and overhead cost recovery at both Yandina and Frespac.
- The Buderim Baking Company completes the acquisition of Aldente Foods in March 2005 and the business is relocated in April/May 2005.
- Baking revenues rise to $13.4 million in line with forecast, however earnings from this business are substantially below plan due to integration and business transition issues associated with Aldente Foods.
- Tourism revenue increases by 8% to $4.0 million, with visitors to *the Ginger Factory* up by 7% on 2004.
- Major operational changes are made to the tourism facility with the opening of "*Overboard*" in May, the resumption of the on-site restaurant lease in August, and then a major overhaul of the piazza area late in the year including the redevelopment and upgrade of the Ice Cream Gallery. The costs associated with these changes result in a one-off dip in tourism earnings for 2005.
- Buderim Ginger announced as a Queensland Icon by the National Trust.
- Stage I of the company's effluent treatment project is completed and significant improvements in wastewater quality are achieved. The project is part funded by an Eco-biz grant from the Queensland Government EPA.
- Share Purchase Plan strongly supported, raising $816k to fund tourism initiatives and bakery capacity expansion.

Shareholder Returns and Performance Measurements

Accounting Standard For the year ended	AIFRS 2005	AIFRS ***2004	AGAAP 2003	AGAAP 2002	AGAAP 2001	AGAAP 2000
EBIT ($'000)	1,270	1,097	1,129	1,606	2,293	(1,162)
EBITDA ($'000)	3,179	2,578	2,505	2,869	3,533	189
Basic earning per share (cents)	1.97	1.43	2.30	3.64	6.14	(7.70)
Dividend per share (cents)	*1.0	—	*1.5	*3	3	—
Dividend payout ratio (%)	*50.8	—	*65.2	*82.4	48.9	—
Available franking credits ($'000)	213	234	**236	**149	896	877
Return on assets (%)	1.1	1.3	1.7	2.7	4.5	(5.7)
Return on equity (%)	2.1	2.5	4.2	6.2	10.0	(10.0)
Debt / equity ratio (%)	58.4	40.7	33.4	34.0	37.5	47.0
Gearing ratio (%)	46.0	39.7	37.4	37.6	41.0	43.1
Current Ratio (%)	154.8	203.8	298.9	235.7	237.6	167.6
Net tangible asset backing (cents)	73	77	80	82	79	76

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.*
****All comparatives in the above table, for the financial year ended 31 December 2004, have been restated under AIFRS.*

Subsequent to the end of the reporting period, directors have declared that a 1 cent dividend be paid out of the profits for the financial year ended 31 December 2005.

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was a decrease in cash and cash equivalents in the year ended 31 December 2005 of $624k compared to an increase of $136k in 2004. The decrease in cash inflow is caused by a number of factors. While the parent entity's inflow from operating activities increased by $428k demonstrating the turnaround in the ginger segment, the consolidated inflow of $840k was down by $170k on the prior year. A favourable increase of $584k in the net difference between receipts from customers and payments to suppliers and employees, has been offset by an increase in interest costs of $238k and in goods and services tax ('GST') paid of $571k. The increase in interest costs reflects an increase in borrowings to fund investing activities. GST increased as, although a large component of ingredients used within the baking segment are GST free, all sales in this segment attract GST, compared to only 34% approximately of ginger segment sales (due to a large export component and approximately 25% of domestic ginger sales free of GST). Additionally, the baking business was part of the Group for only 4.5 months of the comparative year. The net payment of GST made by Buderim Baking in 2005 amounted to $778k.

The net cash inflow from operating activities was combined with inflows from the net increase in borrowings and other financing activities to fund acquisitions of business investments and equity in joint venture entities, as well as plant and equipment. Investing activities included:

Ginger Segment

- "naked" ginger process
- robosorter upgrade
- storage capacity expansion in Frespac Ginger (Fiji)
- water infrastructure in Australian and Fiji operation
- equity in Buderim Ginger America, LLC

Baking Segment

- spiral freezer
- tunnel oven
- acquisition of Aldente Foods

Tourism Segment

- major overhaul of the complex's piazza/dining facilities including the purchase of the cafe and significant ice creamery renovations
- equity in Ginger Head Quarters Pty Ltd ("*Overboard*")

Included in financing activities were proceeds from the issue of shares under the company's Share Purchase Plan, which were $1 million less in 2005 than in the prior year.

Asset and capital structure

	2005 Total Operations $'000	2004 Total Operations $'000
Net Gearing		
Debts:		
Interest bearing loans and borrowings	12,176	8,336
Cash and short term deposits	(1,092)	(1,716)
Net debt	11,084	6,620
Total equity	23,648	22,456
Total capital employed	34,732	29,076
	31.9%	22.8%
Assets funded by external stakeholders		
Total Assets	43,755	37,233
Total Liabilities	20,107	14,777
	46.0%	39.7%
Debt/equity		
Total equity	23,648	22,456
Intangibles	2,784	1,998
	20,864	20,458
Interest bearing loans and borrowings	12,176	8,336
	58.4%	40.7%

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

Shares issued during the year

The acquisition of Aldente Foods Pty Ltd was partly funded by the issue of 320,136 shares at a price of $0.63 cents per share. The cash component of this transaction amounted to $1.09 million. A total of 1,443,262 shares were issued under the share purchase plan at a value of $0.566 cents per share.

Profile of Debts

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

	2005 $'000	2004 $'000
Current		
Lease liability	94	85
Bank bill facility	6,296	3,367
Bank loans	647	221
	7,037	3,673
Non-current		
Lease liability - finance lease	560	637
Bank bill facility	3,931	3,500
Bank loans	648	526
	5,139	4,663
	12,176	8,336

The amount of the Group's debts have increased over the last year. The Group anticipates that its debts will decrease over the coming year on the back of improved performance in the baking segment and continued good performance in the ginger segment. Although a large component of the bank bill facility has been classified as current, this line item will not need to be repaid within the forthcoming 12 month period. The amount of $6.3 million represents the component of the working capital facility available to the Group, which is currently being utilised. It is classified as current as it represents bills which are reviewed and rolled on a 30 day basis.

Treasury policy

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

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

Risk Management

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

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

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

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

Statement of Compliance

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the latter part of 2005, Directors approved a variation to the Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd which effectively extends the term of the arrangement from two to three years. The minority interest in Buderim Baking Company Pty Ltd will now be purchased in three equal tranches of 10% rather than two tranches of 15%. The revised agreement also secures the management services of Mr Sanders for a commensurate period to 31 December 2007.

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

The Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd requires that the payment to York Bakeries Pty Ltd for acquisition of 10% of the minority interest in Buderim Baking Company Pty Ltd, be made on or before 31 March 2006, and that the shares relevant to this transaction be transferred from York Bakeries Pty Ltd to Buderim Ginger Limited. Based on the Buderim Baking Company Pty Ltd financial result for the year ended 31 December 2005, the share transfer is likely to proceed at no acquisition cost to Buderim Ginger Limited.

Since the end of the reporting period, directors have declared that a 1 cent dividend be paid out of the profits for the year ended 31 December 2005.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

2006 will be a year of consolidation for the business. In the Ginger segment, directors aim to build on the good gains made during 2005, through the achievement of elevated productivity targets and optimising improvements from recent capital investments. Sales targets have been conservatively set, however growth of retail sales in all export markets is a key objective for 2006. Domestically, priority is being given to a return to retail sales growth and consolidating our strong industrial position. Maintaining product and service quality will, as usual, underpin our performance in all markets. The Group will also aim to consolidate the Fiji operation's improved performance in 2005, in terms of both product quality and operating efficiency, targeting a record intake.

In the Tourism segment, the focus will be on lifting trading performance after the major changes implemented in 2005. These changes included the introduction of the "*Overboard*" attraction, the resumption of the café and the ice creamery and piazza renovations. Maximising the benefits from these new initiatives will see the business return to a high level of profitability in line with shareholders' expectations.

The Baking business will also focus on consolidation in 2006 after a difficult year. Further capital will be devoted to improving lasagne line efficiencies to return the *Aldente* business to profitability prior to generating the significant growth that is available. Improved production line efficiencies will also be the focus in the *I Spy* business along with consolidating relationships with our key customers through targeted new product development. Underpinning this, is the continued delivery of premium product quality at all times.

Accordingly, the group results in 2006 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.

REMUNERATION REPORT

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

Remuneration philosophy

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

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

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

Remuneration committee

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

Remuneration structure

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

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

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

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

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

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

The remuneration of non-executive directors for the period ending 31 December 2005 is detailed in Table 1 on page 15 of this report.

Senior manager and executive director remuneration

Objective

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

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

Structure

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

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

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

- Fixed Remuneration
- Variable Remuneration - Bonus Incentive

The proportion of fixed remuneration and variable remuneration (potential incentives) is established for each senior manager by the Remuneration Committee. Table 2 on page 15 details the fixed and variable component (%) of the 5 most highly remunerated senior managers whose decisions have a major impact on the strategic direction of the company.

Fixed Remuneration

Objective

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

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

Structure

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

The fixed remuneration component of the 5 most highly remunerated senior managers whose decisions have a major impact on the strategic direction of the company is detailed in Table 2 on page 15.

Variable Remuneration

Objective

The objective of the incentive program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. At this stage, the Remuneration Committee has determined that this variable remuneration component is only offered to the Managing Director and senior sales personnel. This policy is reviewed annually.

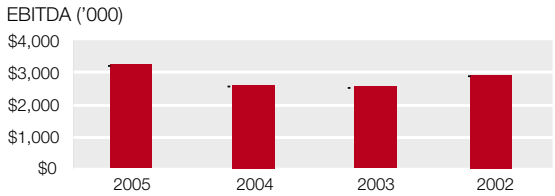
Structure

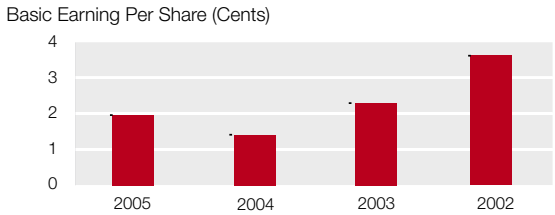
Actual incentive payments granted to sales managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both revenue and profitability of their areas of responsibility.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

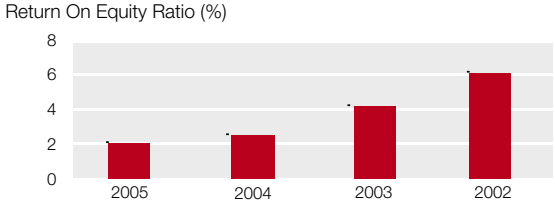
On an annual basis, consideration is given to performance of the individual sales executive against KPIs, and the overall performance of the company. These factors are taken into account when determining the amount, if any, of incentive to be paid to each executive. Annual incentive payments available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

Company performance

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







Employment contracts

All executives are employed under employment contracts to provide a level of security to both the company and the individual. The contract between the company and the Managing Director/CEO is a fixed term contract.

