BUDERIM GINGER

2010 ANNUAL REPORT

70 YEAR ANNIVERSARY

Buderim Ginger®

1941
Formation of
Buderim
Ginger Growers
Co-operative
Association

1942
Factory Opens
at Buderim

1947
Expansion of
Buderim
Factory

1958
Opening of
First Ginger
Shop
at Buderim Factory

1961
Commencement
of Exports

1968
First of many
Export
Awards

1970
Australian
Golden Ginger
farming &
research operation
commences

1979
Ginger
processing
begins at
Yandina Factory

1984
UK Sales office
OPENS

Buderim Ginger®

1985
Opening of Tourism centre At Yandina

1989
Buderim Ginger Limited restructures as a Public Company

1992
European Sales office opens in Hamburg Germany

1997
Fiji Ginger processing commences

1998
North American Sales office opens in New Jersey, USA

2003
Taste of Ginger Tour and Heritage Centre opens

2005
Bakery Manufacturing commences

2007
Australian Macadamia processing commences

2008
Hawaiian Macadamia growing and processing commences

2011
Moving toward the future

70 YEAR ANNIVERSARY

CONTENTS

The Annual General Meeting of Buderim Ginger Limited will be held at The Ginger Factory, 50 Pioneer Road, Yandina on 29th April 2011 at 10.00am. The business of the meeting is outlined in the formal Notice of Meeting and Proxy Form which are enclosed with this report.

COMPANY PROFILE

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

The Company is also the world's leading processor and marketer of macadamias through its subsidiaries: *Agrimac Macadamias,* based in Alstonville NSW and servicing bluechip customers in Australia, Asia, Europe and North America; and *Mac Farms of Hawaii,* based on the Big Island of Hawaii and servicing primarily North America. Combined, these two operating Companies provide the Group with unrivalled access to the rapidly growing macadamia market with global reach.

The Company also owns the specialist bakery business, *Buderim Baking Company* which produces a range of premium savoury pastry products that are distributed to prominent national customers in the Australian retail market. The business is based at Kunda Park, at the base of Buderim Mountain, 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.

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;

Premium Macadamias;

Branded Specialty Food Products;

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

The Ginger Factory's position as one of the region's most popular tourist destinations is underpinned by innovative attractions including the Taste of Ginger Tour, the Overboard animated puppetry voyage, the Buderim Ginger Cooking School and the renowned Superbee bee and honey attraction. First class shopping and casual dining outlets, all within the tranquil rainforest setting cap off a memorable experience for visitors of all ages.

Buderim Ginger employs around 400 people through its head office, tourism facility and major processing plant at Yandina on the Sunshine Coast, its bakery operations at Kunda Park, its macadamia processing plant at Alstonville, its macadamia orchard and processing plant on the Big Island of Hawaii and at its secondary ginger processing facilities in Lami Town, Fiji.

The Company also maintains, as part of its active ginger and macadamia export focus, international representation in more than 20 countries with sales and distribution offices in: London, UK; Hamburg, Germany; Honolulu and New Jersey, USA.

A large proportion of the ginger and macadamia products processed by the Company is marketed to industrial customers in the confectionery, baking, dairy, snacking, beverage and other food industries around the world. Of increasing importance is the Company's innovative range of *Buderim Ginger, Buderim Naturals* and *Mac Farms of Hawaii* branded retail products which are marketed through supermarkets and specialty 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 BRC, HACCP and Quality System Accreditation (ISO9001 -2000), Organic, Kosher and Halal Certifications.

YEAR IN REVIEW

2010 Operational Summary

- Group revenue down 5% from $92.1m in 2009 to $87.6m.
- Group after-tax loss increases from ($1.72m) in 2009 to ($1.97m).
- EBITDA falls from $841k in 2009 to $752k.

The primary factors driving this result were:

- The Australian ginger crop falling short of expectation due to disease;
- The most severe drought conditions on record at the Group's macadamia orchard in the US State of Hawaii, resulting in delayed season's nut fall and harvesting operations, and a 36% drop in sales revenue from $18m to $11m;
- World economic conditions and strengthening Australia dollar which had an adverse effect on international sales reflected in a 6% drop in the Group's export sales;
- A comprehensive review of inventory resulting in a $1.28m write down in stock values across the Group in recognition of slow moving and deteriorated inventories.

Segment Performance:

- Ginger revenues declined by 4% due mainly to a significant slowdown in European markets as a result of economic conditions. Ginger profits declined by ($2.8m) from the prior year due to a combination of stock write-downs, low intake and margin squeeze.
- Australian macadamia revenue increased 13% over the prior year on the back of strong international demand, and profits improved $703k;
- Hawaiian macadamia revenue declined 36%. However, the Hawaiian result represented a turnaround of $1.4m on the prior year. The Hawaiian harvest was affected by the severest drought for many years. The Hawaiian processing operation responded to the low volumes by radically overhauling its operational methods.
- Baking revenues increased 5% over the prior year on the back of an efficient and cost-effective plant and market growth. Its profitability increased by $1.3m over the year before.
- Tourism revenue increased 6% but profits were flat due mainly to a combination of poor weather and a strong AUD encouraging cheap international destination alternatives.

Significant Events:

- Effective 31 December 2010, the Group's US entities were again restructured. The effect of this transaction is that for the full 2011 year, Buderim Macadamias of Hawaii, LLC and Buderim Ginger America, LLC will be 100% owned and no ownership interest in Pan Pacific Foods, LLC will be maintained.
- Subsequent to 31 December 2010, debt was reduced by $2m on execution of a sale and leaseback arrangement for the Alstonville macadamia property.

CHAIRMAN'S REPORT

Buderim Ginger Ltd has released its annual results for the year ended 31 December 2010. The Company also announces a 1:1 non-renounceable pro-rata entitlement offer.

Revenues

Total revenues fell $4.5m from that reported in the previous year. In terms of the Cash Generating Units of the Group, revenues increased in the Baking, Australian Macadamias and Tourism segments and were lower in the Ginger, Hawaiian Macadamias and the US Distribution segments. The principal reasons for the decreases were:

- Adverse global economic conditions and unfavourable exchange rate fluctuations dampening demand, especially in the European market;
- The unavailability of nut in shell inventories impacting negatively on sales from the Hawaiian facility.

Profitability

The Group did not return to profit in the year, principally due to:

- The negative impact of disease on the Australian ginger crop with the 2010 harvest falling short of expectation. Shortfalls are being filled from other sources;
- The most severe drought conditions on record at the Group's macadamia orchard in the US State of Hawaii, resulting in delayed season's nut fall and harvesting operations and a resultant 36% drop in sales revenue from $18m to $11m;
- World economic conditions and a strengthening Australian dollar which had an adverse effect on international sales, reflected in a 6% drop in the Group's export sales;
- A comprehensive review of inventory resulting in a $1.1m write down in stock values across the Group in recognition of slow-moving and deteriorated inventories.

The Group generated sufficient cash to meet all its obligations to banks, creditors and suppliers (including ginger and macadamia crop intakes in Australia). However, technical default of the Company's banking covenants remains.

Total Assets

Total assets have decreased by $8.5m largely as a result of the lower ginger and macadamia harvest intakes across all business units and consequent lower inventories combined with the stock write-down referred to above.

Shareholders' Funds

Shareholders' funds have decreased by $3.2m largely reflecting the loss incurred in the year.

Gearing

The Group's gearing reduced marginally from 60.7% at the commencement of the year to 60.4% at year end. Although debt was reduced by $3.7m, improvement in the gearing ratio was countered by a decline in inventories (and thus Total Assets) of $8.7m. The level of debt will continue to decline over 2011 with further programmed amortisation payments of $2.1m, and the sale and leaseback proceeds of $1.9m from the Alstonville property (this transaction was settled at the end of January 2011).

Additionally, the Directors announced a non-renounceable pro-rata entitlement offer to raise up to approximately $4.9m of fresh equity. Funds raised will be engaged principally in provision of fresh working capital and further debt reduction to restore gearing levels to more acceptable levels. Further details are below.

Other factors

A significant part of the Group's revenue is affected by movements in foreign currency markets (approximately 39% of the Group's revenue is denominated in currencies other than AUD). These include our Fijian operations, exports of Australian Ginger and Macadamia products to the UK and USA, Western Europe and Asia and sales from the Hawaiian and US distribution operations. Some natural hedges exist within the business (for example in our US Macadamia operations costs and revenues) and use is made of prudent currency hedging strategies. However, sustained adverse exchange rates of around 20% that developed through the year had an unavoidable adverse effect on the willingness of customers to purchase our products.

The table below from RBA data demonstrates this.

	31 Dec 2010	31 Dec 2009	% change
AUD / USD	1.1063	0.8969	+23.35
AUD / EUR	0.7647	0.6241	+22.53
AUD / GBP	0.6585	0.5581	+17.99
Trade Weighted Index	75.8	69.7	+8.75

World economic conditions also have an adverse effect on international sales. To a large degree our products are not discretionary purchases and when customer nations such as the US, UK and Holland experience economic hardship, the Group's sales also suffer. Internal estimates suggest that Group EBITDA was adversely affected by up to $400,000 by adverse currency movements. There are some signs that world markets are accepting higher effective prices for our products.

As a processor of primary products, the Group is directly affected by climatic conditions – in terms of reliability, quantity and quality of raw material supply. These primary inputs include Ginger (in both Fiji and Australia), Macadamias (in both the US and Australia), sugar (for ginger processing) and flour and meat (for the baking division). Judicious use is made of forward purchasing arrangements for raw materials within the Group, however some effects cannot be contained. As an example, the Group's US Macadamia operations on the island of Hawaii suffered the worst drought reportedly for 50 years, with significant resultant decrease in the crop for the year – with resultant severe adverse effects on both sales volumes and processing cost efficiencies.

It is fair to comment that while world general food prices appear to be increasing, the Group is poised to take advantage of these in the future sales of its processed products.

Operating Divisions' Performance and Prospects

Ginger in Australia

Intake tonnages were reduced from previous years as a result of a smaller Australian crop for the processing market and reduced demand internationally for processed ginger.

The Company always feels the direct impact of adverse conditions that ginger growers experience. In Australia in past years these have included crop losses from pathogens such as fusarium and pythium. The Group actively assists growers in attempts to contain these blights and to obtain alternative growing sites. Both the 2010 and 2011 crops were severely affected and intakes were less than half of "normal" year levels.

The Company is addressing its reliance on a declining number of Australian ginger growers and a less reliable crop by initiating a review of world ginger sources and the application of non-Australian ginger to specific market segments.

Due to the significant slowdown in European markets, substantial write-downs and disposal –at-cost of ginger stocks were effected which seriously affected profitability.

Prospects for 2011 will depend largely on the final outcome of the Australian crop volume and quality and better management of the Yandina processing facilities to match supply and demand. Sales in domestic markets remain competitive to the larger retailers and export sales will be influenced by acceptance of new price and supply conditions.

Ginger in Fiji

The Fijian ginger crop was sound and production proceeded smoothly with profitability from this operation in line with expectations for 2010. The devaluation of the Fijian currency in April 2009 continued to have a beneficial effect on the Group's exports to Europe from that source. Although no longer having tax free status, maintaining ginger processing operations in Fiji remains advantageous to the Group.

Additionally, while it is unlikely that the Fijian ginger industry will grow to any appreciable extent, the Group continues to manage its supply arrangements and processing facilities to maximise the returns from that operation.

Prospects for 2011 remain sound.

Macadamias in Australia

The Group's share of the Australian macadamia processing industry grew to approximately 10.2% and the processing and marketing components both operated profitably and well.

Prospects for 2011 are good. There is an expectation of a good Australian harvest and the prospect of an increased market share to the Group. During the year, the Group will also enlarge its trading capacity in international macadamias, vigorously seek greater market share and more fully integrate its macadamia operations in Australia and the US.

Macadamias in US

The orchard operations suffered from one of the smallest crops on record – principally due to 50-year drought conditions. The processing plant responded to the low volumes by radically overhauling its operational methods and today stands ready to be a very competitively costed operation at low production levels, and a very profitable operation at normal or better production levels. As an overall result, the operations produced a substantial loss.

Prospects for 2011 are sound. Climatic conditions are improving – suggesting better crops on 2011 and beyond. Discussions are continuing with the Hawaiian industry to create a more predictable market for processing capacity which should result in better performance by processors. Further investigations are being undertaken to improve the Group's wholesale markets and retail brand utilisation.

Baking

The baking division produced sound results for the year on the back of an efficient and cost-effective plant and some market growth. While some market sectors showed slow growth, the division acquired some new contract customers and increased penetration to some existing customers. In contrast to previous years, the bakery was profitable and a significant contributor to group cash flows.

Prospects for 2011 are good. The business has stabilised operationally and has become an integral part of the Group's operations. While the Board continues to monitor its operations and results, previous indications of disposal of this business have been deferred.

Tourism

The Sunshine Coast tourism industry was relatively flat during the year – with poor weather and a strong AUD encouraging cheap international destination alternatives. In comparative terms the Division performed acceptably against the previous year and some changes were made to operations to improve the attractions.

Prospects for 2011 are sound – with the caveats that the Division is heavily reliant on relatively buoyant general economic conditions and favourable weather.