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

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

Details of Remuneration of Directors and Executives

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument and whose decisions have a major impact on the strategic direction of the company for the financial year are as follows:

Table 1 - Remuneration of directors of Buderim Ginger Limited

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non -Monetary $	Super -annuation $	Other	Employment Benefits $
J.M. Ruscoe 2005	**Chairman**	**50,000**	**—**	**—**	**8,898**	**—**	**58,898**
J.M. Ruscoe 2004		50,000	—	—	8,681	—	58,681
D. Crerar 2005	**Non-Executive Director**	**4,634**	**—**	**—**	**—**	**—**	**4,634**
D. Crerar 2004		27,801	—	—	—	—	27,801
S.J. Maitland 2005	**Non-Executive Director**	**25,000**	**—**	**—**	**2,250**	**—**	**27,250**
S.J. Maitland 2004		25,000	—	—	2,250	—	27,250
J.H.P. Roy 2005	**Non-Executive Director**	**20,833**	**—**	**—**	**1,875**	**—**	**22,708**
J.H.P. Roy 2004		—	—	—	—	—	—
S.T. Templeton 2005	**Non-Executive Director**	**25,000**	**—**	**—**	**2,250**	**—**	**27,250**
S.T. Templeton 2004		25,000	—	—	2,250	—	27,250
G.D. O'Brien 2005	**Managing Director**	**236,740**	**—**	**26,449**	**32,470**	**—**	**295,659**
G.D. O'Brien 2004		225,803	—	30,198	32,262	—	288,264
Total Directors 2005		**362,207**	**—**	**26,449**	**47,743**	**—**	**436,399**
Total Directors 2004		334,268	—	30,198	45,443	—	429,246

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

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non -Monetary $	Super -annuation $	Other	Employment Benefits $
P.G. Ritchie 2005	**General Manager -**	**143,925**	**10,000**	**26,930**	**18,199**	**—**	**199,054**
P.G. Ritchie 2004	**Marketing & Sales**	139,714	—	25,323	17,333	—	182,370
P. Bialkowski 2005	**UK Country Manager**	**159,842**	**1,620**	**28,535**	**15,841**	**—**	**205,838**
P. Bialkowski 2004		160,941	—	13,650	16,006	—	190,597
A. Chinlyn 2005	**US Country Manager**	**62,763**	**—**	**25,045**	**6,524**	**35,617**	**129,949**
A. Chinlyn 2004		125,685	5,409	26,076	6,761	—	163,931
K.L. Rogers 2005	**Company Secretary/CFO**	**120,302**	**—**	**23,896**	**13,117**	**—**	**156,597**
K.L. Rogers 2004		112,390	—	22,896	12,134	—	147,420
P.W. Knight 2005	**Operations Manager**	**100,616**	**—**	**21,160**	**12,459**	**—**	**134,235**
P.W. Knight 2004		96,378	—	16,873	11,473	—	124,724
Total Executives 2005		**587,448**	**11,620**	**124,848**	**66,140**	**35,617**	**825,673**
Total Executives 2004		635,108	5,409	104,818	63,707	—	809,042

Notes

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

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

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

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

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

DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees	
		Audit	Remuneration
Number of meetings held:	13	2	3
Number of meetings attended:			
J.M Ruscoe	13	—	3
G.D. O'Brien	13	—	—
J.H.P. Roy	10	—	1
S.J. Maitland	13	2	—
S.T. Templeton	13	2	—
D. Crerar	3	—	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 two audit & compliance committee meetings and one remuneration committee meetings during the year under review.*
- *D. Crerar retired on 28 February 2005.*

Committee membership

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

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

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

TRANSITION TO AUSTRALIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

The Group adopted AIFRS effective 1 January 2005. Accounting policies have been updated to reflect requirements under AIFRS, as detailed in note 2 to the financial statements. Comparative figures for the year ended 31 December 2004, have been restated under AIFRS. Reconciliations between profit after tax and equity reported under AGAAP, to that reported under AIFRS, are included in note 2 (ae) impact of adoption of AIFRS.

ROUNDING

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

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

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

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

In relation to our audit of the financial report of Buderim Ginger Limited for the financial year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Roach
Partner
Date: 2 March 2006

NON-AUDIT SERVICES

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

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

Tax compliance and advisory services	$50,972
Other assurance service	$20,000

Signed in accordance with a resolution of the directors.

J. Ruscoe
Director
Yandina, 8 March 2006

Corporate Governance Statement 2005

INTRODUCTION

This statement is provided to inform shareholders and other stakeholders of the governance arrangements in the company for the period 1 January 2005 to 31 December 2005. The company applies these arrangements to its operations both in Australia and internationally.

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

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

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

DISCLOSURE

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

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

MANAGEMENT AND BOARD OVERSIGHT

Role of the Board

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

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

The specific responsibilities of the board include:

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

Role of the Chairman

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

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

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

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

Directors

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

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

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

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

Senior Management

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

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

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

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

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

BOARD STRUCTURE

Directors

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

Commentary on Director Independence

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

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

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

Chair

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

Director Nomination Committee

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

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

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

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

ETHICAL AND RESPONSIBLE DECISION MAKING

Corporate Code of Conduct

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

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

Directors & Executive Securities Trading Policy

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

Insider Trading

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

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

The Australian Stock Exchange has granted Buderim Ginger Limited a waiver from Listing Rule 10.11 to the extent necessary to permit the company to issue up to $5,000 worth of securities to each of its directors under the Share Purchase Plan, without obtaining shareholder approval, on condition that directors are offered securities under the plan on the same terms as other security holders.

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

Disclosure of Directors' Security Transactions

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

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

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

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

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

INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The company has established an Audit Committee in order to:

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

The primary responsibilities of the Audit Committee are to:

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

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

The committee has standing invitations to the following attendees:

Auditor; Managing Director, Chief Financial Officer (CFO).

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

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

Letters of Representation

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

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

TIMELY AND BALANCED DISCLOSURE

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

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

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

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

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

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

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

RESPECT FOR SHAREHOLDERS

Effective Communication

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

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

Access to Information

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

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

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

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

Annual General Meeting

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

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

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

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

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

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

RISK MANAGEMENT

Systems

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

Policies

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

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

Review

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

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

Internal Audit

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

Insurance

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

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

IMPROVING PERFORMANCE

A structured process 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.

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, 2005. A 3 year extension to this scheme was approved by shareholders at the Annual General Meeting in April 2005. The bonus is calculated as a cash sum which is then divided by the average ASX closing price of the company's shares for the 2 trading days immediately after release of the company's annual result to ASX.

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

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

STAKEHOLDER INTERESTS

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

Among the stakeholders are:

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

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

Financial Statements

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
REVENUE					
Sale of goods		**45,954**	35,343	**28,134**	28,135
Cost of sales		**(33,078)**	(24,842)	**(19,649)**	(19,393)
Gross profit		**12,876**	10,501	**8,485**	8,742
Rental revenue		**281**	276	**281**	276
Other revenue	4 (a)	**351**	90	**399**	227
Finance revenue		**19**	30	**18**	30
Share of profit of jointly controlled entity		**98**	—	**21**	—
Selling and distribution expenses		**(7,184)**	(5,916)	**(3,902)**	(4,263)
Marketing expenses		**(419)**	(427)	**(419)**	(427)
Tourism expenses		**(1,775)**	(1,283)	**(1,775)**	(1,283)
Administration expenses		**(2,977)**	(2,174)	**(2,336)**	(2,302)
OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE TAX and FINANCING COSTS		**1,270**	1,097	**772**	1,000
Finance costs	4 (b)	**(775)**	(537)	**(495)**	(516)
PROFIT BEFORE INCOME TAX		**495**	560	**277**	484
Income tax (expense) / credit	5	**(12)**	(76)	**(80)**	42
NET PROFIT FOR THE PERIOD		**483**	484	**197**	526
Net (profit) / loss attributable to minority interest	20	**53**	(141)	—	—
NET PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT		**536**	343	**197**	526
Basic earnings per share (cents per share)	6	**1.97**	1.43		
Diluted earnings per share (cents per share)	6	**1.97**	1.43		
Franked dividends per share (cents per share)	7	**1.00**	—		

Balance Sheet

AT 31 DECEMBER 2005

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	**1,092**	1,716	**532**	973
Trade and other receivables	9	**9,698**	7,994	**6,511**	6,474
Inventories	10	**10,524**	9,111	**8,411**	7,041
Other current assets	11	**548**	489	**870**	1,022
Derivatives	22	**13**	—	**13**	—
TOTAL CURRENT ASSETS		**21,875**	19,310	**16,337**	15,510
NON-CURRENT ASSETS					
Receivables	12	—	—	**4,760**	2,124
Investments in controlled entities	13	—	—	**3,382**	3,382
Investment accounted for using the equity method	14	**1,537**	—	**1,150**	—
Property, plant and equipment	15	**17,125**	15,552	**11,750**	11,176
Deferred income tax asset	5	**434**	373	**370**	332
Intangible assets and goodwill	16	**2,784**	1,998	**364**	143
TOTAL NON-CURRENT ASSETS		**21,880**	17,923	**21,776**	17,157
TOTAL ASSETS		**43,755**	37,233	**38,113**	32,667
CURRENT LIABILITIES					
Trade and other payables	17	**5,660**	4,474	**4,112**	3,777
Interest-bearing loans and borrowings	18	**7,037**	3,673	**6,863**	3,553
Income tax payable	5	**66**	42	**28**	(39)
Provisions	19	**1,360**	1,286	**1,144**	1,060
Derivatives	22	**4**	—	**4**	—
TOTAL CURRENT LIABILITIES		**14,127**	9,475	**12,151**	8,351
NON-CURRENT LIABILITIES					
Payables	17	—	—	**800**	600
Interest-bearing loans and borrowings	18	**5,139**	4,663	**4,729**	4,499
Deferred tax liabilities	5	**743**	556	**732**	546
Provisions	19	**98**	83	**83**	81
TOTAL NON-CURRENT LIABILITIES		**5,980**	5,302	**6,344**	5,726
TOTAL LIABILITIES		**20,107**	14,777	**18,495**	14,077
NET ASSETS		**23,648**	22,456	**19,618**	18,590
EQUITY					
Contributed equity	20	**17,369**	16,351	**17,369**	16,351
Reserves	20	**367**	617	**387**	574
Retained earnings	20	**4,794**	4,258	**1,862**	1,665
Parent interests		**22,530**	21,226	**19,618**	18,590
Minority interests	20	**1,118**	1,230	—	—
TOTAL EQUITY		**23,648**	22,456	**19,618**	18,590

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED		BUDERIM GINGER LIMITED	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**47,573**	34,693	**30,154**	28,596
Payments to suppliers and employees		**(45,605)**	(33,309)	**(29,116)**	(27,861)
Other receipts		**322**	404	**525**	504
Interest received		**19**	30	**18**	30
Finance costs		**(775)**	(537)	**(495)**	(516)
Income tax received		**90**	11	**75**	11
Income tax paid		**(147)**	(141)	**(136)**	(56)
Goods and services tax paid		**(712)**	(141)	**66**	(45)
Receipt of government grant		**75**	—	**—**	—
NET CASH FLOWS FROM OPERATING ACTIVITIES	8	**840**	1,010	**1,091**	663
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**224**	60	**138**	62
Purchase of property, plant and equipment		**(2,825)**	(4,239)	**(1,705)**	(1,281)
Acquisition of subsidiary		**—**	—	**—**	(2,730)
Acquisition of equity in joint ventures		**(1,367)**	—	**(1,129)**	—
Acquisition of other business investments		**(1,310)**	—	**(218)**	—
Trademark registrations		**(3)**	(20)	**(3)**	(20)
Loans to other entities		**—**	—	**(2,232)**	—
Loans repaid by other entities		**—**	—	**—**	(240)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(5,281)**	(4,199)	**(5,149)**	(4,209)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares (SPP)		**816**	1,832	**816**	1,832
Proceeds from borrowings		**4,615**	3,427	**4,320**	3,284
Repayments of borrowings		**(1,469)**	(1,560)	**(1,434)**	(1,555)
Payment of dividends on ordinary shares (net of dividend reinvestment)		**—**	(226)	**—**	(226)
Payment of outside equity interest		**(59)**	(110)	**—**	—
Repayment of finance lease principal		**(86)**	(38)	**(85)**	(36)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**3,817**	3,325	**3,617**	3,299
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(624)**	136	**(441)**	(247)
Cash and cash equivalents at beginning of period		**1,716**	1,580	**973**	1,220
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	**1,092**	1,716	**532**	973