Strategic Issues

In mid-2010 the Board announced the result of a strategic review. A number of alternative activities were proposed. As the year unfolded, some alternatives acquired fresh dimensions. A summary of the major review items and their current status is below:

- Sale and Lease-back of Alstonvile property. The property was sold for $2m at the end of 2010 and proceeds made available for bank debt reduction. A suitable long-term lease was effected.

CHAIRMAN'S REPORT

- Subdivision and part sale of Yandina Property. Upon detailed examination this was not proceeded with due to design difficulties, approval uncertainty and small net financial benefit.
- Divestment of the Bakery Division – this was to be considered further in early 2011, however current indications are that retention may be more likely than divestment on the basis that the Division is demonstrating ongoing profitability and cash generation.

Shareholdings and share price

The Company's share register is dominated by the top 20 shareholders (with some 59%) and a large number of relatively small shareholdings. In the second half of the year ownership of the largest shareholding (of approximately 15.5%) passed from interests associated with the late John Roy and the Big Sister Group to a Sydney-based entity with interests in the food industry. The Board welcomed this transaction.

Within the Group, the exit of the US macadamia industry minority shareholders was effected at year end. The previous structural arrangements proved unworkable and the Company believes that the new structures will provide better focus on, and returns from, this significant operation.

The Company's share price continues to be a concern to Directors. While acknowledging that a lack of profitability is a large factor in a declining price, it is noted that the volumes traded are relatively small and infrequent. The share price has moved from 32 cents at commencement of the year to 19.5 cents at year end. This compares with the Net Tangible Asset Backing at those dates of 66 cents and 59 cents.

While Directors remain confident that there will be a return to profitability in the 2011 year, the prospect of a dividend remains uncertain while the balance sheet is rebuilt and acceptable gearing achieved.

Board and Management

In January 2010 Steve Morrow joined the Board. Steve is a non-executive Director with significant agri-business experience as an executive and director of companies and financial institutions in both US and Australia.

In July 2010 the Board was saddened by the passing of John Roy – a Director since 2005. John not only made significant contribution to the Group through his experience in the food manufacturing and sales industries but was the Company's largest shareholder.

In September 2010, the Managing Director Gerard O'Brien stood down after nearly ten years as CEO. The Board appointed Ron O'Grady as CEO in his place.

There have been other changes at senior management levels in the Company as we position for the future.

Rights issue

The Company recently announced a non-renounceable pro-rata entitlement offer to eligible shareholders of one new share for each existing share held on the record date at an issue price of $0.12 per share. Eligible shareholders were also able to apply for additional shares from the shortfall pool in excess of their entitlement.

The Offer aimed to raise up to $4.9m before costs. The proceeds of the Offer is to be used to reduce bank term debt (approximately $2.25m), for working capital requirements (approximately $2.25m), for the costs of disengagement of the US macadamia subsidiary minority shareholding interests (approximately $300,000) and to pay the costs of the Offer (approximately $100,000).

Conclusion

The Group did not operate profitably for the year, reporting a before tax loss of $3.6m (a large component of which related to non-cash write-downs of inventories), compared with the 2009 year's loss of $3.5m. However, the Group met all of its principal and interest payments to the Bank when due.

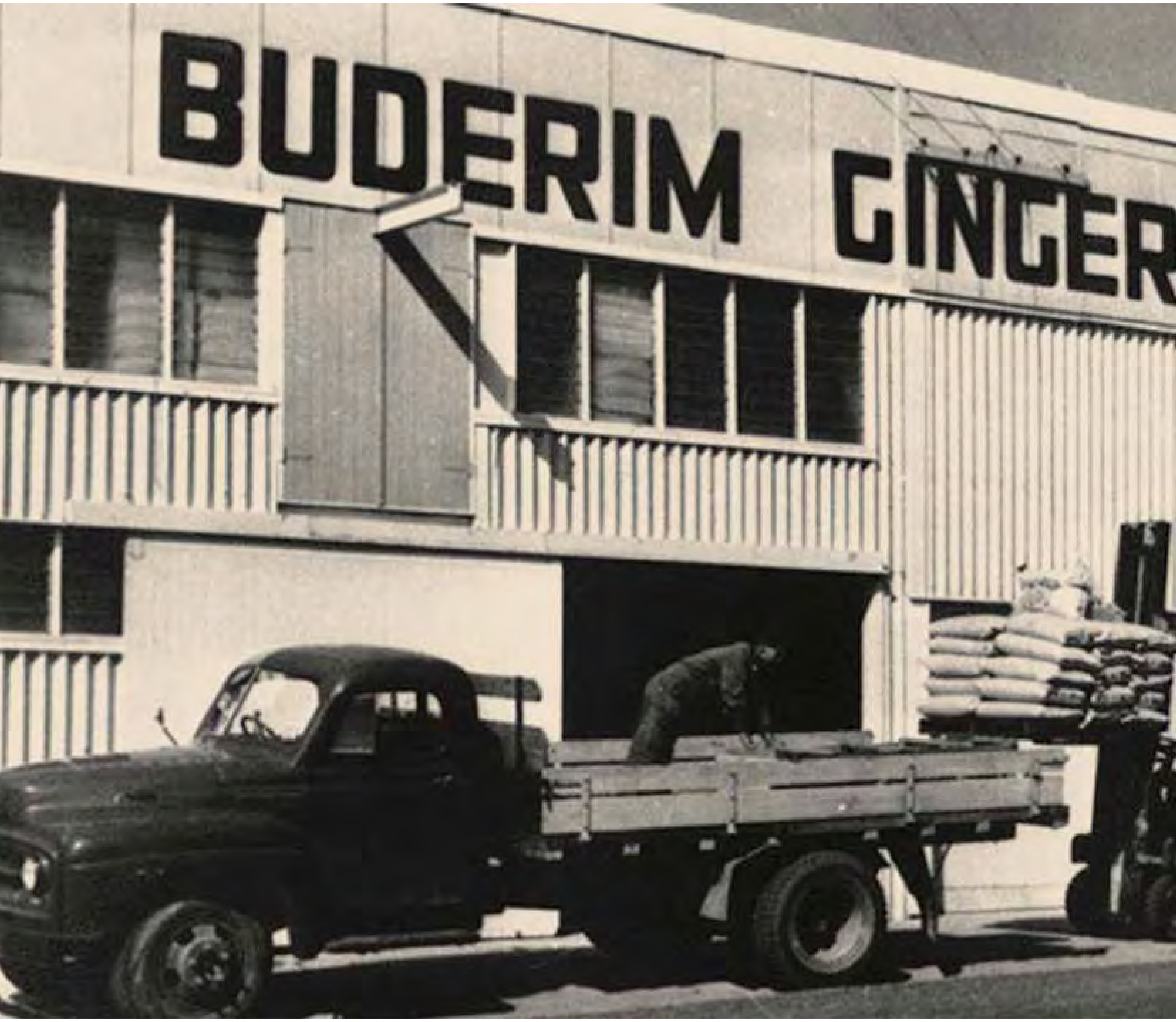
Cash flows were created that enabled normal operations and significant debt reduction, setting the platform for consolidation of the Company's recent expansion. The rights issue will strengthen the Company's balance sheet and improve the Company's gearing ratio.

While technical defaults of the Company's gearing and interest cover covenants remain, the Directors are confident that the Company will return to modest profitability in 2011, and the Company will further improve its gearing and interest cover ratios. The principal risks to the Company's return to profitability are crop reliability and foreign currency markets.

The key areas of strategic focus for the 2011 year are:

- Rearranging the Ginger Division to better diversify crop risk and to improve efficiencies;
- Increasing penetration into the Australian macadamia industry; and
- Actively managing the Australian and US macadamia operations as a unified business with significant global reach.

Stephen J. Maitland
Chairman


BUDERIM GINGER

FINANCIAL STATEMENTS

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2010

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

CURRENT DIRECTORS:

Stephen James Maitland
OAM, RFD, BEc, MBus, LLM, FCPA, FAICD, FCIS, FAIM, FFin (Non-executive Chairman and Chairman of the Remuneration Committee)

Mr Maitland has been a director since 26 February 2002, and was appointed Chairman on 30 April 2010. He has had over 35 years experience in the banking and finance industries, and is the principal of the Brisbane based Corporate Advisory firm of Delphin Associates. He is a non-executive director of Australian Unity Ltd, RACQ Ltd, RACQ Insurance Ltd and of a number of private companies. He is also the Chairman of the Surf Life Saving Foundation Inc.

Mr Maitland is 60 years of age. During the past 3 years Mr Maitland has held the following listed company directorship:

- Mackay Permanent Building Society Ltd. (October 2002 to January 2008)

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

Mr Templeton has been a director since 21 February 2002. He is a third generation ginger grower and is professionally qualified with a business degree. He has been growing ginger since 1991 and has held the position of Honorary Secretary of the Australian Ginger Growers Association for 5 years. Mr Templeton is a director of Templeton Ginger Pty Ltd, Redarea Pty Ltd and the Victory COC (Gympie) school board. Mr Templeton is 39 years of age.

Stephen John Morrow
B Ag Econ, UNE (Non-executive Director and Member of the Audit & Compliance Committee and Remuneration Committee)

Mr Morrow joined the Board in February 2010. He has had 35 years experience in Agribusiness in the grain, wool, pastoral, banking and food processing industries. Over the past 17 years he has held the positions of Managing Director, ConAgra Wool Australia, Managing Director Primac Holdings, General Manager Agribusiness, Suncorp and Chief Executive Golden Circle Limited. He presently holds directorships with Gardner Smith Group, Multitrode Limited, Cefn Pty Ltd, and IHD Limited. Mr Morrow is 57 years of age. During the past 3 years Mr Morrow has held the following listed company directorship:

- BioProspect Limited (July 2007- November 2009)

RETIRED DIRECTORS:

John Michael Ruscoe,
(Non-executive Chairman and Chairman of the Remuneration Committee)

Mr Ruscoe was appointed a Director and Chairman of the board on 21 February 2002 and resigned on 30 April 2010. He was previously Chief Executive Officer of Buderim Ginger Limited and its predecessor 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.

Gerard Daniel O'Brien
B Admin., MBA (Georgetown), CPA, MAICD (Managing Director)

Mr O'Brien was appointed Managing Director and Chief Executive of Buderim Ginger Limited on 5 March 2001 and resigned on 13 December 2010. 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 National Councillor of the Australian Industry Group (AIG). Mr O'Brien completed an MBA at Georgetown University USA in 1992 after a finance career in the construction industry.

John Howard Philip Roy,
(Non-executive Director and Member of the Remuneration Committee)

Mr Roy was appointed as a non-executive director on 28 February 2005. Mr Roy's resignation was effective 11 July 2010 on his passing. He was the Managing Director of several family owned businesses, including Big Sister Foods Pty Ltd, Big Sister Properties Pty Ltd, Fowlers Vacola Australia Pty Ltd, George & Simpson Pty Ltd, and Noble Cakes Pty Ltd. Mr Roy had an engineering background and an extensive career in the plastics industry. He also had extensive experience in the Australian and global food industry, particularly in the branded speciality arena.

CHIEF EXECUTIVE

Ronald William O'Grady
B. Comm, MBA, FCPA, MAICD

Mr. O'Grady was appointed Chief Executive of the Group on 1 October 2010. Mr. O'Grady has over 30 years experience in senior executive roles in a range of industries including the former rural stock and station agent Primac Holdings Limited, Queensland Grain trader and handler Grainco Australia Pty Ltd and heavy engineering and construction group Evans Deakin Industries Limited. He is a former Director of a number of companies including Greyhound Australia Pty Ltd and the government owned corporation Gladstone Ports Corporation.

COMPANY SECRETARY

Karon Lesley Rogers
B.Bus., FCPA, FCIS, FAICD.

Ms Rogers commenced with Buderim Ginger Limited in 1988 as Company Accountant. She was promoted to Corporate Services Manager in 1992 and to her current role as Company Secretary/CFO in 1995. Prior to joining the company, she worked in accounting management roles within the food manufacturing and building industries, whilst also teaching part-time in the TAFE system for approximately 10 years. Ms Rogers completed the AICD Directors Diploma in 2002, and attended the AICD International Company Directors Diploma course in 2008. She 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
S.J. Maitland (1))	-
S.T. Templeton (2)	201,912
S.J. Morrow	-

(1) S.J. Maitland holds a relevant interest in 118,611 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).
(2) S.T. Templeton holds a relevant interest in 53,187 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, 2,563,634 shares registered in the name of Redarea Pty Ltd (The Templeton Family Account).

EARNINGS PER SHARE	Cents
Basic earnings per share	(4.80)
Diluted earnings per share	(4.80)

There were no options issued or exercised during the period.