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

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

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2004	13,758	—	4,251	**18,009**	—	**18,009**
Items of income/expense recognized directly in equity						
Net increase in asset revaluation	—	820	—	**820**	—	**820**
Net tax effect of asset revaluation	—	(246)	—	**(246)**	—	**(246)**
Currency translation	—	43	—	**43**	—	**43**
Profit for the period	—	—	343	**343**	141	**484**
Total income and expense for the period	—	617	343	**960**	141	**1,101**
Equity dividends	—	—	(336)	**(336)**	—	**(336)**
Shares issued to minority interest	—	—	—	**—**	1,200	**1,200**
Shares issued under dividend reinvestment scheme	110	—	—	**110**	—	**110**
Shares issued under share purchase plan	1,832	—	—	**1,832**	—	**1,832**
Shares issued under I Spy acquisition	651	—	—	**651**	—	**651**
Outside equity distribution	—	—	—	**—**	(111)	**(111)**
As at 31 December 2004	16,351	617	4,258	**21.226**	1,230	**22,456**

PARENT	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	Outside Equity Interest $'000	Total Equity $'000
As at 1 January 2004	13,758	—	1,475	**15,233**	—	**15,233**
Items of income/expense recognized directly in equity						
Net increase in asset revaluation	—	820	—	**820**	—	**820**
Net tax effect of asset revaluation	—	(246)	—	**(246)**	—	**(246)**
Profit for the period	—	-	526	**526**	—	**526**
Total income and expense for the period	—	574	526	**1,100**	—	**1,100**
Equity dividends	—	—	(336)	**(336)**	—	**(336)**
Shares issued under dividend reinvestment scheme	110	—	—	**110**	—	**110**
Shares issued under share purchase plan	1,832	—	—	**1,832**	—	**1,832**
Shares issued under I Spy acquisition	651	—	—	**651**	—	**651**
As at 31 December 2004	16,351	574	1,665	**18,590**	—	**18,590**

1. CORPORATE INFORMATION

The financial report of Buderim Ginger Limited for the year ended 31 December 2005 was authorised for issue in accordance with a resolution of the directors on 3 March 2006.

Buderim Ginger Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except land and derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

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

This is the first financial report prepared based on AIFRS and comparatives for the year ended 31 December 2004 have been restated accordingly. Reconciliations of AIFRS equity and profit for 31 December 2004 to the balances reported in the 31 December 2004 financial report are detailed in Note 2 (ae) below.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 31 December 2005:

- AASB amendment 2005-1 - application date 1 January 2006
  - AASB 139: *Financial Instruments: Recognition and Measurement,*
- AASB amendment 2005-5 - application date 1 January 2006
  - AASB 1: *First time adoption of AIFRS,*
  - AASB 139: *Financial Instruments: Recognition and Measurement,*
- AASB amendment 2005-6 - application date 1 January 2006
  - AASB 3: *Business Combinations,*
- AASB amendment 2005-10 - application date 1 January 2007
  - AASB 132: *Financial Instruments: Disclosure and Presentation,*
  - AASB 101: *Presentation of Financial Statements,*
  - AASB 114: *Segment Reporting,*
  - AASB 117: *Leases,*
  - AASB 133: *Earnings per share,*
  - AASB 139: *Financial Instruments: Recognition and Measurement,*
  - AASB 1: *First-time adoption of AIFRS,*
  - AASB 4: *Insurance Contracts,*
  - AASB 1023: *General Insurance Contracts* and
  - AASB 1038: *Life Insurance Contracts*
- New Standard
  - AASB 7: *Financial Instruments: Disclosures*

No change to accounting policies or impact on financial results is expected from the above amendments.

(c) Basis of consolidation

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

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

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

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

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

Although the subsidiary Buderim Baking Company Pty Ltd acquired the business assets of the pasta business, Aldente Foods during this reporting period, there was no acquisition of a company and no additional subsidiaries have been added to the group during this period. In relation to the Aldente acquisition, the purchase method of accounting was used, which measures the acquiree's assets, liabilities and contingent liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Aldente Foods with Buderim Baking Company Pty Ltd for the ten-month period from its date of acquisition on 28 February 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Minority interests represent the interests of Buderim Baking Company Pty Ltd not held by the Group.

(d) Significant accounting estimates and assumptions

(i) Significant accounting estimates and assumptions

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

- Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Investment in jointly controlled entities

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

(f) Foreign currency translation

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

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

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

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

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

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

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

(g) Property, plant and equipment

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

Major depreciation periods are:

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

The asset's residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

Impairment

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

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

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

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

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

Revaluations

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

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve, to the extent of the credit balance existing in the revaluation reserve for that asset.

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

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

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

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

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(i) Goodwill

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

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

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

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

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

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

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

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

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) Intangible assets

Acquired both separately and from a business combination

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and developments costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

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

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

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

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

(k) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Impairment of assets (cont)

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired assets unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

(l) Inventories

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

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

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

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

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

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

(o) Interest-bearing loans and borrowings

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

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

(p) Trade and other payables

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

(q) Provisions

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

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

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

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

(r) Employee leave benefits

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

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

(ii) Long service leave

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

(s) Share-based payment transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(t) Leases

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

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

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

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

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

(u) Revenue recognition

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

Sale of goods

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

Interest

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

Rental Income

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

(v) Government grants

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

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

(w) Income tax

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

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

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

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

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

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

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

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

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

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

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

(x) Other taxes

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

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

b. receivables and payables are stated with the amount of GST included.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(x) Other taxes (cont)

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

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

(y) Investments and other financial assets

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(z) Derecognition of financial instruments

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(aa) Derivative financial instruments and hedging

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

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

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

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

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

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

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

(i) Fair value hedges

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(aa) Derivative financial instruments and hedging (cont)

(ii) Cash flow hedges

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

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

(ab) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

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

(ii) Financial assets carried at cost

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

(ac) Contributed equity

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

(ad) Earnings per share

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

(ae) Impact of adoption of AIFRS

The impact of adoption of AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

		CONSOLIDATED		PARENT	
		31-Dec-04 $'000	1-Jan-04 $'000	31-Dec-04 $'000	1-Jan-04 $'000
Total equity under AGAAP		22,662	18,129	18,804	15,222
Adjustments to equity					
Adjustment to employee entitlements	A	2	2	1	4
Write-back of general doubtful debt provision	B	14	11	14	11
Write-back of trademark amortisation	C	21	-	21	-
Write-back of goodwill amortisation	D	42	-	-	-
Adjustment to foreign currency translation reserve	E	(34)	(129)	-	-
Tax effect of the above adjustments	F	(5)	(4)	(4)	(4)
Tax effect on asset revaluation reserve	G	(246)	-	(246)	-
Total equity under AIFRS		22,456	18,009	18,590	15,233

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(ae) Impact of adoption of AIFRS (cont)

(A) The expected outflow of long term annual and sick leave entitlements has been discounted and provisions adjusted accordingly under AASB 119 *Employee Benefits*. Discounting of long service leave entitlements only was performed under AGAAP.

(B) Only specific debts identified as doubtful are to be shown in a provision under AIFRS whereas general doubtful debt provisions were provided under AGAAP.

(C) Trademarks are not amortised under AASB 138 *Intangible Assets* but were amortised under AGAAP.

(D) Goodwill is not amortised under AASB 3 *Business Combinations*, but was amortised under AGAAP.

(E) Under AGAAP a number of the Group's overseas subsidiaries were classified as integrated, and were translated using the temporal method, with translation gains or losses reported in the profit or loss. Under AIFRS the financial statements of overseas subsidiaries that sell in their local currency, are translated at the spot rate at the end of the reporting period, and income statement items translated at the weighted average exchange rates for the period, with gains or losses reported in equity.

As part of completing the AIRFS transition exercise, the company has identified an additional adjustment to that reported in the 30 June 2005 half-year financial report. This reclassification adjustment to correctly account for foreign exchange gains upon conversion to the functional currencies of an overseas subsidiary, results in a decrease in the foreign currency translation expense of $38k.

(F) The tax effect of the adjustments above (note (A) to (E)) in accordance with AASB 112 *Income Taxes* led to an increase in the deferred tax asset.

(G) A portion of the asset revaluation reserve of $820,000 recognised under AGAAP has been tax-effected on transition to AIFRS under AASB116 *Property, Plant and Equipment* at the tax rate of 30%.

As part of completing the AIFRS transition exercise, the company has identified an additional adjustment due to new information that has become available in the current period. This adjustment results in an increase in deferred tax liabilities and a decrease in the asset revaluation reserve of $197k.

(ii) Reconciliationof profit after tax under AGAAP to that under AIFRS

	CONSOLIDATED	PARENT
	31-Dec-04 $'000	31-Dec-04 $'000
Profit after tax as previously report	293	505
Adjustment to employee entitlements	(2)	(2)
Write-back of general doubtful debt provision	3	3
Write-back of trademark amortisation	21	21
Write-back of goodwill amortisation	42	—
Adjustment to foreign currency translation reserve (ae) (i) (E)	128	—
Net adjustment to tax expense	(1)	(1)
Profit after tax under AIFR	484	526

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

3. SEGMENT INFORMATION

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

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

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

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

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

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

The group generally accounts for intersegmental sales and transfers as if the sales or transfers were to third parties at current market prices. This results in transfer pricing between business segments, being set at on an arms length basis. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2005 and 2004.

Business segments	Ginger Processing		Baking		Tourism		Eliminations		Consolidated	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue										
Sales to external customers	**28,810**	27,969	**13,392**	3,928	**3,752**	3,446	**—**	—	**45,954**	35,343
Other revenue from external customers	**362**	120	**8**	—	**281**	276	**—**	—	**651**	396
Inter-segment sales	**671**	653	**—**	—	**—**	—	**(671)**	(653)	**—**	—
Total segment revenue	**29,843**	28,742	**13,400**	3,928	**4,033**	3,722	**(671)**	(653)	**46,605**	35,739
Results										
Segment result	**1,441**	392	**(177)**	468	**436**	772	**—**	—	**1,700**	1,632
Share of profit of jointly controlled entities'	**77**	—	**—**	—	**21**	—	**—**	—	**98**	—
Unallocated expenses									**(1,303)**	(1,072)
Profit before income tax expense and minority interest									**495**	560
Income tax expense									**(12)**	(76)
Net profit									**483**	484
Assets and liabilities										
Segment assets	**36,513**	32,746	**10,418**	7,207	**1,942**	1,523	**(6,655)**	(4,243)	**42,218**	37,233
Investment in jointly controlled entities	**387**	—	**—**	—	**1,150**	—	**—**	—	**1,537**	—
Total assets	**36,900**	32,746	**10,418**	7,207	**3,092**	1,523	**(6,655)**	(4,243)	**43,755**	37,233
Segment liabilities	**17,326**	13,065	**5,779**	2,370	**276**	204	**(3,274)**	(862)	**20,107**	14,777
Other segment information:										
Capital expenditure including intangibles	**1,255**	1,914	**2,301**	4,584	**835**	16	**(18)**	—	**4,373**	6,514
Depreciation	**1,150**	1,178	**483**	105	**197**	166	**—**	—	**1,830**	1,449
Amortisation	**77**	32	**2**	—	**—**	—	**—**	—	**79**	32
Other gains/(losses) – net	**203**	93	**—**	—	**—**	—	**—**	—	**203**	93

3. SEGMENT INFORMATION (CONT)

Geographic segments

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

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 31 December 2005 and 31 December 2004.