DIVIDENDS	Cents	$'000
Final dividends recommended	-	-

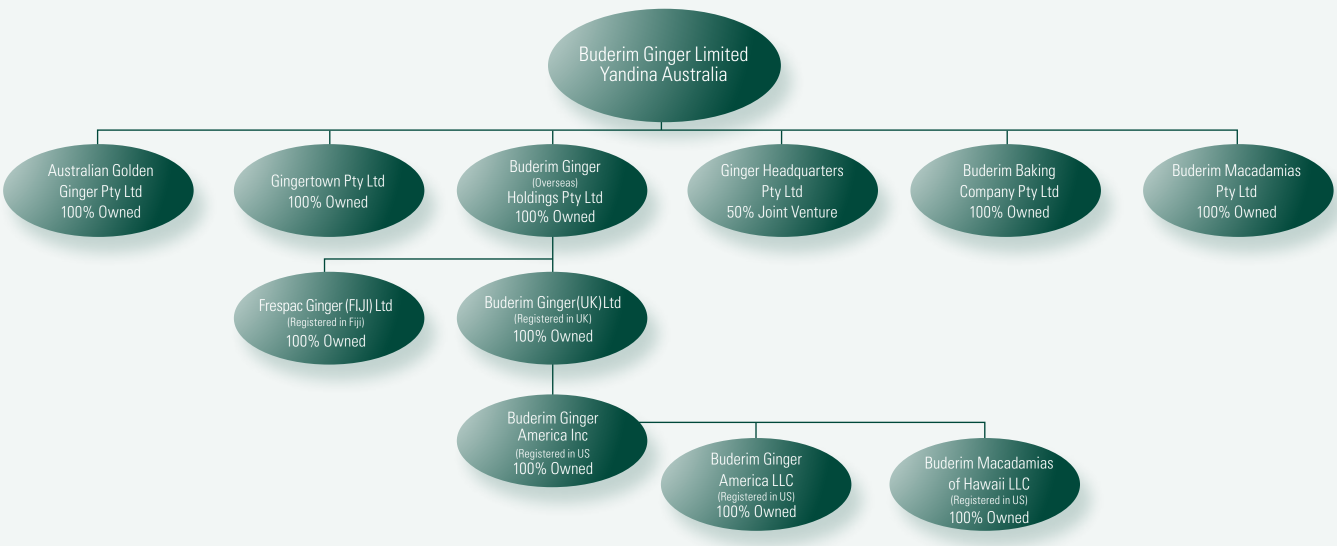
Dividends paid in the year:

There was no dividend paid during 2010 for the year ended 31 December 2009.

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 following illustration of the group's corporate structure:



DIRECTORS' REPORT cont.

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity are conducted in the business segment of:

> **Ginger** - manufacture in Australia and Fiji of a variety of confectionery ginger and other ginger-based products and marketing to industrial, food service and retail customers throughout the world;
> **Macadamias** - production and manufacture in Australia and the USA of macadamia products and marketing to wholesale and retail customers throughout the world;
> **Baking** - manufacture of a variety of frozen bakery products and marketing to both food service and retail customers throughout Australia;
> **Tourism** - the sale of ginger and other retail gift and food products, and the provision of leisure activities within the Australian tourism market; and
> **US Distribution** - sales and distribution of ginger, macadamias and our speciality food products throughout the Americas.

Effective 31 December 2010, Buderim Ginger America, Inc acquired the remaining 25% non-controlling interest in both Buderim Macadamias of Hawaii, LLC dba MacFarms of Hawaii and Buderim Ginger America, LLC ("BGA"). Effective 31 December 2010, Buderim Ginger America, Inc also disposed of its 75% interests in Pan Pacific Foods, LLC. Trading by the US entities, Buderim Macadamias of Hawaii, LLC and Buderim Ginger America, LLC will be under 100% equity ownership as from 1 January 2011.

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

Employees

The consolidated entity employed 390 employees as at 31 December 2010 (2009: 483 employees). The number of employees will vary from year to year, and during each year, due to seasonal factors. The Australian and Fijian ginger segments employed 115 and 64 employees respectively (2009: 128 and 68). The Australian ginger segment includes tourism and corporate staff members. Employees engaged within the baking segment at year-end were 91 (2009: 93). Employees employed within the Australian macadamia segment were 11 (2009: 17). The Hawaiian macadamia segment (including the orchard operation which engages a large proportion of seasonal labour) had 109 employees at year end (2009: 177).

OPERATING AND FINANCIAL REVIEW

Summarised operating results attributable to equity holders of Buderim Ginger Limited are as follows:

	2010		2009	
	REVENUES $'000	**RESULTS* $'000**	**REVENUES $'000**	**RESULTS* $'000**
Business segments				
Ginger processing and distribution	**29,071**	**(1,085)**	30,262	1,788
Baking operations	**22,237**	**859**	21,103	(411)
Macadamia operations - Australia	**19,284**	**620**	17,053	(83)
Macadamia operations - Hawaii	**11,322**	**(1,950)**	17,980	(3,318)
Tourism operations	**4,523**	**557**	4,260	583
US distribution	**1,858**	**(131)**	2,036	117
Total	**88,434**	**(1,130)**	92,694	(1,324)
Consolidated entity adjustments	**(713)**		(580)	
Corporate overhead expenses	**—**	**(2,467)**	—	(2,140)
Share of profit/(losses) of joint controlled entities and associates	**—**	**22**	—	—
Consolidated entity revenue and profit/(loss) from ordinary activities before income tax expense but after minority interest	**87,582**	**(3,575)**	92,114	(3,464)

Geographic segments - revenue	**2010 $'000**	**2009 $'000**
Australia	**73,668**	64,549
United States	**18,097**	24,936
Fiji	**3,501**	3,862
	95,166	93,347
Consolidated entity adjustments	**(7,584)**	(1,233)
Consolidated entity revenue from ordinary activities	**87,582**	92,114

*Business results are before tax.

In Summary

The Group experienced another challenging year and did not return to profit as originally anticipated, reporting a before-tax loss of ($3.58m) for the year ended 31 December 2010, compared to the previous year's loss of ($3.46m). After tax, the net loss attributable to equity holders was ($1.97m) [2009: ($1.72m)]. EBITDA fell to $752k from $841k in 2009. The primary factors driving the result were:

- The negative impact of disease on the Australian ginger crop with the 2010 harvest falling short of expectation by 1,000 tonne;
- The most severe drought conditions on record at the Group's macadamia orchard in the US State of Hawaii, resulting in delayed season's nut fall and harvesting operations, and a 36% drop in sales revenue from $18m to $11m;
- World economic conditions and strengthening Australia dollar which had an adverse effect on international sales reflected in a 6% drop in the Group's export sales;
- A comprehensive review of inventory resulting in a $1.28m write down in stock values across the Group in recognition of slow moving and deteriorated inventories.

Ginger Segment. The Ginger segments's revenues declined by 4% due mainly to a significant slowdown in European markets as a result of economic conditions. Substantial write-downs of ginger stocks were effected during 2010 seriously impacting profitability. Ginger suffered a profit decline of ($2.8m) from the prior year due to a combination of stock write-downs, low intake and margin squeeze. In light of the lower Australian ginger harvest quantities experienced this year and anticipated going forward, the company is addressing its reliance on Australian ginger by initiating a review of world ginger sources and the application of non-Australian ginger to specific market segments. The Fijian operation contributed favourably to the Group's result with the devaluation of the Fijian currency (in April 2009) continuing to have a beneficial effect on the Group's exports to Europe from Fiji. The Group continues to manage its supply arrangements and processing facilities to maximise the returns from this operation.

Prospects for 2011 will depend largely on crop volumes and quality, and improved management of processing facilities to better match supply and demand. Sales in domestic markets remain competitive to the larger retailers, and export sales will be influenced by acceptance of new price and supply conditions.

Macadamia Segment. Macadamia sales from the Australian operation increased 13% over the prior year on the back of strong international demand, while sales through the Hawaiian operation declined 36%. A $703k profit improvement in the Australia macadamia operation highlights the turnaround of this business. Although affected by the severest drought for many years, the Hawaiian operation's result of a ($1.95m) before tax loss, reflects a major improvement of $1.4m on the prior year. The Hawaiian processing plant responded to the low volumes by radically overhauling its operational methods, and today stands ready to be a very competitively costed operation at low production levels, and a very profitable operation at normal or better production levels. Prospects for 2011 are sound. Climatic conditions are improving – suggesting better crops in 2011 and beyond.

Baking Segment. The baking division produced sound results for the year on the back of an efficient and cost-effective plant and some market growth. Sales grew 5% and profitability reflects a $1.3m turnaround over the year before. The division acquired some new contract customers and increased penetration in existing markets. Prospects for 2011 are good and while the Board continues to monitor its operations and results, previous indications of disposal of this business have been deferred.

Tourism Segment. Tourism enjoyed a 6% revenue increase principally due to the implementation of direct sales through the Your Inspiration party plan activity. However there was no profit growth in this segment. Sunshine Coast tourism industry was relatively flat during the year due mainly to a combination of poor weather and a strong AUD encouraging cheap international destination alternatives. In comparative terms the Division performed acceptably against the previous year and some changes were made to operations to improve the attractions.

Despite unfavourable events and a poorer result than originally anticipated, the Group internally funded all ginger and macadamia harvests throughout 2010, met all debt amortisation and interest repayments and reduced interest bearing debt by $3.5m. Subsequent to 31 December 2010, debt was further reduced by $2m on execution of a sale and leaseback arrangement for the Alstonville macadamia property.

Significant changes at Board level occurred during 2010. Effective 26 February 2010, Mr Steve Morrow was appointed to fill a casual vacancy on the Board and was subsequently elected by shareholders at the AGM on 30 April 2010. Mr John Ruscoe, who had been Chairman since February 2002, resigned on 30 April 2010. Directors appointed Mr Stephen Maitland as Chairman from this date. The Board was saddened by the passing of Mr John Roy on 11 July 2010 at which time his directorship ceased. Mr Gerard O'Brien stepped down on 13 December 2010 after close to 10 years as Managing Director and CEO. Mr Ron O'Grady accepted the role of CEO on 1 October 2010 and has been pivotal in creating a platform for profitability improvements going forward. Effective 31 December 2010, the Group's US entities were again restructured, the effect of which is that Buderim Macadamias of Hawaii, LLC and Buderim Ginger America, LLC will be 100% owned for the full 2011 financial year. As at this date, the Group also agreed to sell its interest in Pan Pacific Foods, LLC, the US distribution business which performed poorly over the 2010 year, with the aim of fulfilling the sales and distribution functions from within other Group owned US businesses.

DIRECTORS' REPORT cont.

SHAREHOLDER RETURNS AND PERFORMANCE MEASUREMENTS

FOR THE YEAR ENDED		2010	2009	2008	2007	2006
EBIT ($'000)	(a)	(1,922)	(1,962)	4,960	1,792	550
EBITDA ($'000)	(a)	752	841	7,503	3,682	2,491
Basic earning per share (cents)		(4.80)	(4.26)	6.52	2.34	(0.58)
Dividend per share (cents)	(b)	—	—	2.5	2.0	—
Dividend payout ratio (%)	(b)	—	—	38.3	85.5	—
Available franking credits ($'000)	(c)	—	—	—	150	167
Return on assets (%)		(3.64)	(3.45)	2.40	2.22	(0.32)
Return on equity (%)		(9.19)	(8.79)	5.73	1.04	(0.60)
Debt / equity ratio (%)	(d)	111.6	113.6	93.8	85.1	51.1
Gearing ratio (%)	(e)	60.4	60.7	58.2	53.2	45.7
Current ratio (%)	(f)	80	91	153.3	150.7	139.0
Net tangible asset backing (cents)		59	66.4	80	86	85

(a) These figures reflect earnings attributable to equity holders of Buderim Ginger Limited.
(b) These figures reflect the dividend amounts declared subsequent to reporting dates (refer note 9).
Note the dividend ratio for 2008 is based on profit inclusive of the discount on acquisition of MacFarms assets of $2.0m which is a non-cash item.
(c) Franking credits have been calculated on a tax paid basis.
(d) Interest-bearing debt divided by equity less intangible assets.
(e) Assets funded by external stakeholders (total liabilities)
(f) Note classification of debt changed in 2009 and 2010. Refer Note 2 (a).

Review of Financial Condition

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 22 and on the face of the Statement of Changes in Equity. There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

Liquidity and Capital Resources

The consolidated statement of cash flows highlights an increase in cash and cash equivalents in the year ended 31 December 2010 of $1.174m compared to a net decrease ($2.046m) in 2009. Inflows from operating activities were $5.035m compared to an outflow of ($742k) in the previous year. Interest rate increases over the 12 month period resulted in additional costs of $182k over the previous year. Grant funds of $422k were received under the Commercial Ready and Retooling for Climate Change Projects undertaken in conjunction with the Commonwealth of Australia. Contract processing through the Hawaiian macadamia operation and the receipt of a crop insurance claim increased sundry income over the prior period. Lower payments to suppliers and employees than in the prior year is reflective of lower ginger harvests in both Australia and Fiji and similarly, lower Australian and Hawaiian macadamia harvests. Investment activities included capital projects as follows:

Ginger Segment

- factory and storage building upgrades
- syruping chain enhancements
- sulphite stripping equipment
- brine vat walkways and safety equipment
- effluent treatment plant

Baking Segment

- pie line production equipment
- midget spiral update
- thermal transfer printing equipment

Macadamia Segment

- nut in shell silo
- nut in shell sorting technology
- orchard netting

Review of Financial Condition (continued)

Financing activities show borrowing under insurance premium funding arrangements. Outflows include loan amortisation and hire purchase payments to Rabobank Australia and insurance premium repayments to Westpac Banking Corporation.

As in 2009, the Australian and Fiji ginger harvests, and the Australian and Hawaiian macadamia harvests, were funded internally

ASSET AND CAPITAL STRUCTURE

	2010 TOTAL OPERATIONS $'000	2009 TOTAL OPERATIONS $'000
NET GEARING		
Debts		
Interest bearing loans and borrowings	27,107	30,861
Cash & short term deposits	(1,638)	(1,059)
Net Debt	25,469	29,802
Total equity	28,333	31,507
Total capital employed	53,802	61,309
	47.3%	48.6%
ASSETS FUNDED BY EXTERNAL STAKEHOLDERS		
Total assets	71,617	80,187
Total liabilities	43,284	48,680
	60.4%	60.7%
DEBT/EQUITY		
Total equity	28,333	31,507
Intangibles	(4,036)	(4,335)
	24,297	27,172
Interest bearing loans and borrowings	27,107	30,861
	111.6%	113.6%

Total assets were reduced by $8.6m at 31 December 2010 mainly as a result of lower inventories. Focus on reducing stockholdings of ginger small dice and seconds throughout 2010, combined with lower ginger and macadamia intakes in all locations, culminated in a $8.7m reduction in inventories.

The Group's policies for determining the level of debt entered into is examined on a yearly basis in conjunction with financiers.

As a consequence of ongoing negotiations with the Group's financiers the Group has continued to reclassify all debt as current. In both the ginger and macadamia segments, the lead time between the funding of harvests and recovery of costs through conversion/value adding and sales is quite lengthy.

Shares issued during the year

There were no shares issued during the 12 months ended 31 December 2010.

Profile of Debts

The profile of the Group's debt finance below reflects the continuation of the reclassification of bill facilities provided by Rabobank Australia Limited to current liabilities. In both 2009 and 2010, bills classified as long-term in prior accounting periods have been re-classified as current. The classification of borrowing facilities as current is a requirement under AASB 101 if an entity breaches an undertaking under a long-term agreement on or before the reporting date. As at 31 December 2010, the company was in breach of two covenants relating to gearing and debt service cover. Notwithstanding, the Group continues to meet all principal and interest payment obligations. Directors believe that as a result of continuing negotiations with the financier on a restructured facility which better suits the Group's diversity and funding needs, this matter will be resolved during the current financial period at which time liabilities can be again classified as current and non-current. As demonstrated below, bill facilities provided by Rabobank Australia Limited have reduced during 2010 by $2.8m. Additionally, as demonstrated on the Consolidated Statement of Financial Position, liabilities in total have reduced by $5.4m during the current reporting period.

DIRECTORS' REPORT cont.

	2010 $'000	2009 $'000
CURRENT		
Bank Overdraft	377	972
Lease liability	—	4
Bank bill facility	25,493	28,246
Bank loans	1,136	1,279
	27,006	30,501
NON-CURRENT		
Bank loans	101	360
	101	360

Treasury policy

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

At 31 December 2010, 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 2 May 2011 (2009: 25 March 2010). The average AUD/GBP exchange rate of these contracts is $0.59420 (2009: $0.5577) with an AUD equivalent of $300,000 (2009: $300,000).

The Group also held foreign exchange contracts designated as hedges of expected future sales to customers in the United States of America with varying maturity dates up to 16 May 2011 (2009: 17 December 2010). The average AUD/USD exchange rate of these contracts is $0.9527 (2009: $0.8656) with an AUD equivalent of $443,818 (2009: $956,282).

At 31 December 2010, the Group held no foreign exchange contracts designated as hedges of expected future sales in Euro's (2009: Nil).

At 31 December 2010 the Group held foreign exchanges contracts designated as hedges of future purchases from overseas suppliers with varying maturity dates up to 15 July 2011. The average AUD/USD exchange rate of these contracts is $0.8915 with an AUD equivalent of $385,113 (2009: Nil).

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

At 31 December 2010, the Group had no interest rate swap agreements in place (2009: Nil). The use of swaps will be reconsidered on the restructuring of restructured debt facilities.

Included in the bill facility at 31 December 2010, are borrowings of USD $6,038,234 (AUD $5,941,389) reduced from USD $8,038,234 (AUD $9,028,680) as at 31 December 2010. A GBP 20,000 (AUD $35,676) was also repaid during 2010. The USD loan is being used to reduce the exposure to foreign exchange risk and to support the working capital requirements for MacFarms of Hawaii in the local currency.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Effective 31 December 2010, Buderim Ginger America, Inc acquired the remaining 25% in both Buderim Macadamias of Hawaii, LLC dba MacFarms of Hawaii and Buderim Ginger America, LLC ("BGA"). Effective 31 December 2010, Buderim Ginger America, Inc also disposed of its 75% interests in Pan Pacific Foods, LLC.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 27 January 2011, the Central State Bank facilities in the USA were closed with a repayment of loans and lines of credit totalling $353,110.

On 28 January 2011, the settlement on the Sale and Leaseback of the Alstonville property occurred. The property was sold for $1.9m (excluding GST), the proceeds from which were used to reduce the company's debt with Rabobank Australia. On this date, Buderim Macadamias Pty Ltd entered into a 7 year lease arrangement with the new property owner, with an option to renew for a further period of 7 years.

Since the end of the reporting period, directors have declared that no dividend be paid for the year ended 31 December 2010.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Despite expectations of continued unfavourable exchange rates and tight global economic conditions, which have a major impact on the Group's export sales demand and margins, offshore purchases and the translation of foreign-domiciled subsidiaries financial statements, Group businesses are targeting profitability improvements in 2011.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial report because directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In Australia, the consolidated entity holds licenses issued by the relevant government agencies 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. The consolidated entity is also subject to local environmental laws and controls in respect of its overseas operations. 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.

OPTIONS

No options over unissued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

REMUNERATION REPORT (Audited)

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

Remuneration philosophy

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

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

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

Remuneration committee

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

Remuneration structure

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

Non- executive director remuneration

Objective

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

Structure

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

The amount of aggregate remuneration 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 any 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 a stake in the company.

The remuneration of non-executive directors for the period ended 31 December 2010 is detailed in Table 1 on page 20.

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.

REMUNERATION REPORT (Audited) (continued)

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. Unless otherwise stated, employment contracts are generally unlimited in term but capable of termination on one to six month's notice, depending upon the seniority of the role.

Unless otherwise stated, on termination, directors and executives are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined below.

The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Remuneration Committee.

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

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

The proportion of fixed remuneration and variable remuneration (potential incentives) is established for each senior manager by the Remuneration Committee. Table 2 on page 21 details the fixed and variable remuneration components of senior executives who have the major influence on business decisions.

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 senior executives who have the major influence on business decisions is detailed in Table 2 on page 21.

Variable Remuneration

Objective

The objective of the incentive program is to link the achievement of the Group'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 selected senior management staff where direct performance linkages can be established. This policy is reviewed annually.

Structure

Actual incentive payments granted to relevant managers depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators covering both revenue and profitability of their areas of responsibility.

The company has predetermined benchmarks (generally based on year on year improvement) which must be met in order to trigger payments under the incentive scheme. The achievement of revenue targets does not warrant a bonus payment unless a minimum level of profitability target has also been achieved. These performance conditions were chosen because they directly align the individual's reward to the KPI's of the Group and to its strategy and performance. Bonuses payable are capped at a maximum of 20% of base salary.

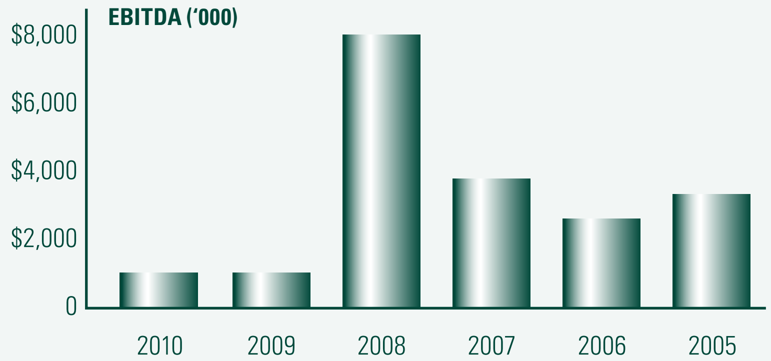
On an annual basis, consideration is given to the actual performance of the individual executive against KPIs, and the overall performance of the company. These factors are taken into account when determining the amount, if any, of incentive to be paid to each executive.

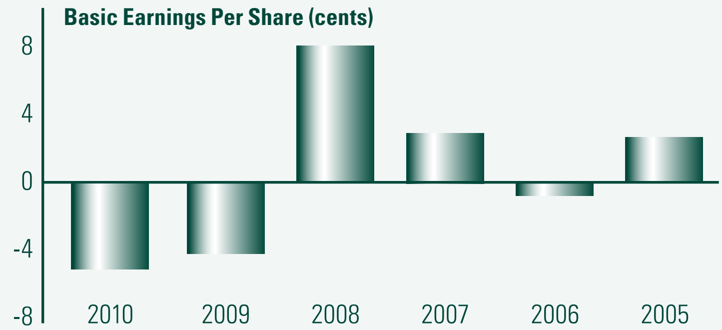
Annual incentive payments available for executives across the company are subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus. This method of assessment was chosen because it provides the committee with an objective assessment of the individual's performance.

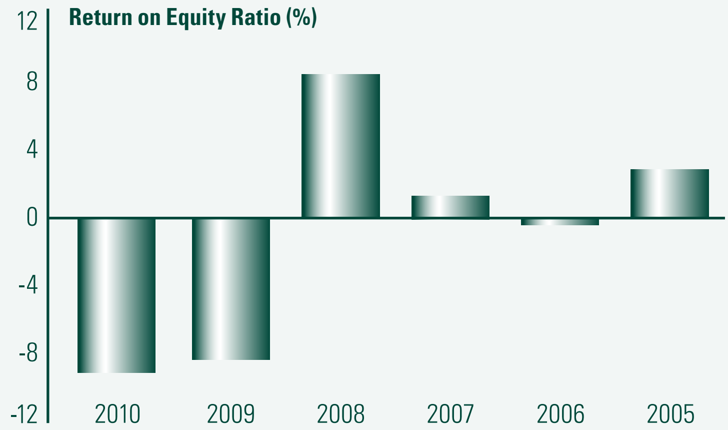
REMUNERATION REPORT
(Audited) (continued)

Company performance

The graphs below show 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 six years (including the current period).







DIRECTORS' REPORT cont.

REMUNERATION REPORT
(Audited) (continued)

Shareholder Wealth

	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008	31 DECEMBER 2007	31 DECEMBER 2006
Share price (cents)	20	32	40	55	54
Dividend paid per share (cents)	—*	—	2.5	2	—

* Directors have declared that no dividend be paid for the financial year ended 31 December 2010.

Employment contracts

All executives are employed under employment contracts to provide a level of security to both the company and the individual. The company may terminate contracts at any time without prior notice if serious misconduct has occurred.

Details of Remuneration of Directors and Executives

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

Table 1 - Remuneration of directors of Buderim Ginger Limited

Name	Position Held	Short Term Benefits			Post Employment Benefits	Long Term Benefits	Share Based Payments	Termination Benefits	Total Employment Benefits	% Performance Related
		Cash salary and fees	Cash bonus	Non Monetary	Super	Long Term Benefits				
S.J. MAITLAND 2010	Chairman (Non-executive)	51,667	-	-	4,650	-	-	-	56,317	-
2009	*effective 30 April 2010*	35,000	-	-	3,150	-	-	-	38,150	-
J.M. RUSCOE 2010	*Chairman (Non-executive)*	20,000	-	-	1,800	-	-	-	21,800	-
2009	*to 30 April 2010*	60,000	-	-	5,400	-	-	-	65,400	-
J.H.P. ROY 2010	*Director (Non- executive)*	20,417	-	-	1,838	-	-	-	22,255	-
2009	*to 11 July 2010*	35,000	-	-	3,150	-	-	-	38,150	-
S.T. TEMPLETON 2010	*Director (Non- executive)*	35,000	-	-	3,150	-	-	-	38,150	-
2009		35,000	-	-	3,150	-	-	-	38,150	-
S.J. MORROW 2010	*Director (Non- executive)*	29,301	-	-	2,637	-	-	-	31,938	-
2009	*appointed 26 February 2010*	-	-	-	-	-	-	-	-	-
G.D. O'BRIEN 2010	*Managing Director & CEO*	239,859	-	34,135	43,626	3,555	-	98,404	419,579	-
2009	*to 13 December 2010*	252,945	-	35,130	35,232	3,930	22,000	-	349,237	2.96%
TOTAL DIRECTORS										
2010		396,244	-	34,135	57,701	3,555	-	98,404	590,039	-
2009		417,945	-	35,130	50,082	3,930	22,000	-	529,087	4.2%

REMUNERATION REPORT (Audited) (continued)

Table 2 - Remuneration of other senior executive officers.