Year ended 31 December 2005	Australia		Fiji		Eliminations		Consolidated	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue								
Sales to external customers	**43,551**	33,666	**2,403**	1,677	**—**	—	**45,954**	35,343
Other revenue from external customers	**651**	374	**—**	22	**—**	—	**651**	396
Inter-segment sales	**—**	—	**802**	1,400	**(802)**	(1,400)	**—**	—
Total segment revenue	**44,202**	34,040	**3,205**	3,099	**(802)**	(1,400)	**46,605**	35,739
Other segment information								
Segment assets	**39,652**	34,888	**2,623**	2,635	**(57)**	(290)	**42,218**	37,233
Investment in jointly controlled entities	**1,537**	—	**—**	—	**—**	—	**1,537**	—
Total assets	**41,189**	34,888	**2,623**	2,635	**(57)**	(290)	**43,755**	37,233
Capital expenditure	**4,241**	6,429	**150**	85	**(18)**	—	**4,373**	6,514

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
4. REVENUES AND EXPENSES				
(a) Other income				
Gain on disposal of property, plant and equipment	**130**	—	**123**	—
Management fees	—	—	**117**	100
Sundry income	**221**	90	**159**	127
	351	90	**399**	227
(b) Finance costs				
Bill facility	**614**	376	**406**	376
Bank loans and overdraft	**111**	141	**39**	120
Finance charges - lease liability	**50**	20	**50**	20
Total finance costs	**775**	537	**495**	516
(c) Depreciation and amortisation				
Amortisation of non-current assets				
Plant and equipment under lease	**79**	32	**77**	32
Depreciation of non-current assets				
Plant and equipment	**1,470**	1,098	**750**	748
Buildings	**360**	351	**289**	280
	1,830	1,449	**1,039**	1,028
Total depreciation and amortisation	**1,909**	1,481	**1,116**	1,060
(d) Lease payments and other expenses included in income statement				
Minimum lease payments on operating leases	**179**	136	**136**	129
(e) Employee benefits expense				
Wages and salaries	**10,078**	7,386	**6,091**	5,861
Workers Compensation costs	**432**	323	**350**	303
Superannuation costs	**804**	603	**501**	480
Cost of redundancies and terminations	**49**	28	—	15
	11,363	8,340	**6,942**	6,659
(f) Foreign currency expenses				
Net foreign currency losses/(gains) realised	**31**	114	**(31)**	122
Net foreign exchange translation losses/(gains) unrealised	**(77)**	44	**(4)**	4
	(46)	158	**(35)**	126
(g) Research and development costs				
Research and development costs	**33**	21	**33**	21

5. INCOME TAX

Major components of income tax expense for the years ended 31 December 2005 and 2004 are:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
Income Statement				
Current income tax				
Current income tax charge	**101**	34	**116**	(55)
Adjustments in respect of current income tax of previous years	**(26)**	(13)	**7**	(13)
Deferred income tax				
Relating to origination and reversal of temporary differences	**(63)**	55	**(43)**	26
	12	76	**80**	(42)
Statement of Changes in Equity				
Deferred income tax related to items charged or credited directly to equity				
Revaluation of land	**(197)**	(246)	**(197)**	(246)
Income tax reported in equity	**(197)**	(246)	**(197)**	(246)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate, to income tax expense at the Group's effective income tax rate for the years ended 31 December 2005 and 2004 is as follows:

Accounting profit before minority interest	**495**	560	**277**	484
Minority interest	**(53)**	(141)	**—**	—
Accounting profit before income tax	**442**	419	**277**	484
At the statutory income tax rate of 30% (2004: 30%)	**133**	126	**83**	145
Adjustments in respect on current income tax of previous years	**(26)**	(13)	**7**	(13)
Research and development deductions	**(28)**	(21)	**(28)**	(20)
Depreciation of buildings	**19**	19	**19**	19
Reversal of provision for non recovery of inter-company loan	**—**	—	**—**	(180)
Non-assessable income from foreign operations	**(95)**	(47)	**—**	—
Other	**9**	12	**(1)**	7
At effective income tax rate of 3% (Parent 29%)	**12**	76	**80**	(42)

(2004: 17%, Parent: (9%))

5. INCOME TAX (CONT)

Deferred income tax

Deferred income tax at 31 December relates to the following:

	BALANCE SHEET 2005 $'000	BALANCE SHEET 2004 $'000	INCOME STATEMENT 2005 $'000	INCOME STATEMENT 2004 $'000
CONSOLIDATED				
Deferred income tax liabilities				
Revaluation of land to fair value	**(443)**	(246)		
Accelerated depreciation for tax purposes	**(188)**	(206)		
Other temporary differences	**(112)**	(104)		97
	(743)	(556)		
CONSOLIDATED				
Deferred income tax assets				
Future and post-employment benefits	**408**	375	**(29)**	(42)
Other temporary differences	**26**	(2)	**(34)**	
Gross deferred income tax assets	**434**	373		
Deferred income tax charge			**(63)**	55

	BALANCE SHEET 2005 $'000	BALANCE SHEET 2004 $'000	INCOME STATEMENT 2005 $'000	INCOME STATEMENT 2004 $'000
PARENT				
Deferred income tax liabilities				
Revaluation of land to fair value	**(443)**	(246)		
Accelerated depreciation for tax purposes	**(178)**	(183)		
Other temporary differences	**(111)**	(117)		57
	(732)	(546)		
PARENT				
Deferred income tax assets				
Future and post-employment benefits	**360**	334	**(22)**	(31)
Other temporary differences	**10**	(2)	**(21)**	
Gross deferred income tax assets	**370**	332		
Deferred income tax charge			**(43)**	26

At 31 December 2005, there is no recognised or unrecognised deferred income tax liability (2004: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Buderim Ginger Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group in Buderim Ginger Limited.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As Buderim Ginger Limited does not have preference shares or other dilutive potential ordinary shares, the diluted earnings per share is the same as the basic earnings per share.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
The following reflects the income and share data used in the total operations basic earnings per share computations:		
Net profit attributable to ordinary shareholders of parent ($'000)	**536**	343
Basic earnings per share (cents per share)	**1.97**	1.43
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share.	**27,283,046**	24,005,344

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

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
7. DIVIDENDS PAID OR PROPOSED				
Declared and paid during the year:				
Previous year final				
Final franked dividends for 2004: nil cents (2003: 1.5 cents per share)	—	336	—	336
Dividend proposed for approval at AGM (not recognised as a liability as at 31 December):				
Dividends on ordinary shares:				
Final franked dividend for 2005: 1 cent per share (2004: nil cents)	**284**	—	**284**	—
(c) Franking credit balance				
The amount of franking credits available for future reporting periods are:				
– franking account balance as at the end of the financial year at 30% (2004: 30%)	**343**	282	**343**	282
– franking credits that will arise from the refund of income tax paid as at the end of the financial year	**(8)**	(48)	**(8)**	(48)
– franking debits that will arise from the payment of dividends proposed.	**(122)**	—	**(122)**	—
	213	234	**213**	234

The tax rate at which paid dividends in 2004 have been franked is 30%.
Dividends proposed will be franked at the tax rate of 30%.

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000

8. CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

Cash balance comprises:				
– cash on hand	**1,092**	1,716	**532**	973
Closing cash balance	**1,092**	1,716	**532**	973

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

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. There were no short-term deposits in use as at 31 December 2005.

The fair value of cash and cash equivalents is $1,091,628 (2004: $1,715,846)

Reconciliation of the operating profit after tax to the net cash flows from operations

Net profit	**483**	484	**197**	526
Adjustments for:				
Depreciation of non-current assets	**1,830**	1,449	**1,039**	1,028
Amortisation of non-current assets	**79**	32	**77**	32
Write-back of intercompany loan provision	**—**	—	**—**	(600)
Net (profit)/loss on disposal of property	**(130)**	—	**(123)**	—
Share of profit of jointly controlled entities	**(98)**	—	**(21)**	—
Other	**(251)**	(55)	**(205)**	1
Changes in assets and liabilities				
(Increase)/decrease in trade receivables	**(1,394)**	(2,277)	**116**	(1,099)
(Increase)/decrease in inventory	**(1,413)**	(157)	**(1,370)**	431
(Increase)/decrease in deferred tax assets	**(61)**	—	**(38)**	—
(Increase)/decrease in prepayments and other receivables	**(84)**	(40)	**154**	29
(Decrease)/increase in trade and other creditors	**1,581**	1,356	**926**	294
(Decrease)/increase in tax provision	**24**	(74)	**67**	(120)
(Decrease)/increase in deferred income tax liability	**187**	20	**186**	32
(Decrease)/increase in employee benefits	**87**	272	**86**	109
Net cash flow from operating activities	**840**	1,010	**1,091**	663

Disclosure of financing facilities

Refer to note 18.

Disclosure of non-cash financing and investing activities

During the year, the Group funded insurance premiums of $847,158 (2004: $704,515) by way of a loan.

On 3 March 2005, 320,136 ordinary shares were issued at a value of $0.63 per share as part payment for the acquisition of the Aldente business. Refer note 23 for details.

During the year the Group acquired plant and equipment totalling $19,300 (2004: $537,030) by way of finance leases.