Name	Position Held	Short Term Benefits			Post Employment Benefits	Long Term Benefits	Share Based Payments	Termination Benefits	Total Employment Benefits	% Performance Related
		Cash salary and fees	Cash bonus	Non Monetary	Super	Long Term Benefits				
R.W. O'GRADY 2010	Chief Executive	105,000	-	-	-	-	-	-	105,000	
2009	*appointed 1 October 2010*	-	-	-	-	-	-	-	-	
P.G. RITCHIE 2010	*General Manager - Ginger*	149,769	-	38,721	13,964	2,202	-	55,330	259,986	
2009	*to 10 December 2010*	156,154	-	37,580	14,500	2,426	-	-	210,660	
K.L. ROGERS 2010	*Company Secretary/CFO*	137,846	-	36,590	12,800	2,142	-	-	189,378	
2009		134,616	7,500	31,870	13,250	2,091	-	-	189,327	3.96%
J.H. WILKIE 2010	*General Manager -MacFarms*	128,495	-	43,419	2,064	1,996	-	-	175,974	
2009		146,056	-	42,698	6,030	2,269	-	-	197,053	
A.B CUNNINGHAM 2010	*Group Commercial Manager*	-	-	-	-	-	-	-	-	
2009		111,344	-	21,247	10,333	1,667	-	-	144,591	
D.J. CASHIN 2010	*General Manager - Baking*	131,923	-	24,846	11,025	2,050	-	-	169,844	
2009		129,230	-	21,838	10,800	2,008	-	-	163,876	0.00%
D.R. BURTON 2010	*General Manager - Agrimac*	108,037	-	17,790	9,029	1,678	-	-	136,534	
2009		-	-	-	-	-	-	-	-	
N. L. SEYMORE 2010	*General Manager - Tourism*	91,539	-	20,983	7,650	1,422	-	-	121,594	
2009		-	-	-	-	-	-	-	-	
TOTAL EXECUTIVES										
2010		852,609	-	182,349	56,532	11,490	-	55,330	1,158,310	-
2009		677,400	7,500	155,233	54,913	10,461	-	-	905,507	0.83%

Notes

- R.W. O'Grady was appointed as Chief Executive on 1 October 2010 under a contract for consultancy services with no fixed term. Payment for these consultancy services is based on a fixed monthly fee and out-of-pocket expenses.
- All elements of remuneration have been determined on the basis of the cost to the company and the consolidated entity.
- Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.
- The category 'Other' includes the value of any non-cash benefits provided, such as fully maintained motor vehicle, and/or professional membership subscriptions.
- During the financial year ended 31 December 2010, there were no shares (2009: 55,000) issued under the employee incentive scheme (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 2007). The scheme agreement expired on the Managing Director's resignation on 13 December 2010.
- The Group's insider trading policy prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all executive and directors to sign annual declarations of compliance with this policy throughout the period.

End of Audited Remuneration Report

DIRECTORS' REPORT cont.

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:	17	2	3
Number of meetings attended:			
S.J. Maitland	17	1	3
J.M Ruscoe	4	—	2
G.D. O'Brien	11	—	—
J.H.P. Roy	4	—	2
S.T. Templeton	17	2	—
S.J. Morrow	13	1	2

Notes

- J.M. Ruscoe, Chairman up until 30 April 2010 was in attendance at one audit & compliance committee meeting and two remuneration committee meetings during the year under review.
- G. D. O'Brien, Managing Director was in attendance at two audit & compliance committee meetings and one remuneration committee meeting during the year under review.
- S.J. Maitland, Chairman from 30 April 2010, was Chairman of the audit & compliance committee up until 30 April 2010. He was in attendance at one audit & compliance committee after 30 April 2010.

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.T. Templeton (chair)	S.J. Maitland (chair)
S.J. Morrow	S.J. Morrow

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 98/100. 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 annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (Qld) Pty Ltd. 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.

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

Tax compliance and advisory services	$46,198

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

S. Maitland
Director
Yandina, 25 February 2011

BDO

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Australia

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF BUDERIM GINGER LIMITED

As lead auditor of Buderim Ginger Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Buderim Ginger Limited and the entities it controlled during the period.

T J KENDALL

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 25 February 2011

Corporate Governance Statement

INTRODUCTION

Buderim Ginger Limited's Board of Directors believes that sound and ethical corporate governance practices are essential to both conformance and performance, and send a positive signal to our workforce, our suppliers, customers and our shareholders about our culture. We also believe that responsiveness to the interests of other stakeholders and the undertaking of responsible and sustainable practices, including the safety and welfare of our employees and the protection of the environment in which we work, will help build a long-term future for the Group.

This statement is provided to inform shareholders and other stakeholders of the governance arrangements in the company for the period 1 January 2010 to 31 December 2010. Unless otherwise stated, the policies, practices and structures referred to in this Statement, have been in place for the whole of the reporting period. 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. It is structured with reference to the Corporate Governance Council's principles and recommendations which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

The directors have unanimously adopted these corporate governance principles. However this does not infer that the directors endorse all the recommended guidelines as being appropriate to the particular circumstances 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.

NON COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS OF ASX CORPORATE GOVERNANCE COUNCIL

Where practical, the Group has complied with the Best Practice Recommendations suggested by the ASX Corporate Governance Council. However, there are some instances whereby due to the limited size of the Board, it is not considered economical or practical to implement some Recommendations. The Best Practice Recommendations that have not been complied with are disclosed below.

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 (PRINCIPLE 1)

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/CEO, and the conduct of the Managing Director/CEO'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 the joint venture companies Ginger Head Quarters 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.

Delegation to Management

The Board is responsible for the management of the Group. The Board delegates the responsibility for day-to-day management of the Group to the Managing Director/CEO, who operates under strict limits on operational and capital expenditure and the ability to commit the Group to financial obligations. The Managing Director/CEO in turn delegates these limits to the management team subject to the approval of the Board.

The Managing Director/CEO is appointed by the board. He is accountable for delivery of strategic outcomes and reports to the whole board on the delivery or non-delivery of those outcomes. He 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. She relates one-to-one with the chairman who represents the views of the board.

The Managing Director/CEO 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/CEO 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 (PRINCIPLE 2)

Directors

The Board is currently comprised of three non-executive directors. Details of those directors serving at year-end are outlined in the Directors' Report. The maximum number of directors permitted by the Constitution is seven directors.

Retirement and Re-Election of Directors

The Constitution requires that an election of directors must occur in each year and that, at any rate, directors cannot retain office for the longer of 3 years or until the third AGM following their re-election, without submitting themselves for re-election.

Director Independence

Of the three non-executive directors, two are considered independent. Hence, ASX Best Practice Recommendation 2.1 "A majority of the Board should be independent directors" is currently complied with.

Mr Maitland, the Chairman, is considered to be an independent non-executive director as he is not a substantial shareholder nor a major supplier of the company.

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 ginger 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 be regarded as financially qualified for Audit & Compliance Committee membership 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 Steve Morrow was appointed as a director on 26 February 2010. Mr Morrow is considered to be an Independent non-executive director as he is not a substantial shareholder nor a major supplier of 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 (PRINCIPLE 3)

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; and 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 Directors and Executive Securities Trading policy to control the trading in the company's securities by directors and senior executives. This policy is included in the company's Corporate Governance policy manual which is issued to Directors and officers on their engagement. A signed acknowledgement is obtained from each Director and officer that they have read and understood all policies.

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. Closed periods in which Directors and Executives are prohibited from trading in the company's securities are the 2 months immediately preceding the company's half year and full year financial results announcements.

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 General Meeting.

At all other times directors and officers require the prior written consent of the board to buy or sell Buderim Ginger securities, with the board examining each request for a proposed security transaction prior to approval to ensure it is not related to insider trading. Exceptional circumstances whereby the entity's Directors and Executives are permitted to trade during a prohibited period include:

- Off-market transactions within a Director's or Executive's various security holding accounts through which no change in beneficial interest occurs;
- Transactions through a Director's or Executive's estate after death when the restricted person has no control or influence with respect to the trading decision;
- Trading through a fund or other scheme where the assets of the fund or scheme are invested at the discretion of a third party;
- Undertakings to accept, or the acceptance of, a takeover offer;
- Trading under an offer or invitation made to all or most of the security holders, such as, a Rights Issue, a Share Purchase Plan, a Dividend Reinvestment Plan, a Dividend Share Issue Plan and an Equal Access Buy-Back where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- A disposal of securities that is the result of a secured lender exercising their rights, subject to the Director or Executive having previously obtained written approval from the Board to enter into an agreement with the lender through which the Director or Executive provides the lender with rights over their interest In the company's securities; and
- Where written board approval has been given to the Director or Executive to sell or otherwise dispose of the company's securities during a prohibited period where the Director or Executive is in severe financial hardship or there are other exceptional circumstances such as pressing financial commitments that cannot be satisfied otherwise than selling the relevant securities of the company. In such cases, the Chairman or the Chief Executive Officer is designated to determine what constitutes an exceptional circumstance and whether or not written approval is to be granted to permit trading in the company's securities during a prohibited period.

Where written approval has been provided to Directors and Executives to trade during prohibited periods, the period is specified in each individual case. Written approvals may be provided in either email or paper format.

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 $15,000 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.

Directors have advised that no securities controlled by them are the subject of margin loans.

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.

INTEGRITY OF FINANCIAL REPORTING (PRINCIPLE 4)

Audit & Compliance Committee

The company has established an Audit & Compliance 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 & Compliance Committee are to:

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

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

The committee has standing invitations to the following attendees:

- Auditor,
- Chairman of the Board,
- Managing Director/Chief Executive (CEO),
- 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.

CEO and CFO Certification

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer have provided a written statement to the Board that:

- Their view provided of the Group's financial report is founded on a sound system of risk management and internal compliance and control which implements financial policies adopted by the Board.
- That the Group's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In addition to the above certification, the Managing Director/CEO and CFO, provide the board with a comprehensive letter of representation prior to the acceptance of the annual accounts by the board. This letter not only certifies the correctness and integrity of the financial and risk management systems, but also covers compliance with legal and regulatory requirements in relation to trade practices, employment, workplace health and safety, quality assurance and environmental factors.

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 (PRINCIPLE 5)

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, dividend share Issue plan 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 and Managing Director's Addresses at the Annual General Meeting. These details are available on the web site under Shareholder Announcements.

Further commentary on half-yearly results is included in the press release announcing those results. These details are available on the web site under Shareholder Announcements.

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 (PRINCIPLE 6)

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 shareholders on request 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 investor section of 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.

Any company announcement is published on the company's web site at www.buderimginger.com/investor.

Annual General Meeting

The company conducts its Annual General Meetings at either its corporate headquarters and factory site at Yandina or 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, and auditor 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 (PRINCIPLE 7)

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 a nd 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 & Compliance 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 & Compliance 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 THROUGH FAIR & RESPONSIBLE REMUNERATION (PRINCIPLE 8)

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

Senior executive performance review is conducted annually, and as a preliminary to annual remuneration review. The Managing Director conducts senior executive performance reviews and reports on these to the board. The Managing Director's performance review is conducted by the Chairman of the board and reported to the board.

This evaluation is based on specific criteria, including the group's business performance, whether strategic objectives are being achieved and the development of management and personnel.

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

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

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

REMUNERATION

Remuneration Committee

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

The committee comprises two 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 and Senior Management

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;

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.

CONTENTS TO FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	NOTES	CONSOLIDATED	
		2010 $'000	**2009 $'000**
CURRENT ASSETS			
Cash and cash equivalents	10	**1,638**	1,059
Trade and other receivables	11	**12,578**	13,332
Inventories	12	**15,766**	24,448
Current tax assets		**1,073**	1,259
Other current assets	13	**931**	714
Derivatives		**24**	13
TOTAL CURRENT ASSETS		**32,010**	40,825
NON-CURRENT ASSETS			
Receivables	14	**30**	—
Investment accounted for using the equity method	16	**1,219**	1,222
Property, plant and equipment	17	**31,499**	32,968
Deferred tax assets	7	**2,823**	837
Intangible assets	18	**4,036**	4,335
TOTAL NON-CURRENT ASSETS		**39,607**	39,362
TOTAL ASSETS		**71,617**	80,187
CURRENT LIABILITIES			
Trade and other payables	19	**11,444**	13,446
Interest-bearing liabilities	20	**27,006**	30,501
Short-term provisions	21	**868**	843
Current tax liabilities		**531**	69
Derivatives		**44**	—
TOTAL CURRENT LIABILITIES		**39,893**	44,859
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	20	**101**	360
Deferred tax liabilities	7	**3,224**	3,368
Long-term provisions	21	**66**	93
TOTAL NON-CURRENT LIABILITIES		**3,391**	3,821
TOTAL LIABILITIES		**43,284**	48,680
NET ASSETS		**28,333**	31,507
EQUITY			
Contributed equity	22	**23,008**	23,008
Reserves		**5,385**	5,683
Retained earnings		**(60)**	3,810
Capital and reserves attributable to owners of Buderim Ginger Limited		**28,333**	32,501
Non-controlling interests		**—**	(994)
TOTAL EQUITY		**28,333**	31,507

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	CONSOLIDATED	
		2010 $'000	**2009 $'000**
INCOME			
Sale of goods		**85,968**	90,392
Rental revenue		**210**	202
Dividend income		**25**	—
Other income	6 (a)	**1,304**	1,476
Finance revenue		**75**	44
Total income		**87,582**	92,114
Cost of sales		**(68,727)**	(72,975)
Gross profit		**18,855**	19,139
Share of profit of jointly controlled entity	16	**22**	—
Selling and distribution expenses		**(10,725)**	(13,264)
Marketing expenses		**(393)**	(569)
Tourism expenses		**(2,156)**	(2,016)
Administration expenses		**(8,088)**	(6,262)
OPERATING PROFIT/(LOSS) BEFORE TAX AND FINANCING COSTS		**(2,485)**	(2,972)
Finance costs	6 (b)	**(1,728)**	(1,546)
PROFIT/(LOSS) BEFORE INCOME TAX		**(4,213)**	(4,518)
Income tax (expense) / benefit	7	**1,608**	1,749
NET PROFIT/(LOSS) FOR THE YEAR		**(2,605)**	(2,769)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Currency translation		**(344)**	(832)
Cash flow hedges		**(33)**	7
Changes in fair value of land		—	(1,000)
Income tax on other comprehensive income items		—	300
Total other comprehensive income/(loss) net of tax		**(377)**	(1,525)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(2,982)**	(4,294)
Total net profit/(loss) is attributable to:			
Equity holders of Buderim Ginger Limited		**(1,967)**	(1,715)
Non-controlling interests		**(638)**	(1,054)
		(2,605)	(2,769)
Total comprehensive income/(loss) is attributed to:			
Equity holders of Buderim Ginger Limited		**(2,344)**	(3,240)
Non-controlling interests		**(638)**	(1,054)
		(2,982)	(4,294)
Basic earnings per share (cents per share)	8	**(4.80)**	(4.26)
Diluted earnings per share (cents per share)	8	**(4.80)**	(4.26)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	CONSOLIDATED	
		2010 $'000	**2009 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**86,943**	94,867
Payments to suppliers and employees (inclusive of GST)		**(81,913)**	(94,923)
Other receipts		**1,559**	784
Interest received		**75**	44
Interest and other finance costs paid		**(1,728)**	(1,546)
Income tax received		**176**	—
Income tax paid		**(176)**	(260)
Goods and services tax received/(paid)		**(323)**	(527)
Receipt of government grant		**422**	819
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	10	**5,035**	(742)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**16**	—
Purchase of property, plant and equipment		**(1,552)**	(3,297)
Acquisition of subsidiaries	30	**—**	(435)
Loan repayments from other entities		**—**	178
Payment of deferred consideration on Agrimac acquisition		**(24)**	(378)
Dividend received from joint venture		**25**	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,535)**	(3,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**1,017**	7,113
Repayments of borrowings		**(3,228)**	(3,819)
Payment of dividends on ordinary shares (net of dividend re-investment and dividend share issue)		**—**	(256)
Payment of non-controlling interest		**(39)**	(125)
Repayment of finance lease principal		**(76)**	(285)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(2,326)**	2,628
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,174**	(2,046)
Cash and cash equivalents at beginning of period		**87**	2,133
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10	**1,261**	87

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED	Contributed Equity	Reserves			Retained Earnings	Total	Non-controlling Interest	Total Equity
		Asset Revaluation	Foreign Currency Translation	Cash Flow Hedges				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2009	22,259	6,828	364	6	6,448	**35,915**	—	**35,915**
Total comprehensive income/(loss) for the year								
Net profit/(loss) for year	—	—	—	—	(1,715)	**(1,715)**	(1,054)	**(2,769)**
Other comprehensive income/(loss)								
Currency translation	—	—	(832)	—	—	**(832)**	—	**(832)**
Change in fair value of cash flow hedges	—	—	—	7	—	**7**	—	**7**
Change in fair value of land	—	(1,000)	—	—	—	**(1,000)**	—	**(1,000)**
Income tax on other comprehensive income items	—	300	—	—	—	**300**	—	**300**
Total comprehensive income/(loss) for the year	—	(700)	(832)	7	(1,715)	**(3,240)**	(1,054)	**(4,294)**
Transactions with owners in their capacity as owners								
Equity dividend	—	—	—	—	(983)	**(983)**	—	**(983)**
Shares issued under DRP	137	—	—	—	—	**137**	—	**137**
Shares issued under MD bonus Scheme	22	—	—	—	—	**22**	—	**22**
Shares issued under DSIP	590	—	—	—	—	**590**	—	**590**
Other	—	—	—	—	60	**60**	60	**120**
As at 31 December 2009	23,008	6,138	(468)	13	3,810	**32,501**	(994)	**31,507**
Total comprehensive income/(loss) for the year								
Net profit/(loss) for year	—	—	—	—	(1,967)	**(1,967)**	(638)	**(2,605)**
Other comprehensive income/(loss)								
Currency translation	—	—	(344)	—	—	**(344)**	—	**(344)**
Change in fair value of cash flow hedges	—	—	—	(33)	—	**(33)**	—	**(33)**
Total comprehensive income/(loss) for the year	—	—	(344)	(33)	(1,967)	**(2,344)**	(638)	**(2,982)**
Transactions with owners in their capacity as owners								
Transactions with non-controlling interests	—	—	79	—	(1,903)	**(1,824)**	1,632	**(192)**
As at 31 December 2010	23,008	6,138	(733)	(20)	(60)	**28,333**	—	**28,333**

* refer Note 22 – Contributed Equity and Reserves

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the year ended 31 December 2010

1. CORPORATE INFORMATION

The financial report of Buderim Ginger Limited for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 25 February 2011. Buderim Ginger Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in note 5.

The financial report covers the consolidated group of Buderim Ginger Limited and its controlled entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, including Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except land and derivative financial instruments that have been measured at fair value. The financial statements have been prepared adopting the same accounting policies as those adopted in the annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised Australian Accounting Standards and Interpretations.

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2010:

- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010*
- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010*
- *AASB 3 Business Combinations (revised 2008) effective 1 July 2009*
- *AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009*
- *AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009*
- *AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Projects [AASB 1 & AASB 5] effective 1 July 2009*
- *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009*
- *AASB Interpretation 17 Distribution of Non-Cash Assets to owners effective 1 July 2009*

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements its impact is described in the relevant section below.

The bill finance facilities provided by Rabobank Australia Limited are classified as current liabilities. Normally the working capital facility and any repayment due in the following 12 month period are classified as current liabilities, while the amortising/multi-option bills are classified as long-term in non-current liabilities. In this reporting period, as in the prior year, both working capital facilities and long term amortising/multi-option bills are classified as current due to continuing negotiations with financiers on a restructured debt facility which better accommodates the Group's expanded diversity of operations. The classification of borrowing facilities as current is also a requirement under AASB 101 if an entity breaches an undertaking under a long-term agreement on or before the reporting date. As at 31 December 2010 the company was in breach of two of its covenants. These breaches create a material uncertainty on the Group's ability to continue as a going concern and, therefore, its ability to release its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis as the directors believe that as a result of the proposed re-arrangement of banking facilities, and the ongoing support of the bank, this matter is expected to be rectified in the short-term at which time these liabilities would again be classified as current and non-current.

The financial statements are 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 consolidated financial statements of Buderim Ginger Limited and controlled entities comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial statements comply with International Financial Reporting Standards ('IFRS').

(c) Basis of consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Non-controlling interests are allocated their share of net profit and other comprehensive income in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised directly in equity as attributable to owners of Buderim Ginger Limited.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are classified to profit or loss.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control this year as a revised AASB 127 Consolidated and Separate Financial Statements became operative.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill.

Previously when the Group ceased to have control over an entity, the carrying amount of the investment at the date control ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in financial statements.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy

A revised AASB 3 Business Combinations became operative for the Group this year. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition

Acquisition-related costs are expenses as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquire are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 January 2010.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as disclosed in note 5.

(f) Investment in jointly controlled entities

The Group has interests in joint ventures that are jointly controlled entities. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest.

The Group recognises its interest in jointly controlled entities using the equity method. Under the equity method, the share of the profits or losses of the jointly controlled entities is recognised in profit or loss and the share of post-acquisition movements in reserves is recognised in other comprehensive income. 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 a joint venture entity.

(g) Foreign currency translation

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

The functional currency of the overseas subsidiary, Buderim Ginger (UK) Limited, is (GBP). The functional currency of the overseas subsidiaries, Buderim Ginger America, Inc, Buderim Ginger America, LLC, Buderim Macadamias of Hawaii, LLC and Pan Pacific Foods, LLC is (USD). The functional currency of the overseas subsidiary, Frespac Ginger (Fiji) Limited, is (FJD).

Transactions in foreign currencies are initially recorded in the functional currency of the Group member 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 reporting 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 overseas subsidiaries are translated into the presentation currency of Buderim Ginger Limited at the rate of exchange ruling at the reporting date and the income and expenses are translated at the weighted average exchange rates for the year.

The exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign operation is reclassified from equity to profit or loss.

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

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

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

(j) Inventories

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

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

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

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

Material usage and sales of finished goods are accounted for on a FIFO basis.

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

(k) Property, plant and equipment

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

Major depreciation periods are:

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

The asset's residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end. The useful lives of assets and major depreciation periods used in 2010 are consistent with those used in the prior year.

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.

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

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 reporting 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 profit or loss in the period the item is derecognised.

(l) Goodwill

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

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (Note 1(n)).

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(m) Intangible assets

Acquired both separately and from a business combination

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

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Research and developments costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Goodwill	Trademarks
Useful lives	Indefinite	Indefinite
Method used	Not amortised	Not amortised
Internally generated / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

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

(n) Impairment of assets

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

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

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

(o) Interest-bearing loans and borrowings

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

Gains and losses are recognised in profit or loss 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 profit or loss 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 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 provided 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 vesting 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, over the vesting period.

(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 recognised in profit or loss.

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

Operating lease payments are recognised as an expense in profit or loss 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.

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 profit or loss over the expected useful life of the relevant asset by equal annual instalments. During the financial year ended 31 December 2010, grant funds were received under the Commercial Ready and the Retooling for Climate Change Programs, both of which are Australian government initiatives. Expenses incurred and revenue received under these grants have been reported in accordance with the relevant agreements between Buderim Ginger Limited and the Commonwealth of Australia.

(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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 are associated with investments in subsidiaries, associates and interest in joint ventures, and 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 losses and unused tax credits, 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 losses and unused tax credits 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 are associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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 reporting date.

Current and deferred tax is recognized in profit or loss, except to the extent it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 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 statement of financial position.

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

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

(y) Derecognition of financial instruments

The derecognition of a financial assets takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the contractual rights to the cash flows expire, the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(z) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency fluctuations and interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. 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 forecast 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.

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

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated in reserves in equity, while the ineffective portion is recognised in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss 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 accumulated in equity are reclassified 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 reclassified to profit or loss. 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 reclassified to profit or loss.

(aa) Impairment of financial assets

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

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 financial 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.

(ab) Contributed equity

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

(ac) Earnings per share

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

(ad) Accounting standards issued not effective

At the date of authorisation of the financial report (refer Note 1), certain Standards and Interpretations were on issue but not yet effective. These Standards and Interpretations have not been adopted in the preparation of the financial report for the year ended 31 December 2010. None of these Standards and Interpretations is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group expects to first apply these Standards and Interpretations in the financial report of the Group relating to the annual reporting period beginning after the effective date of each pronouncement.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and polices and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Group generally uses derivative financial instruments such as foreign exchange contracts and interest rate swap contracts to hedge certain risks. The effectiveness of the processes put in place and the appropriateness of the objectives and policies are discussed regularly at Board level.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

The Group's financial instruments, other than derivatives, include bank loans, overdraft, bills of exchange, 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 market risks including interest rate risk and other risks including foreign currency risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group has no material other price risk arising from financial instruments.

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

(a) Interest rate risk

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

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

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

These swaps are designated to hedge underlying debt obligations.

At 31 December 2010, there were no Group borrowings at a fixed rate of interest (2009: Nil). Interest rate swaps will be put in place on the establishment of revised debt facility arrangements.

Interest rate risk is monitored through sensitivity analysis. Refer Note 23 for further details.

(b) Foreign currency risk

As a result of significant operations in the United Kingdom, Fiji and the United States, the Group 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 maximise 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 functional currency. Approximately 39% (2009: 34%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 79% (2009: 78%) of costs are denominated in the unit's functional 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 unless approved on an individual case basis.

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 2010, the Group had hedged 100% of its foreign currency sales for which firm commitments existed at the end of the reporting period, extending to 31 May 2011.

(c) Commodity price risk

The Group is exposed to commodity price risk in the ginger, baking and macadamia segments. Processes are in place to monitor the price movements associated with commodities such as ginger, macadamias and other ingredients such as meat, sugar and flour. Where appropriate forward contracts are established to minimise exposure to price risks for these commodities.

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the entity. Credit risk arises principally from trade and other receivables and derivatives.

The objective of the entity is to minimise risk of loss from credit risk exposure.

Receivables

The entity has established a number of policies and processes to manage credit risk from receivables and derivatives.

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.

Credit risk from receivables is measured through the use of credit agency reports on worthiness, trading history and days sales outstanding ratios. Credit risk from derivatives is measured through monitoring of foreign exchange and interest rate movements.

The entity has no concentration of credit risk from receivables.

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 statement of financial position.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The entity has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring actual and daily cashflows of all Group entities
- Continuously monitoring longer-term forecast cashflow requirements of the Group
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows
- Maintaining adequate borrowing facilities such as unused credit or overdraft facilities (refer Note 20)
- Monitoring measures of borrowing such as EBIT/Interest, EBIT/Sales, Gearing and Debt to Equity ratios
- Monitoring liquidity ratios such as working capital
- Managing the timing of outflows designated for reduction for liabilities in accordance with usual industry practice.

Liquidity risk is measured using liquidity ratios such as working capital. However, in this particular reporting period, the liquidity ratio has been distorted through a temporary change in classification of longer-term debt.