	Notes	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
9. TRADE AND OTHER RECEIVABLES (CURRENT)					
Trade receivables (i)		**9,211**	7,816	**6,261**	6,377
Deposits and other loans		**14**	31	**14**	31
Other receivables		**473**	147	**236**	66
		9,698	7,994	**6,511**	6,474
Related party receivables (ii)					
Jointly controlled entities		**713**	—	**251**	—
Controlled entities		—	—	**1,491**	1,890
		713	—	**1,742**	1,890

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

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

10. INVENTORIES (CURRENT)				
Raw materials (at cost)	**1,554**	1,190	**979**	793
Work-in-progress (at cost)	**1,425**	1,823	**1,077**	1,376
Finished goods (at cost)	**7,545**	6,098	**6,355**	4,872
Total inventories at lower of cost and net realisable value	**10,524**	9,111	**8,411**	7,041

	Notes	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
11. OTHER CURRENT ASSETS					
Other debtors – controlled entity		—	—	**400**	600
Prepayments		**548**	489	**470**	422
		548	489	**870**	1,022
12. RECEIVABLES (NON-CURRENT)					
Other receivables - controlled entity		—	—	**800**	600
Loan to controlled entities		—	—	**3,960**	1,524
		—	—	**4,760**	2,124

13. INVESTMENT IN CONTROLLED ENTITIES

Name		Country of incorporation	Percentage of equity held by the consolidated entity 2005 %	Percentage of equity held by the consolidated entity 2004 %	Investment 2005 $'000	Investment 2004 $'000
Australian Golden Ginger Pty Ltd	(i)	Australia	**100**	100	—	—
Gingertown Pty Ltd	(i)	Australia	**100**	100	—	—
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia	**100**	100	—	—
Buderim Baking Company Pty Ltd	(i)	Australia	**70**	70	3,382	3,382
Buderim Ginger America, Inc	(ii)	United States	**100**	100	—	—
Buderim Ginger (UK) Ltd	(iii)	United Kingdom	**100**	100	—	—
Frespac Ginger (Fiji) Ltd	(iii)	Fiji	**100**	100	—	—
					3,382	3,382

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name		Country of incorporation	Percentage of equity interest held by the		Investment Consolidated	
			2005 %	2004 %	2005 $'000	2004 $'000
Ginger Head Quarters Pty Ltd	(i)	Australia	**50**	—	**1,150**	—
Buderim Ginger America, LLC	(ii)	United States	**50**	—	**387**	—
					1,537	—

Name		Country of incorporation	Percentage of equity interest held by the		Investment Parent	
			2005 %	2004 %	2005 $'000	2004 $'000
Ginger Head Quarters Pty Ltd	(i)	Australia	**50**	—	**1,150**	—
					1,150	—

(i) Buderim Ginger Limited has a 50% interest in jointly controlled entity Ginger Head Quarters Pty Ltd with DPG Enterprises Pty Ltd. The joint venture entity is involved in tourism activities with *the Ginger Factory* tourism complex at Yandina.

(ii) The subsidiary, Buderim Ginger America, Inc has a 50% interest in jointly controlled entity Buderim Ginger America, LLC with Greater Pacific Foods, LLC trading as Pan Pacific Foods. The joint venture entity is involved in the distribution of confectionery ginger and other ginger-based products.

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

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

	CONSOLIDATED	
	2005 $'000	2004 $'000
Share of jointly controlled entities' balance sheet:		
Current assets	**27**	—
Non-current assets	**1,113**	—
Current liabilities	**(19)**	—
Non-current liabilities	**—**	—
Net assets	**1,121**	—
Share of jointly controlled entities' revenues and profit:		
Revenue	**110**	—
Profit before income tax	**21**	—
Income tax expense	**—**	—
Profit after income tax	**21**	—

	CONSOLIDATED 2005 $'000	2004 $'000

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

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

Share of jointly controlled entities' balance sheet:		
Current assets	721	—
Non-current assets	—	—
Current liabilities	(368)	—
Non-current liabilities	—	—
Net assets	353	—
Share of jointly contolled entities' revenue and profit:		
Revenue	862	—
Profit before income tax	77	—
Income tax expense	(5)	—
Profit after income tax	72	—

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
15. PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At fair value	**1,770**	1,770	**1,770**	1,770
Buildings on freehold land				
At cost	**9,132**	8,914	**7,747**	7,520
Accumulated depreciation	**(4,059)**	(3,701)	**(3,643)**	(3,353)
	5,073	5,213	**4,104**	4,167
Total land and buildings	**6,843**	6,983	**5,874**	5,937
Plant and equipment				
At cost	**17,171**	14,745	**11,068**	10,222
Accumulated depreciation	**(8,894)**	(7,662)	**(6,824)**	(6,246)
	8,277	7,083	**4,244**	3,976
Plant and equipment under lease				
At cost	**790**	771	**771**	771
Accumulated amortisation	**(123)**	(44)	**(121)**	(44)
	667	727	**650**	727
Total plant and equipment	**8,944**	7,810	**4,894**	4,703
Capital works in progress at cost	**1,338**	759	**982**	536
Total property, plant and equipment				
Fair value	**1,770**	1,770	**1,770**	1,770
Cost	**28,431**	25,189	**20,568**	19,049
	30,201	26,959	**22,338**	20,819
Accumulated depreciation and amortisation	**(13,076)**	(11,407)	**(10,588)**	(9,643)
Total written down amount	**17,125**	15,552	**11,750**	11,176

(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 $666,808 (2004: $726,848).

(b) Valuations

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

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

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
15. PROPERTY, PLANT AND EQUIPMENT (CONT)				
(c) Reconciliations				
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.				
Freehold land				
Carrying amount at beginning	**1,770**	950	**1,770**	950
Revaluation	—	820	—	820
	1,770	1,770	**1,770**	1,770
Buildings on freehold land				
Carrying amount at beginning	**5,213**	5,459	**4,167**	4,370
Transfers	**226**	77	**226**	77
Net foreign currency movements	**(6)**	28	—	
Depreciation expense	**(360)**	(351)	**(289)**	(280)
	5,073	5,213	**4,104**	4,167
Plant and equipment				
Carrying amount at beginning	**7,083**	4,579	**3,976**	3,871
Additions	**887**	2,735	—	—
Transfers	**1,876**	881	**1,033**	881
Disposals	**(94)**	(28)	**(15)**	(28)
Net foreign currency movements	**(5)**	14	—	—
Depreciation expense	**(1,470)**	(1,098)	**(750)**	(748)
	8,277	7,083	**4,244**	3,976
Plant and equipment under lease				
Carrying amount at beginning	**727**	222	**727**	222
Additions	**19**	537	—	537
Transfers	—	—	—	—
Amortisation expense	**(79)**	(32)	**(77)**	(32)
	667	727	**650**	727
Capital Works in progress at cost				
Carrying amount at beginning	**759**	213	**536**	213
Additions	**2,681**	1,504	**1,705**	1,281
Transfers	**(2,102)**	(958)	**(1,259)**	(958)
	1,338	759	**982**	536

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

For the year ended 31 December 2005, an addition in goodwill relates to the acquisition of business assets of Aldente Foods by the subsidiary Buderim Baking Company Pty Ltd . This addition has been capitalised at cost and its useful life has been assessed to be indefinite. The assets are tested for impairment where an indicator of impairment arises, or annually.

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

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

Trademark additions are capitalised at cost. Their useful lives have been assessed as indefinite. Impairment testing is undertaken where an indicator of impairment arises, or annually.

No impairment loss was recognised for continuing operations in the 2005 financial year.

	CONSOLIDATED				PARENT		
	Goodwill $'000	Brand Value $'000	Trade marks $'000	Total $'000	Goodwill $'000	Trade marks $'000	Total $'000
16. INTANGIBLE ASSETS AND GOODWILL (CONT)							
At 1 January 2004							
Cost (gross carrying amount)	196	—	205	**401**	—	203	**203**
Accumulated amortisation and impairment	(61)	—	(80)	**(141)**	—	(80)	**(80)**
Net carrying amount	135	—	125	**260**	—	123	**123**
Year ended 31 December 2004							
At 1 January 2004, net of accumulated amortisation	135	—	125	**260**	—	123	**123**
Additions	—	—	20	**20**	—	20	**20**
Acquisition of subsidiary	1,718	—	—	**1,718**	—	—	—
At 31 December 2004, net of accumulated amortisation	1,853	—	145	**1,998**	—	143	**143**
At 31 December 2004							
Cost (gross carrying amount)	1,912	—	225	**2,137**	—	223	**223**
Accumulated amortisation and impairment	(59)	—	(80)	**(139)**	—	(80)	**(80)**
Net carrying amount	1,853	—	145	**1,998**	—	143	**143**

For the year ended 31 December 2004, additions in goodwill relate to the acquisition of business assets in subsidiary Buderim Baking Company Pty Ltd. These additions have been capitalised at cost and their useful lives have been assessed to be indefinite. The assets are tested for impairment where an indicator of impairment arises, or annually.

Trademark additions are capitalised at cost. Their useful lives have been assessed as indefinite. Impairment testing is undertaken where an indicator of impairment arises, or annually.

	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
17. TRADE AND OTHER PAYABLES				
CURRENT				
Trade payables (i)	**3,923**	3,383	**2,485**	2,455
Other payables (i)	**1,691**	1,071	**1,183**	702
Interest payable (ii)	**19**	8	**19**	8
Deferred purchase consideration	—	—	**400**	600
	5,633	4,462	**4,087**	3,765
Related party payables (iii)				
Joint venture entities	**27**	—	**25**	—
Directors and director-related entities	—	12	—	12
	27	12	**25**	12
	5,660	4,474	**4,112**	3,777
NON-CURRENT				
Deferred purchase consideration	—	—	**800**	600

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

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

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

Information regarding the effective interest rate and credit risk of current payables is set out in note 21.

	Effective Interest rate %	Maturity	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
18. INTEREST-BEARING LOANS AND BORROWINGS						
CURRENT						
Secured						
Lease liability (i)	7.55	2010	**94**	85	**91**	85
Bank bill facility (ii)	6.01	rolling	**6,296**	3,367	**6,296**	3,367
Bank loans (iii)						
– Frespac Ginger (Fiji) Pty Ltd	8.45	2007	**30**	76	—	—
– Buderim Baking Company Pty Ltd	7.75	2010	**141**	44	—	—
– Buderim Ginger Limited	7.54	2009	**476**	101	**476**	101
			7,037	3,673	**6,863**	3,553
NON-CURRENT						
Secured						
Lease liability (i)	7.55	2010	**560**	637	**545**	637
Bank bill facility (ii)	6.01	rolling	**3,931**	3,500	**3,931**	3,500
Bank loans (iii)						
– Frespac Ginger (Fiji) Pty Ltd	8.45	2007	**8**	39	—	—
– Buderim Baking Company Pty Ltd	7.75	2010	**387**	125	—	—
– Buderim Ginger Limited	7.54	2009	**253**	362	**253**	362
			5,139	4,663	**4,729**	4,499

Fair Value Disclsoures

Details of the fair value of the Group's interest bearing liabilities are set out in note 22.

(i) Lease liability

The lease liabilities are secured by a charge over the leased assets. The average interest rate on leases in 2005 is 7.55% (2004: 7.46%).

(ii) Bank overdraft and bill facilities

The bank overdrafts and bill finance facilities are secured by a registered equitable mortgage over the company's assets. The interest rate on Frespac Ginger (Fiji) Pty Ltd overdraft facility is 7.99% (2004: 7.99%). The overdraft interest rate paid by the parent is 8.95% (2004: 8.7%).

(iii)Bank loans

Bank loans are secured over the plant and equipment of the subsidiaries subject to the loan. Frespac Ginger (Fiji) Limited loan facilities are at an average interest rate of 8.45% (2004: 8.22%) and are supported by a guarantee from the parent entity. Buderim Baking Company Pty Ltd loans are at an average interest rate of 7.75%. (2004: 7.81%) Buderim Ginger Limited's loans are at an average interest rate of 7.54% (2004: 7.5%) and are secured over the plant and equipment subject to the loans.