As a consequence of ongoing negotiations with the Group's financiers, all debt provided by Rabobank Australia Limited has been classified as current. The restructure of facilities has taken longer than originally anticipated but is now expected to be finalised during 2011. Normally the working capital facility and any repayment due in the following 12 month period are classified as current liabilities, while the amortising/multi-option bills are classified as long-term in non current liabilities. On restructure of banking facilities and the re-classification of borrowings as both current and long-term, the liquidity ratio will again revert to a surplus.

Summary of quantitative data	**2010 $'000**	**2009 $'000**
Current assets	**$32,010**	$40,825
Current liabilities	**$39,873**	$44,859
Surplus / (deficit)	**($7,863)**	($4,034)

Maturity analysis

Financial liabilities have differing maturity profiles depending on contractual term and in the case of borrowings, different repayment amounts and frequency. The periods in which the principal and interest (where applicable) of financial liability balances will be paid based on the remaining period to repayment date assuming contractual repayments are maintained, may vary from carrying amounts due to future interest to be incurred on amortising liability amounts. The bank overdraft and bill facilities may be drawn down at any time but may be terminated by the bank without notice. The bank loans may be drawn down at any time and have any average maturity of 3 years.

Maturity analysis - Group - 2010

FINANCIAL LIABILITIES	**CARRYING AMOUNT $'000**	**CONTRACTUAL CASH FLOWS $'000**	**< 6 MTHS $'000**	**6- 12 MTHS $'000**	**1-3 YEARS $'000**	**> 3 YEARS $'000**
NON-DERIVATIVES						
Bank loans and Bills	26,730	27,495	27,178	216	101	-
Trade and other payables	11,444	11,444	11,444	-	-	-
Bank overdrafts	377	377	377	-	-	-
TOTAL NON-DERIVATIVES	38,551	39,316	38,999	216	101	-

Maturity analysis - Group - 2009

FINANCIAL LIABILITIES	**CARRYING AMOUNT $'000**	**CONTRACTUAL CASH FLOWS $'000**	**< 6 MTHS $'000**	**6- 12 MTHS $'000**	**1-3 YEARS $'000**	**> 3 YEARS $'000**
NON-DERIVATIVES						
Bank loans and bills	29,885	30,824	29,773	673	377	-
Trade and other payables	13,446	13,446	13,446	-	-	-
Finance lease liabilities	4	4	4	-	-	-
Bank overdrafts	972	972	972	-	-	-
BANK OVERDRAFTS	44,307	45,246	44,195	673	377	-

The Group has committed borrowing facilities and other lines of credit that it can access to meet liquidity needs.

Hierarchy

The Group has no listed equity securities, material financial derivatives or financial assets available for sale measured at fair value in the Statement of Financial Position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Significant accounting judgments

Recovery of deferred tax assets

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

ii) Significant accounting estimates and assumptions

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

Impairment

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimate of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 25.

Long service leave provision

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

Allowance for impairment loss on trade receivables

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

Estimation of useful lives of assets

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

5. SEGMENT INFORMATION

Description of segments

The group has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers (the Board and executive management who makes strategic decisions).

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, and thus form the basis of the reports reviewed by the Board and the executive management committee.

The reportable segments for the year ended 31 December 2010 were as follows:

Ginger - manufacture in Australia and Fiji of a variety of confectionery ginger and other ginger-based products and marketing to industrial, food service and retail customers throughout the world;

Macadamias - Australia - processing in Australia of macadamia products and marketing to wholesale and retail customers throughout the world;

Macadamias - Hawaii - production and processing in the USA of macadamia products and marketing to wholesale and retail customers throughout North America;

Baking - manufacture of a variety of frozen bakery products and marketing to both food service and retail customers throughout Australia;

Tourism - the sale of ginger and other retail gift and food products, and the provision of leisure activities within the Australian tourism market; and

US Distribution - sales and distribution of ginger, macadamias and our speciality food products throughout the Americas.

Other

The Fiji ginger business is not a reportable segment under AASB 8, since its results are not reviewed by Board and management executive separately from the rest of the ginger business. As such it is not a separate operating segment and cannot be a separate reporting segment. Information about the Fiji ginger business has been disclosed within the Ginger Segment.

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

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

5. SEGMENT INFORMATION (continued)

Reportable segments

Segment information provided to the Board and executive management committee for the years ended 31 December 2010 and 2009 is as follows:

Reportable segments	Ginger		Baking		Tourism		Macadamias Australia		Macadamias Hawaii		US Distribution		Total	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Income														
Sales of goods	**28,026**	28,811	**22,205**	21,071	**4,288**	4,058	**19,198**	17,029	**10,968**	17,973	**1,850**	2,030	**86,535**	90,972
Other revenue	**1,045**	1,451	**32**	32	**235**	202	**86**	24	**354**	7	**8**	6	**1,760**	1,722
Total segment revenue	**29,071**	30,262	**22,237**	21,103	**4,523**	4,260	**19,284**	17,053	**11,322**	17,980	**1,858**	2,036	**88,295**	92,694
Consolidated entity adjustments													**(713)**	(580)
Total Income													**87,582**	92,114
Results														
Segment result after outside equity interest	**(1,085)**	1,788	**859**	(411)	**557**	583	**620**	(83)	**(1,950)**	(3,318)	**(131)**	117	**(1,130)**	(1,324)
Share of profit/(loss) of jointly controlled entities'	**—**	(37)	**—**	—	**22**	37	**—**	—	**—**	—	**—**	—	**22**	—
Corporate overhead expenses	**(889)**	(698)	**(617)**	(488)	**(119)**	(98)	**(527)**	(395)	**(315)**	(413)	**—**	(47)	**(2,467)**	(2,140)
Contribution to group profit/(loss)*	**(1,974)**	1,053	**242**	(899)	**460**	522	**93**	(478)	**(2,265)**	(3,731)	**(131)**	70	**(3,575)**	(3,464)
Finance costs (less finance revenue)	**520**	559	**420**	379	**78**	45	**229**	139	**383**	363	**23**	17	**1,653**	1,502
Depreciation & amortisation	**946**	1,077	**623**	614	**242**	243	**430**	399	**432**	469	**1**	—	**2,674**	2,802
EBITDA	**(508)**	2,689	**1,285**	94	**780**	810	**752**	60	**(1,450)**	(2,899)	**(107)**	87	**752**	841
Contribution to group profit/(loss) *													**(3,575)**	(3,464)
Non-controlling interest													**(638)**	(1,504)
Profit/(loss) before income tax													**(4,213)**	(4,518)
Income tax (expense)/benefit													**1,608**	1,749
Net profit/(loss) for the year													**(2,605)**	(2,769)
Inventory write-downs	**946**	252	**—**	43	**—**	—	**45**	—	**292**	—	**—**	50	**1,283**	345

Revenues and non-current assets by geographic location are as follows:

Geographic location	Australia		Fiji		USA		Total	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Sale of goods	**72,790**	63,233	**3,223**	3,514	**17,725**	24,878	**93,738**	91,625
Other revenue	**778**	1,316	**278**	348	**372**	58	**1,428**	1,722
Total segment revenue	**73,668**	64,549	**3,501**	3,862	**18,097**	24,936	**95,166**	93,347
Consolidated entity adjustments							**(7,584)**	(1,233)
Total Income							**87,582**	92,114
Non-Current Assets	30,430	31,262	802	928	8,375	7,172	**39,607**	39,362

Major Customers (defined as > 10% of Group turnover)

During the year ended 31 December 2010, revenues of $10,930,000 (2009: $10,976,000) were derived from sales to Woolworths through the ginger and baking segment. The ginger segment's sales to Woolworths amounted to $5,581,000 (2009: $5,784,000). The baking segments sales to Woolworths amounted to $5,350,000 (2009: $5,192,000). In total the 2010 revenue recorded through sales to Woolworths amounted to more than 10% of the group's revenues from external customers, as it did in the prior year.

Greater than 10% of the group's revenue was also derived through sales to Bidvest, all of which occurred in the baking segment. Revenues of $9,264,000 (2009: $7,243,000) were derived from sales to Bidvest during the year ended 31 December 2010.

	CONSOLIDATED	
	2010 $'000	**2009 $'00**
6. INCOME AND EXPENSES		
(a) Other income		
Gain on disposal of property, plant and equipment	**16**	1
Crop Insurance	**252**	—
Foreign Exchange gains	**132**	436
Inter-group debt forgiveness	**292**	—
Sundry income	**310**	151
Government grants	**302**	888
Total other income	**1,304**	1,476
(b) Finance costs		
Bill facility	**1,368**	1,356
Bank loans and overdraft	**360**	171
Finance charges - lease liability	—	19
Total finance costs	**1,728**	1,546
(c) Depreciation and amortisation		
Amortisation of non-current assets		
Plant and equipment under lease	**2**	51
Depreciation of non-current assets		
Plant and equipment	**2,239**	2,320
Buildings	**433**	431
	2,672	2,751
Total depreciation and amortisation	**2,674**	2,802
(d) Operating lease payments		
Minimum lease payments on operating leases	**614**	642
(e) Employee benefits expense		
Wages and salaries	**17,456**	17,441
Workers compensation costs	**574**	604
Superannuation costs – defined contribution	**974**	1,143
Cost of redundancies and terminations	**197**	—
	19,201	19,188
(f) Foreign currency		
Net foreign currency losses/(gains) realised	**86**	(186)
Net foreign currency losses/(gains) unrealised	**252**	(82)
	338	(268)
(g) Share based payments		
Managing director employee incentive scheme	—	22
(h) Inventory write-downs		
Finished goods	**1,283**	345

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
7. INCOME TAX		
Major components of income tax expense/(benefit) for the years ended 31 December 2010 and 2009 are:		
Profit or loss		
Current income tax		
Current income tax expense/(benefit)	**(540)**	(1,804)
Adjustments in respect of current income tax of previous years	**5**	55
Deferred income tax		
Relating to origination and reversal of temporary differences	**(1,073)**	—
	(1,608)	(1,749)
Other comprehensive income		
Deferred income tax related to items charged or credited directly to equity		
Devaluation of land	—	(300)
	—	(300)

A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income tax at the statutory income tax rate, to income tax expense/(benefit) for the years ended 31 December 2010 and 2009 is as follows:

Accounting profit/(loss) before minority interest	**(4,213)**	(4,518)
At the statutory income tax rate of 39.6%* (2009: 42.8%)	**(1,668)**	(1,934)
Adjustments in respect on current income tax of previous years	**5**	55
Minority interest	**252**	451
Research and development deductions	**(45)**	(53)
Depreciation of buildings	**19**	19
Franked dividend received	**(60)**	—
Tax offset for franked dividends	**(8)**	—
Other	**(103)**	(287)
	(1,608)	(1,749)

Deferred tax benefits have been recognised in respect of losses incurred in both the Ginger and the Macadamia segments in the current and preceding period. The losses were due to either legacy or environmental factors. Utilisation of deferred tax assets is anticipated through future taxable profits anticipated in both segments over the next few years as a result of improved climatic conditions and the application of revised supply strategies.

At 31 December 2010, there is no recognised or unrecognised deferred income tax liability (2009: $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.

7. INCOME TAX (continued)

Tax consolidation

Buderim Ginger Limited and its wholly owned Australian resident subsidiaries are a tax consolidated group. All members of the tax consolidated group are taxed as a single entity from the date they enter the group. Members of the group apply the group allocation approach in determining the amount of current tax and deferred taxes recognised by members of the tax consolidation group. The head entity and other members of the tax consolidated group have entered into a tax sharing agreement. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Buderim Ginger Limited.

Movement in deferred tax for the year ended 31 December 2010

	CONSOLIDATED				
	REVALUATION OF LAND	ACCELERATED DEPRECIATION	EMPLOYMENT BENEFITS	TAX LOSSES TO OFFSET/OTHER	CONSOLIDATED TOTAL
Deferred tax liabilities					
Opening balance	(2,912)	(268)	—	(188)	(3,368)
Recognition in profit	—	60	—	84	144
CLOSING BALANCE	(2,912)	(208)	—	(104)	(3,224)
Deferred tax assets					
Opening balance	—	—	556	281	837
Recognition in profit	—	—	(540)	2,526	1,986
CLOSING BALANCE	—	—	16	2,807	2,823

Movement in deferred tax for the year ended 31 December 2009

	CONSOLIDATED				
	REVALUATION OF LAND	ACCELERATED DEPRECIATION	EMPLOYMENT BENEFITS	FUTURE LOSSES TO OFFSET/OTHER	CONSOLIDATED TOTAL
Deferred tax liabilities					
Opening balance	(3,212)	(1,025)	—	(201)	(4,438)
Recognition incomprehensive income	300	—	—	—	300
Recognition in profit	—	757	—	(13)	770
CLOSING BALANCE	(2,912)	(268)	—	(188)	(3,368)
Deferred tax assets					
Opening balance	—	—	542	219	761
Recognition in profit	—	—	14	62	76
CLOSING BALANCE	—	—	556	281	837

	CONSOLIDATED	
	2010 $'000	**2009 $'00**
8. EARNINGS PER SHARE		
The following reflects the data used in the basic earnings per share computations:		
Net profit/(loss) attributable to ordinary shareholders of parent ($'000)	(1,967)	(1,715)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share.	40,896,353	40,322,049
Basic earnings per share (cents per share)	(4.80)	(4.26)