Working Capital Facility

The working capital facility provided by Rabobank Australia Limited includes a $5,000,000 long term amortising/multi-option component, $60,644 of which remains in overseas currency loans at balance date as part of the company's hedge management strategy. The amortising facility reduces by the repayment amount of $500,000 per annum. The working capital facility is on 30 – 90 rollover terms with variable interest rates linked to BBSY rates.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000

18. INTEREST-BEARING LOANS AND BORROWINGS (CONT)

Financing facilities available

Financiers

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

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

Total facilities				
– bank overdraft	**700**	700	**450**	450
– working capital facility	**10,690**	9,500	**10,690**	9,500
– bank loans	**1,295**	747	**729**	463
Facilities used at reporting date				
– working capital facility	**10,227**	6,867	**10,227**	6,867
– bank loans	**1,295**	747	**729**	463
Facilities unused at reporting date				
– bank overdraft	**700**	700	**450**	450
– working capital facility	**463**	2,633	**463**	2,633

Bank Guarantee Facility

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

19. PROVISIONS

CURRENT					
Employee benefits	25	**1,360**	1,286	**1,144**	1,060
		1,360	1,286	**1,144**	1,060
NON-CURRENT					
Employee benefits	25	**98**	83	**83**	81
		98	83	**83**	81
		1,458	1,369	**1,227**	1,141

Movement in employee benefit provisions

At 1 January 2005	**1,369**	1,099	**1,141**	1,035
Acquisition of business (note 23)	**9**	100	**—**	—
Arising during the year	**924**	797	**740**	758
Utilised	**(844)**	(627)	**(654)**	(652)
At 31 December 2005	**1,458**	1,369	**1,227**	1,141

	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
20. CONTRIBUTED EQUITY AND RESERVES				
Issued and paid up capital				
28,444,585 ordinary shares fully paid (2004: 26,681,187)	**17,369**	16,351	**17,369**	16,351

Ordinary shares

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in ordinary shares on issue

	2005		2004	
	Number of shares	$'000	Number of shares	$'000
Beginning of the financial year	**26,681,187**	**16,351**	22,376,850	13,758
Issued during the year				
– dividend reinvestment scheme (i)	—	—	172,823	110
– share purchase plan (ii)	**1,443,262**	**816**	3,121,653	1,832
– acquisition of Aldente business (iii)	**320,136**	**202**	1,009,861	651
End of the financial year	**28,444,585**	**17,369**	26,681,187	16,351

(i) There were no ordinary shares issued under the dividend reinvestment scheme during this period.

(ii) On 7 October 2005, 1,443,262 ordinary shares were issued under the share purchase plan at a value of $0.565714 per share. These shares rank equally with all other ordinary shares.

(iii) On 3 March 2005, 320,136 ordinary shares were issued at a value of $0.63 per share as part payment for the acquisition of the Aldente business.

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

Retained earnings

Movement in retained earnings were as follows:	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Opening balance	**4,258**	4,251	**1,665**	1,475
Profit for the period	**536**	343	**197**	526
Dividends	—	(336)	—	(336)
Closing balance	**4,794**	4,258	**1,862**	1,665

Reserves	CONSOLIDATED				PARENT		
	Asset Revaluation $'000	Foreign Currency Translation $'000	Cash Flow Hedges $'000	Total $'000	Asset Revaluation $'000	Cash Flow Hedges $'000	Total $'000
20. CONTRIBUTED EQUITY AND RESERVES (CONT)							
As at 1 January 2004	—	—	—	**—**	—	—	—
Currency translation differences	—	43	—	**43**	—	—	—
Revaluation of land	820	—	—	**820**	820	—	820
Net tax effect of asset revaluation reserve	(246)	—	—	**(246)**	(246)	—	(246)
As at 31 December 2004	574	43	—	**617**	574		574
Net gain on cash flow hedges	—	—	9	**9**	—	10	10
Net tax effect of asset revaluation reserve	(197)	—	—	**(197)**	(197)	—	(197)
Currency translation differences	—	(62)	—	**(62)**	—	—	—
As at 31 December 2005	377	(19)	9	**367**	377	10	387

Nature and purpose of reserve

Asset Revaluation

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

Foreign currency translation

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

Cash flow hedge

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

Minority interest	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Minority interests				
Interest in:				
Ordinary shares	**1,200**	1,200	—	—
Retained earnings	**(82)**	30	—	—
	1,118	1,230	—	—
Reconciliation of outside equity interest in controlled entity				
Opening balance	**1,230**	—	—	—
30% outside equity interest on acquisition of subsidiary	—	1,200	—	—
Add share of operating profit	**(53)**	141	—	—
Less distribution	**(59)**	(111)	—	—
Closing balance	**1,118**	1,230	—	—

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 21.

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

Foreign currency risk

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

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

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

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

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

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

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

At 31 December 2005, the Group had hedged 100% of its foreign currency sales for which firm commitments existed at the balance sheet date, extending to 31 December 2006.

Interest rate risk

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

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

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

These swaps are designated to hedge underlying debt obligations.

At 31 December 2005, after taking into account the effect of interest rate swaps, approximately 15% of the Group's borrowings are at a fixed rate of interest.

Commodity price risk

The Group's exposure to price risk is minimal.

Credit risk

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

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

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

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

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and bill facilities.

The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers. A general policy is that up to 50% of borrowings may be established on fixed terms.

22. FINANCIAL INSTRUMENTS

Fair values

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

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

Interest rate risk

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

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

Year ended 31 December 2005	<1 year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total years $'000
PARENT							
Fixed rate							
Bill facility	1,500	—	—	—	—	—	1,500
Obligations under finance leases	—	—	164	472	—	—	636
Buderim Ginger Limited bank loans	368	—	—	361	—	—	729
Floating rate							
Cash assets	532	—	—	—	—	—	532
Bill facility	8,727	—	—	—	—	—	8,727

Refer to note 18 for disclosure on effective interest rates.

Year ended 31 December 2004	<1 year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total years $'000
22. FINANCIAL INSTRUMENTS (CONT)							
CONSOLIDATED							
Fixed rate							
Bill facility	1,100	—	—	—	—	—	1,100
Obligations under finance leases	—	—	—	194	528	—	722
Frespac Ginger (Fiji) bank loans	—	89	26	—	—	—	115
Buderim Baking Company bank loans	9	17	25	118	—	—	169
Buderim Ginger Limited bank loans	—	—	—	—	463	—	463
Floating rate							
Cash assets	1,716	—	—	—	—	—	1,716
Bill facility	5,767	—	—	—	—	—	5,767
PARENT							
Fixed rate							
Bill facility	1,100	—	—	—	—	—	1,100
Obligations under finance leases	—	—	—	194	528	—	722
Buderim Ginger Limited bank loans	—	—	—	—	463	—	463
Floating rate							
Cash assets	973	—	—	—	—	—	973
Bill facility	5,767	—	—	—	—	—	5,767

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

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

Hedging activities

Cash flow hedges

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

At 31 December 2005, the Group held foreign exchange contracts designated as hedges of future sales to customers in the United States with maturity dates up to 2 February 2006. The exchange rate on these contracts average $0.7437 with an AUD equivalent of $127,742.

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

Cash flow hedge

At 31 December 2005, the Group had an interest rate swap agreement in place with a notional amount of $1,500,000 whereby it received a fixed rate of interest of 5.86% and pays a variable rate equal to the ABBSY on the notional amount.

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

At 31 December 2005, there was one foreign exchange contract with an AUD equivalent of $86,185 and an exchange rate of $0.4051, which was established prior to the implementation of hedge accounting. The difference in exchange between the contract exchange rate and the spot rate at balance date has been brought to account in the income statement.

Hedge on investments in foreign entities

Included in the bill facility at 31 December 2005, are borrowings of USD 10,000 (AUD $13,596) and GBP 20,000 (AUD $47,048). These loans are being used to reduce the exposure to foreign exchange risk. Exchange differences at balance date have been brought to account in the income statement.

23. BUSINESS COMBINATION

Acquisition of Aldente Foods

On 28 February 2005, Buderim Baking Company Pty Ltd acquired 100% of the business assets of Aldente Foods, a Pty Ltd company registered in Australia, and specialising in prepared meals.

In connection with the business combination, Buderim Ginger Limited issued 320,136 ordinary shares with a fair value of $0.63 each based on the market value of shares at date of entering into the acquisition agreement.

The fair value of the identifiable assets and liabilities of Aldente Foods as at the date of acquisition are:

	CONSOLIDATED	
	Recognised on acquisition $'000	Carrying value $'000
Property, plant and equipment	**743**	743
Trade receivables	**160**	160
Inventory	**160**	160
Brand value	**480**	-
	1,543	1,063
Trade payables	**(321)**	(321)
Provision for employee entitlements	**(9)**	(9)
	(330)	(330)
Fair value of identifiable net assets	**1,213**	733
Goodwill arising on acquisition	**81**	
	1,294	
Consideration		
Shares issued at fair value	**202**	
Cash paid	**1,092**	
	1,294	
Cash outflow	**1,092**	

From the date of acquisition, the Aldente division of Buderim Baking has contributed a loss of $355,312 into the net result of the Group (after outside equity interest). It is impractical to estimate what the revenue or profit for the Group would have been if the business combination had taken place at the beginning of the year based on trading performance during 2005, as a number of one-off events caused major inefficiencies in the merger process making any extrapolation imprecise. Included in the $81,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. Assets included in this balance consist of customer relationships, distribution network and product recipes.

Acquisition of Gingers Restaurant

On 8 August 2005, Buderim Ginger Limited acquired the business assets of the restaurant within the Company's tourist complex, *the Ginger Factory*.

The fair value of the identifiable assets of the restaurant as at the date of acquisition are:

	CONSOLIDATED	
	Recognised on acquisition $'000	Carrying value $'000
Property, plant and equipment	**102**	102
Fair value of identifiable net assets	**102**	102
Goodwill arising on acquisition	**218**	
Cash outflow as total consideration	**320**	

From the date of acquisition, this outlet has contributed a loss of $94,968 into the net result of the Group. It is impractical to estimate what the revenue or profit for the Group would have been if the business combination had taken place at the beginning of the year based on trading performance during 2005, as trading was hampered by a major overhaul of the complex's piazza/dining facilities during the second half of the year.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000

24. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and office space where it is not in the best interest of the Group to purchase these assets. These leases have an average life of 3 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2005 are as follows:

Within one year	**155**	102	**115**	102
After one year and not more than five years	**191**	98	**109**	98
	346	200	**224**	200

Finance lease commitments – Group as lessee

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

	2005 Minimum lease payments $'000	2005 Present value of lease payments $'000	2004 Minimum lease payments $'000	2004 Present value of lease payments $'000
CONSOLIDATED				
Within one year	**140**	**94**	136	85
After one year and not more than five years	**644**	**560**	761	637
	784	**654**	897	722
Less amounts representing future finance charges	**(130)**	**—**	(175)	—
	654	**654**	722	722

	2005 Minimum lease payments $'000	2005 Present value of lease payments $'000	2004 Minimum lease payments $'000	2004 Present value of lease payments $'000
PARENT				
Within one year	**136**	**91**	136	85
After one year and not more than five years	**626**	**546**	761	637
	762	**637**	897	722
Less amounts representing future finance charges	**(126)**	**—**	(175)	—
	636	**637**	722	722

Capital commitments

At 31 December 2005 the Group has commitments of $288,000 (2004: $1,250,000) principally relating to plant and machinery upgrades planned for 2006. Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
Within one year				
– plant and equipment upgrades	**288**	—	**219**	—
– construction of Stowaway tourism facility	**—**	1,250	**—**	1,250
	288	1,250	**219**	1,250

24. COMMITMENTS AND CONTINGENCIES (CONT)

Other Commitments

Under the Shareholders Agreement for Buderim Baking Company Pty Ltd, effective 17 August 2004, Buderim Ginger Limited was committed to acquiring the outside equity interest in that company in two tranches; 15% on 31 December 2005 and 15% on 31 December 2006. A subsequent Deed of Variation has been executed by the relevant parties which extends the terms of the arrangement from 2 years to 3 years by amending the payout structure from two instalments of 15% equity based on multiples of EBIT, to three instalments of 10% equity based on multiples of EBIT for the years ending 31 December 2005, 31 December 2006 and 31 December 2007. An amount of $1,200,000 has been recognised at 31 December 2005 as a liability in Buderim Ginger Limited in relation to this commitment.

Legal claim

A supplier has commenced an action against the parent company in respect of the non-payment for $52,000 worth of packaging materials which the company claims to be defective. The company has made a counter-claim for the cost of recalling and reprocessing affected product to the value of $42,000. No provision for any liability in excess of the creditor balance has been made in these financial statements.

Guarantees

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

The parent company has provided a guarantee to Westpac, Suva, Fiji in the sum of $AUD600,000 to indemnify the Westpac Banking Corporation for an overdraft facility made available to Frespac Ginger (Fiji) Ltd.

Termination of service agreements

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

	Notes	CONSOLIDATED		PARENT	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000

25. EMPLOYEE BENEFITS

Employee Benefits

The aggregate employee benefit liability is comprised of:					
Provisions (current)	19	**1,360**	1,286	**1,144**	1,060
Provisions (non-current)	19	**98**	83	**83**	81
		1,458	1,369	**1,227**	1,141

Superannuation Commitments

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

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

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

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

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

- Tourism cash generating unit
- Baking cash generating unit

Tourism cash generating unit

The recoverable amount of the Tourism unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the board of directors. The budget for 2006 is then used as a basis for projecting performance over a five year period. Growth of 3.5% and an inflationary factor of 3% have been applied to cash forecasts. The discount rate applied to the cash flow projections for tourism is 12%.

Baking cash generating unit

The recoverable amount of the Baking unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the board of directors. The budget for 2006 is then used as a basis for projecting performance over a five year period. Growth of 3.5% and an inflationary factor of 3% have been applied to cash forecasts. The discount rate applied to the cash flow projections for baking is 15%.

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

	Ginger Segment		Baking Segment		Tourism Segment		Total	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
CONSOLIDATED								
Carrying amount of goodwill	**—**	—	**1,938**	1,853	**218**	—	**2,156**	1,853
Carrying amount of brand name	**—**	—	**480**	—	**—**	—	**480**	—
Trademarks	**148**	145	**—**	—	**—**	—	**148**	145
	148	145	**2,418**	1,853	**218**	—	**2,784**	1,998
PARENT								
Carrying amount of goodwill	**—**	—	**—**	—	**218**	—	**218**	—
Carrying amount of brand name	**—**	—	**—**	—	**—**	—	**—**	—
Trademarks	**146**	143	**—**	—	**—**	—	**146**	143
	146	143	**—**	—	**218**	—	**364**	143

Key assumptions used in value in use calculation for 31 December 2005 and 31 December 2004.

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

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

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

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

27. EVENTS AFTER THE BALANCE SHEET DATE

The Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd requires that the payment to York Bakeries Pty Ltd for acquisition of 10% of the minority interest in Buderim Baking Company Pty Ltd, be made on or before 31 March 2006, and that the shares relevant to this transaction be transferred from York Bakeries Pty Ltd to Buderim Ginger Limited. Based on the Buderim Baking Company Pty Ltd financial result for the year ended 31 December 2005, the share transfer is likely to proceed at no acquisition cost to Buderim Ginger Limited.

Since the end of the reporting period, directors have declared a dividend of 1 cent per share out of the profits for the year ended 31 December 2005

28. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(ii) Executives

P.	Bialkowski	UK Country Manager
A.	Chinlyn	US Country Manager
P.W.	Knight	Operations Manager
P.G.	Ritchie	General Manager – Marketing & Sales
K.L.	Rogers	Company Secretary/CFO

(b) Compensation of Key Management Personnel

Compensation policy

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

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

- Provide competitive rewards to attract high calibre directors and executives
- Link executive rewards to shareholder value

Provide, where appropriate, variable 'at risk' executive compensation, dependent upon meeting pre-determined performance hurdles.

Remuneration committee

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

Compensation structure

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

Non- executive director compensation

Objective

The Board seeks to set aggregate compensation at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

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

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

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

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

The compensation of non-executive directors for the period ending 31 December 2005 is detailed in Table 1 on page 65 of this report.

Senior manager and executive director compensation

Objective

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

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

Structure

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

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

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

- Fixed Compensation
- Variable Compensation - Bonus Incentive

The proportion of fixed remuneration and variable remuneration (potential incentives) is established for each senior manager by the Remuneration Committee. Table 2 on page 65 details the fixed and variable component of the 5 most highly remunerated senior managers.

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

Fixed Compensation

Objective

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

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

Structure

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

The fixed compensation component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 65.

Variable Compensation

Objective

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

Structure

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

Variable Compensation (cont)

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

Employment contracts

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

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

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

Details of Compensation of Directors and Executives

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

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

Table 1 - Remuneration of directors of Buderim Ginger Limited

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non-Monetary $	Super-annuation $	Other	Employment Benefits $
J.M. Ruscoe 2005	**Chairman**	**50,000**	**—**	**—**	**8,898**	**—**	**58,898**
J.M. Ruscoe 2004		50,000	—	—	8,681	—	58,681
D. Crerar 2005	**Non-Executive Director**	**4,634**	**—**	**—**	**—**	**—**	**4,634**
D. Crerar 2004		27,801	—	—	—	—	27,801
S.J. Maitland 2005	**Non-Executive Director**	**25,000**	**—**	**—**	**2,250**	**—**	**27,250**
S.J. Maitland 2004		25,000	—	—	2,250	—	27,250
J.H.P. Roy 2005	**Non-Executive Director**	**20,833**	**—**	**—**	**1,875**	**—**	**22,708**
J.H.P. Roy 2004		—	—	—	—	—	—
S.T. Templeton 2005	**Non-Executive Director**	**25,000**	**—**	**—**	**2,250**	**—**	**27,250**
S.T. Templeton 2004		25,000	—	—	2,250	—	27,250
G.D. O'Brien 2005	**Managing Director**	**236,740**	**—**	**26,449**	**32,470**	**—**	**295,659**
G.D. O'Brien 2004		225,803	—	30,198	32,262	—	288,264
Total Directors 2005		**362,207**	**—**	**26,449**	**47,743**	**—**	**436,399**
Total Directors 2004		334,268	—	30,198	45,443	—	429,246

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

		Primary			Post Employment Benefits		
	Position Held	Annual Emoluments $	Cash Bonuses $	Non-Monetary $	Super-annuation $	Other	Employment Benefits $
P.G. Ritchie 2005	**General Manager – Marketing & Sales**	**143,925**	**10,000**	**26,930**	**18,199**	**—**	**199,054**
P.G. Ritchie 2004		139,714	—	25,323	17,333	—	182,370
P. Bialkowski 2005	**UK Country Manager**	**159,842**	**1,620**	**28,535**	**15,841**	**—**	**205,838**
P. Bialkowski 2004		160,941	—	13,650	16,006	—	190,597
A. Chinlyn 2005	**US Country Manager**	**62,763**	**—**	**25,045**	**6,524**	**35,617**	**129,949**
A. Chinlyn 2004		125,685	5,409	26,076	6,761	—	163,931
K.L. Rogers 2005	**Company Secretary/CFO**	**120,302**	**—**	**23,896**	**13,117**	**—**	**156,597**
K.L. Rogers 2004		112,390	—	22,896	12,134	—	147,420
P.W. Knight 2005	**Operations Manager**	**100,616**	**—**	**21,160**	**12,459**	**—**	**134,235**
P.W. Knight 2004		96,378	—	16,873	11,473	—	124,724
Total Executives 2005		**587,448**	**11,620**	**124,848**	**66,140**	**35,617**	**825,673**
Total Executives 2004		635,108	5,409	104,818	63,707	—	809,042

28. DIRECTORS AND EXECUTIVE DISCLOSURES (CONT)

	Balance 1 January 2005 Ordinary $	Dividend Reinvestment Issue Ordinary $	Share Purchase Plan Ordinary $	Market Acquisition Ordinary $	Market Sale Ordinary	Balance 31 December 2005 Ordinary $
Directors						
J.M. Ruscoe	137,639	—	8,839	—	—	146,478
J.H.P. Roy	1,554,119	—	8,839	3,987,872	—	5,550,830
S.J. Maitland	41,972	—	8,839	—	—	50,811
S.T. Templeton	1,308,104	—	8,839	30,615	—	1,347,558
G.D. O'Brien	268,211	—	8,839	504,539	—	781,589
Executives						
P.G. Ritchie	14,045	—	—	—	—	14,045
P. Bialkowski	—	—	—	—	—	—
A. Chinlyn	—	—	—	—	—	—
K.L. Rogers	1,366	—	—	—	—	1,366
P.W. Knight	—	—	—	—	—	—
Total	**3,325,456**	**—**	**44,195**	**4,523,026**	**—**	**7,892,677**

All equity transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

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

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

Ginger Supplies

S.T. Templeton is a director of Templeton Holdings (Qld) Pty Ltd. Ginger supplies were purchased during the year from Templeton Holdings (Qld) Pty Ltd to the value of $872,996 (2004: $734,116) in a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other suppliers.

	CONSOLIDATED		BUDERIM GINGER LIMITED	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000

29. AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young (Australia) for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	**100,160**	98,642	**81,660**	68,250
– tax advice in relation to the entity and any other entity in the consolidated entity	**41,513**	41,978	**37,765**	41,748
– other assurance services in relation to the entity and any other entity in the consolidated entity	**20,000**	—	**20,000**	—
	161,673	140,620	**139,425**	109,998
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
– an audit or review of the financial report of subsidiaries	**20,824**	19,661	—	—
– tax advice in relation to subsidiaries	**9,459**	8,395	—	—
	30,283	28,056	**139,425**	109,998
	191,956	168,676	**139,425**	109,998

30. RELATED PARTY DISCLOSURES

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

Name		Country of incorporation	Percentage of equity interest held by the consolidated entity 2005 %	2004 %	Investment 2005 $	2004 $
Australian Golden Ginger Pty Ltd	(i)	Australia (a)	**100**	100	—	—
Gingertown Pty Ltd	(i)	Australia (a)	**100**	100	—	—
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia (a)	**100**	100	—	—
Buderim Baking Company Pty Ltd	(i)	Australia (d)	**70**	70	**3,382**	3,382
Buderim Ginger America, Inc	(ii)	United States (c)	**100**	100	—	—
Buderim Ginger (UK) Ltd	(iii)	United Kingdom (b)	**100**	100	—	—
Frespac Ginger (Fiji) Ltd	(iii)	Fiji (b)	**100**	100	—	—
					3,382	3,382

(i) Investments by Buderim Ginger Limited.

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

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

Buderim Ginger Limited is the ultimate parent of the Group.

The Group also has a 50% interest in two joint venture entities, Ginger Head Quarters Pty Ltd, and Buderim Ginger America, LLC (2004 Nil).

(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 2005 $'000	2004 $'000
(i) Consolidated Income Statement		
Profit before income tax	**277**	484
Income tax (expense)/credit	**(80)**	42
Profit after income tax expense	**197**	526
Retained earnings at the beginning of the financial year	**2,612**	2,422
Dividends provided for or paid	—	(336)
Retained earnings at the end of the financial year	**2,809**	2,612

	CLOSED GROUP 2005 $'000	2004 $'000
30. RELATED PARTY DISCLOSURES (CONT)		
(ii) Consolidated Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	**532**	973
Trade and other receivables	**6,511**	6,474
Inventories	**8,411**	7,041
Other	**883**	1,059
TOTAL CURRENT ASSETS	**16,337**	15,547
NON-CURRENT ASSETS		
Receivables	**4,388**	1,751
Investments	**5,682**	4,533
Property, plant and equipment	**11,750**	11,176
Deferred income tax asset	**370**	332
Intangible assets and goodwill	**365**	143
TOTAL NON-CURRENT ASSETS	**22,555**	17,935
TOTAL ASSETS	**38,892**	33,482
CURRENT LIABILITIES		
Trade and other payables	**4,112**	3,811
Interest-bearing loans and borrowings	**6,363**	3,553
Income tax payable	**3**	(64)
Provisions	**1,144**	858
TOTAL CURRENT LIABILITIES	**11,622**	8,158
NON-CURRENT LIABILITIES		
Payables	**800**	600
Interest-bearing loans and borrowings	**5,229**	4,499
Deferred tax liabilities	**732**	546
Provisions	**83**	283
TOTAL NON-CURRENT LIABILITIES	**6,844**	5,928
TOTAL LIABILITIES	**18,466**	14,086
NET ASSETS	**20,426**	19,396
SHAREHOLDERS' EQUITY		
Contributed equity	**17,369**	16,351
Reserves	**248**	433
Retained earnings	**2,809**	2,612
TOTAL EQUITY	**20,426**	19,396

(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.

30. RELATED PARTY DISCLOSURES (CONT)

Group transactions

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

The following table provides the total amount of transactions which have been entered into with related party entities within the Group for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 9 and 17).

Related party	% equity interest	Year	Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed by related parties $'000
PARENT						
Subsidiaries						
Frespac Ginger (Fiji) Ltd	**100**	**2005**	**385**	**802**	**57**	**—**
	100	2004	539	1400	290	—
Buderim Ginger (UK) Ltd	**100**	**2005**	**4,662**	**—**	**906**	**—**
	100	2004	4,803	—	707	—
Buderim Ginger America, Inc	**100**	**2005**	**669**	**—**	**835**	**—**
	100	2004	1,395	—	1,184	—
Buderim Baking Company Pty Ltd	**70**	**2005**	**444**	**12**	**3,274**	**—**
	70	2004	57	—	861	—
Joint venture entities						
Ginger Head Quarters Pty Ltd	**50**	**2005**	**137**	**299**	**33**	**25**
	—	2004	—	—	—	—
Buderim Ginger America, LLC	**50**	**2005**	**1,302**	**—**	**218**	**—**
	—	2004	—	—	—	—
SUBSIDIARIES						
Joint venture entity						
Buderim Ginger America, LLC	**50**	**2005**	**443**	**2**	**462**	**2**
	—	2004	—	—	—	—

The following table provides the total amount of transactions which have been entered into with other related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 9 and 17).

Other related parties						
Templeton Holdings (Qld) Pty Ltd *	**—**	**2005**	**10**	**873**	**8**	**—**
	—	2004	25	734	24	—
Brumby's The Gap **	**—**	**2005**	**13**	**—**	**13**	**—**
	—	2004	—	—	—	—
Upper Crust Pie Company Pty Ltd	**—**	**2005**	**8**	**—**	**8**	**—**
	—	2004	—	—	—	—

* *refer note 28 (d)*

** *refer note 30 Key management personnel*

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

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

For the year ended 31 December 2005, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2004: $nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Then assessed as required the Group raises such a provision.

30. RELATED PARTY DISCLOSURES (CONT)

Key management personnel

During the year, sales to the value of $12,859 were made through Buderim Baking Company Pty Ltd to a retail outlet owned by Jeff Sanders, General Manager and outside equity interest holder, on normal commercial terms and conditions.

During the year, a loan to the value of $50,000 was made to Jeff Sanders and was fully repaid in accordance with loan conditions by year-end.

Minority Interest

In the latter part of 2005, Directors approved a variation to the Shareholders Agreement between Buderim Ginger Limited, Buderim Baking Company Pty Ltd and York Bakeries Pty Ltd which effectively extends the term of the arrangement from two to three years. The minority interest in Buderim Baking Company Pty Ltd will now be purchased in three equal tranches of 10% rather than two tranches of 15%. The revised agreement also secures the management services of Mr Sanders for a commensurate period to 31 December 2007.

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 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2005.

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

On behalf of the Board

J.M. Ruscoe

Director

Yandina, 8 March 2006

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INDEPENDENT AUDIT REPORT TO MEMBERS OF BUDERIM GINGER LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to the audit of our 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. The Auditor's 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.

Audit opinion

In our opinion:

1. the financial report of Buderim Ginger Limited is in accordance with:
   (a) the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of Buderim Ginger Limited and the consolidated entity at 31 December 2005 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: 8 March 2006

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 10 March, 2006

(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	325	175,105
1,001 – 5,000	814	2,189,378
5,001 – 10,000	278	2,104,649
10,001 – 100,000	396	9,692,134
100,001 and over	28	14,283,319
	1841	28,444,585
The number of shareholders holding less than a marketable parcel of shares are:	237	87,926

(b) Twenty largest shareholders

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

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Big Sister Foods Pty Ltd	3,000,000	10.55
2 Big Sister Foods Pty Ltd	2,243,209	7.89
3 Redarea Pty Ltd	1,143,374	4.02
4 Yarran Park Pty Ltd	1,000,000	3.52
5 Consolar Investments Pty Ltd	781,589	2.75
6 Patrick John O'Brien & Janis Margaret O'Brien	551,517	1.94
7 Felicity Ruth Benoit & Ashley Laurence Benoit	535,744	1.88
8 Siben Nominees Pty Ltd	440,000	1.55
9 Ramjan Investments Pty Ltd	400,000	1.41
10 Vittorio Alberti	382,317	1.34
11 Frederick Dannecker	367,700	1.29
12 Rathvale Pty Limited	350,841	1.23
13 Kosata Pty Limited	318,739	1.12
14 Big Sister Foods Pty Ltd	257,621	0.91
15 Douglas Meaden Pty Ltd	257,019	0.90
16 John Barr	250,219	0.88
17 Berzins Asset Management Pty Ltd	250,000	0.88
18 Christopher Josef Frages	220,136	0.77
19 Kenneth John Foots & Norma Agnes Foots	163,425	0.57
20 Wirrinourt Pty Ltd	160,141	0.56
Total	13,073,591	45.96
Remainder	15,370,994	54.04
Grand Total	28,444,585	100.00

(c) Substantial shareholders

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

	Number of shares
Big Sister Foods Pty Ltd	5,550,830

(d) Voting rights

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

Corporate Directory

BUDERIM GINGER LIMITED

ABN 68 010 978 800

ASX Code: BUG

DIRECTORS

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

COMPANY SECRETARY

Karon L. Rogers

SENIOR MANAGEMENT

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

SUBSIDIARY MANAGEMENT

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

SOLICITORS

Phillips Fox

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BANKERS

Westpac Banking Corporation

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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

307 Queen Street
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(07) 3229 9860

AUDITORS

Ernst & Young

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Frespac Ginger (Fiji) Limited

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Telephone: 679 3362 863
Facsimile: 679 3361 225
Email: frespac@is.com.fj

National Trust

Bendigo Bank

Queensland Icon 2005

Buderim Ginger

It wasn't long before World War I when the first raw ginger found its way into the then small farming area of Buderim, some 100 kilometres north of Brisbane.

It had found a home, because the comparatively high rainfall and humidity of the region combined to produce ideal conditions for growing this unusual crop.

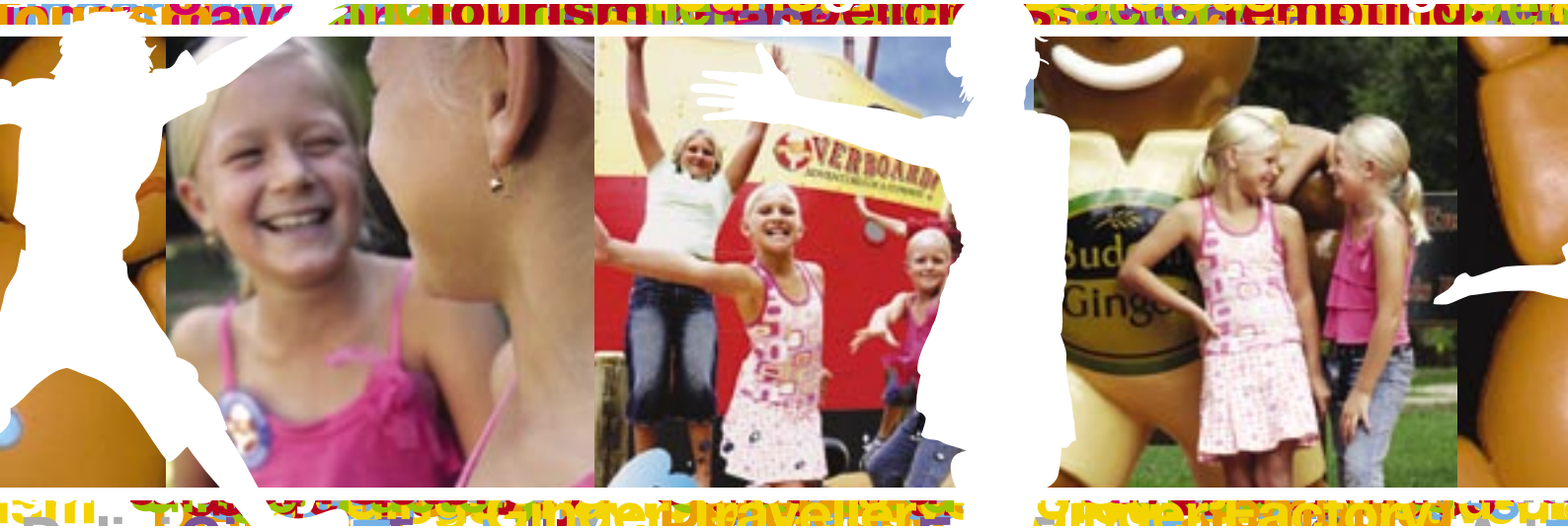
So it was that Buderim began to grow ginger, but it wasn't until World War II that the interruption of the supply of ginger out of China created an opportunity for the Buderim growers. And they seized it!

Five of the farmers met in an old blacksmith shop and formed the Buderim Ginger Growers Co-operative Association Limited.

Between them they had capital of £25, 2 wooden vats and 14 tons of green ginger.

They prospered, as they deserved to do, and in 1979 an area of some 9 hectares was leased from the Government and the first stage of a new factory complex was opened in time to help in processing the early harvest of 1980. The establishment of a tourist and administrative complex in Yandina during 1985 completed the industry's relocation program and in 1989 Buderim Ginger Limited was listed on the stock exchange.

Today, Buderim Ginger, with exports to over seventeen countries, is recognised as being the producer of *The World's Finest Ginger*.



Buderim Ginger