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. 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	
	2010 $'000	**2009 $'000**
9. DIVIDENDS PAID OR PROPOSED		
Declared and paid during the year:		
Previous year final		
There was no dividend paid for 2009.	—	983
Final unfranked dividend for 2008: 2.5 cents per share (1 cent cash and 1.5 cent share issue)		
Dividend proposed for approval at AGM:		
Dividends on ordinary shares:		
There is no dividend proposed for 2010. (2009: Nil cents per share)	—	—
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% (2009: 30%)	**206**	405
– franking debits that will arise from the refund of income tax paid as at the end of the financial year	**(56)**	(125)
– franking debits that will arise from the payment of dividends recognised as a liability	—	—
	150	280

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
10. CASH AND CASH EQUIVALENTS		
Reconciliation of cash and cash equivalents		
Cash balance per the consolidated statement of cash flows comprises:		
– cash at bank and on hand	**1,638**	1,059
– overdraft	**(377)**	(972)
Closing cash balance	**1,261**	87

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

		CONSOLIDATED	
		2010 $'000	**2009 $'000**
10. CASH AND CASH EQUIVALENTS (continued)			
Reconciliation of net profit/(loss) after tax to the net cash flows from/(used in) operating activities			
Net profit/(loss)		**(2,605)**	(2,769)
Adjustments for:			
Depreciation of non-current assets		**2,672**	2,752
Amortisation of non-current assets		**2**	51
Net (profit)/loss on disposal of property, plant and equipment	6(a)	**(16)**	(1)
Share of profit of jointly controlled entities		**(22)**	—
Other		**—**	(1)
Changes in operating assets and liabilities			
(Increase)/decrease in trade receivables		**557**	1,356
(Increase)/decrease in inventories		**8,636**	1,227
(Increase)/decrease in deferred tax assets		**(1,799)**	(1,220)
(Increase)/decrease in prepayments and other receivables		**(254)**	489
(Decrease)/increase in trade and other payables		**(2,036)**	(1,927)
(Decrease)/increase in current taxes		**462**	(343)
(Decrease)/increase in deferred income tax liability		**(144)**	(770)
(Decrease)/increase in employee benefit provisions		**(418)**	413
Net cash flow from/(used in) operating activities		**5,035**	(742)

Disclosure of financing facilities

Refer to note 20.

Disclosure of non-cash financing and investing activities

There has been no plant and equipment acquired by way of lease during 2010 or 2009.

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
11. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables (i)	**11,985**	12,710
Deposits and other loans	**34**	26
Other receivables	**483**	476
	12,502	13,212
Related party receivables (ii)		
Jointly controlled entity	**76**	120
	76	120
Carrying amount of trade and other receivables	**12,578**	13,332

(i) Trade receivables are non-interest bearing and are generally on 30 -60 day terms. 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 (2009: $Nil).

Aging Analysis of "past due, not impaired" trade receivables:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
61 - 90 days	894	783
> 90 days	106	143
Total	1,000	926

The Group does not hold collateral in relation to past due receivables. Based on credit history, the Group expects these amounts to be received. All receivables that are neither past due or impaired are with long standing clients who have a good credit history with the Group.

(ii) For items and conditions relating to related party receivables refer to Notes 27 and 29.

12. INVENTORIES (CURRENT)		
Raw materials (at cost)	**2,808**	3,218
Work-in-progress (at cost)	**957**	3,466
Finished goods (at cost)	**12,001**	17,764
	15,766	24,448

13. OTHER CURRENT ASSETS		
Prepayments	**931**	714
	931	714

14. RECEIVABLES (NON-CURRENT)		
Prepayments	**30**	—
	30	—

15. INVESTMENT IN CONTROLLED ENTITIES

As at 31 December 2010, Group entities include:

Name		Country of incorporation	Percentage of equity interest held by the consolidated entity	
			2010 %	2009 %
Australian Golden Ginger Pty Ltd	(i)	Australia	**100**	100
Gingertown Pty Ltd	(i)	Australia	**100**	100
Buderim Ginger (Overseas) Holdings Pty Ltd	(i)	Australia	**100**	100
Buderim Baking Company Pty Ltd	(i)	Australian	**100**	100
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
Buderim Macadamias Pty Ltd	(i)	Australian	**100**	100
Buderim Macadamias of Hawaii, LLC	(iv)	United States	**100**	75
Buderim Ginger America, LLC	(iv)	United States	**100**	75
Pan Pacific Foods, LLC	(iv)	United States	**-**	75

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

NAME		Country of incorporation	Percentage of equity interest held by the entity		Investment Consolidated	
			2010 %	2009 %	2010 $'000	2009 $'000
Ginger Head Quarters Pty Ltd	(i)	Australia	50	50	1,219	1,222
					1,219	1,222

(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.

The reporting date of Ginger Head Quarters Pty Ltd is the same as Buderim Ginger Limited. There were no impairment losses, capital commitments or contingent liabilities relating to the investment in this entity. The following table illustrates summarised information of the investment in Ginger Head Quarters Pty Ltd.

	CONSOLIDATED	
	2010 $'000	2009 $'000
Share of jointly controlled entity' balance sheet		
Current assets	83	79
Non-current assets	1,139	1,182
Current liabilities	(39)	(67)
Non-current liabilities	—	—
Net assets	1,183	1,194
Share of jointly controlled entity revenues and profit:		
Revenue	358	371
Expenses	(326)	(319)
Profit before income tax	32	52
Income tax expense	(10)	(16)
Profit after income tax	22	36
Reconciliation of movement in investment		
Opening balance	1,222	1,186
Dividend paid	(25)	—
Profit/(loss) after tax	22	36
Closing balance	1,219	1,222

17. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2010 $'000	2009 $'000
Land		
Leasehold land at fair value	74	79
Freehold land at fair value	10,400	10,400
Total land	10,474	10,479
Buildings on leasehold land		
At cost	1,023	1,088
Accumulated depreciation	(596)	(571)
	427	517
Buildings on freehold land		
At cost	11,001	10,690
Accumulated depreciation	(5,243)	(4,870)
	5,758	5,820
Total land and buildings	16,659	16,816
Plant and equipment		
At cost	31,096	28,513
Accumulated depreciation	(16,794)	(14,777)
	14,302	13,736
Plant and equipment under lease		
At cost	36	36
Accumulated amortisation	(36)	(34)
	—	2
Total plant and equipment	14,302	13,738
Capital works in progress at cost	538	2,414
Total property, plant and equipment		
Fair value	10,474	10,479
Cost	43,156	40,327
	54,168	53,220
Accumulated depreciation and amortisation	(22,669)	(20,252)
Total written down amount	31,499	32,968

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Assets pledged as security

Rabobank Australia Limited holds a registered equitable mortgage over the Group'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.

(b) Valuations

The Group's tri-annual valuation of property, plant and equipment was undertaken as at 31 December 2009. Based on the valuation conducted by Colliers International, Directors reduced the carrying value of the Yandina land to $10m resulting in a decrease of $1m in 2009. (The original cost of the land was $295,000.) The valuation conducted by Colliers International was conducted on the basis of market value for existing use.

Colliers International, registered valuers were engaged to value the land and buildings of the parent entity and property, plant and equipment at Frespac's site in Fiji. Laudiston Valuers were engaged to value plant and equipment at the parent entity's Yandina site, Buderim Baking's Kunda Park site and Buderim Macadamias Alstonvile site. Allsopp Associates Pty Ltd were engaged to value the land and buildings owned by Buderim Macadamias Pty Ltd. American Appraisals were engaged to value plant and equipment at Buderim Macadamias of Hawaii, LLC site in Hawaii.

Other than in the case of the Yandina land value addressed above, market value for existing use of all Group assets exceeded book value. 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.

Land at Buderim Macadamias Alstonville site was valued at $400,000. Buildings across the Group were valued at $11,343,000 on the basis of market value for existing Use, $28,513,000 for insurance purposes/reinstatement with new value, and $11,061,395 on the basis of Liquidation Value. Plant and equipment across the Group was valued at $22,326,000 on the basis of market value for existing use, $46,896,000 for insurance purposes/reinstatement with new value, and $9,826,000 on the basis of liquidation value.

In determining the fair value of plant and equipment assets, three approaches were considered, being the income approach, the cost approach and the sales comparison approach. The income approach was deemed inappropriate for the valuation of assets. The cost approach, more commonly known as the depreciated replacement cost method was used for assets in which there was only a limited amount of second hand sales data available. For assets for which the second hand market was fluid with ready access to sales of similar assets the sales comparison method was adopted. Each of the methods used gave consideration to physical deterioration, functional and economic obsolescence. In determining the insurance replacement value of the individual assets replacement cost estimates were obtained from suppliers where possible. Project cost breakdowns were also considered and adopted. For those assets where supplier comment was not available reference was made to recognised cost journals and other known similar projects where applicable. Valuations were prepared on the basis that all assets were valued on the assumption of continuing business enterprises at various locations, and were taken to be in a sound working order capable of profitable undertaking unless otherwise stated.

In determining the property valuation, the specialised nature of the various enterprises and industries in which they operate, were taken into account. Consideration was given to the market value (for mortgage security purposes) that a willing buyer would ascribe to site improvements and/or the development value of the property. In assessing the market value the direct comparison approach, analysed on a rate per square metre of the site is utilised. In assessing fair value for existing use, the depreciated replacement cost approach is utilised, being the current cost of replacement of an asset (providing a similar level of utility) less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)	**CONSOLIDATED**	
	2010 $'000	**2009 $'000**
(c) Reconciliations		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.		
Leasehold land	**79**	112
Carrying amount at beginning	**(5)**	(33)
Net foreign currency movements	**74**	79
Freehold land	**10,400**	11,400
Carrying amount at beginning	**—**	(1,000)
Revaluation	**10,400**	10,400
Buildings on leasehold land	**517**	826
Carrying amount at beginning	**(29)**	(237)
Net foreign currency movements	**(61)**	(72)
Depreciation expense	**427**	517
Buildings on freehold land	**5,820**	5,596
Carrying amount at beginning	**310**	583
Transfers	**(372)**	(359)
Depreciation expense	**5,758**	5,820
Plant and equipment	**13,736**	14,490
Carrying amount at beginning	**—**	156
Additions	**3,117**	2,229
Transfers	**(16)**	(14)
Disposals	**(297)**	(805)
Net foreign currency movements	**(2,239)**	(2,320)
Depreciation expense	**14,302**	13,736
Plant and equipment under lease	**2**	321
Carrying amount at beginning	**—**	(268)
Transfers	**(2)**	(51)
Amortisation expense	**—**	2
Capital Works in progress at cost	**2,414**	2,083
Carrying amount at beginning	**1,552**	2,874
Additions	**(3,428)**	(2,543)
Transfers	**538**	2,414

18. INTANGIBLE ASSETS

		CONSOLIDATED		
		Goodwill	Trade marks	Total
		$'000	$'000	$'000
At 1 January 2010				
Cost (gross carrying amount)		4,254	216	4,470
Accumulated amortisation and impairment	(e)	(59)	(76)	(135)
Net carrying amount		4,195	140	4,335
Year ended 31 December 2010				
At 1 January 2010, net of accumulated amortisation		4,195	140	4,335
Pan Pacific Foods goodwill on disposal	(a), (d)	(247)	—	(247)
Foreign exchange movement/other	(b)	(52)	—	(52)
At 31 December 2010, net of accumulated amortisation		3,896	140	4,036
At 31 December 2010				
Cost (gross carrying amount)		3,955	216	4,171
Accumulated amortisation and impairment	(e)	(59)	(76)	(135)
Net carrying amount		3,896	140	4,036

(a) A decrease in goodwill of $247k resulted on the disposal of the US entity Pan Pacific Foods, LLC.

(b) 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.

(c) As losses recognised in financial statements have been as a result of legacy and environment factors, and profitable trading is anticipated going forward on the back of improved climatic conditions and supply strategies, no impairment loss has been recognised for continuing operations in the 2010 financial year. There is no or minimal goodwill attached to the cash generating units in which the main losses incurred by the Group over the past few years have been reported.

Assets pledged as security

Refer note 17.

18. INTANGIBLE ASSETS (Continued)

		CONSOLIDATED		
		Goodwill	Trade marks	Total
		$'000	$'000	$'000
At 1 January 2009				
Cost (gross carrying amount)		4,620	215	4,835
Accumulated amortisation and impairment		(59)	(76)	(135)
Net carrying amount		4,561	139	4,700
Year ended 31 December 2009				
At 1 January 2009, net of accumulated amortisation		4,561	139	4,700
Additions	(a), (c)	197	1	198
Decrease in Agrimac goodwill associated with decline in EBIT performance	(b)	(657)	—	(657)
Foreign exchange movement / other		94	—	94
At 31 December 2009, net of accumulated amortisation		4,195	140	4,335
At 31 December 2009				
Cost (gross carrying amount)		4,254	216	4,470
Accumulated amortisation and impairment		(59)	(76)	(135)
Net carrying amount		4,195	140	4,335

(a) The acquisition of Buderim Ginger America, LLC ("BGA") included goodwill of $21k, being for certain intangible assets that could not be individually separated and reliably measured due to their nature, such as market position, reputation, brand value, and customer relationships. Similarly, the acquisition of Pan Pacific Foods, LLC resulted in goodwill of $176k for extensive marketing expertise with particular emphasis on the North American market, customer relationships, and a well established distribution network.

(b) A decrease in goodwill on the Agrimac business resulted from an amendment to the contingent consideration payable based on the actual 2009 EBIT performance.

(c) 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.

Refer to note 25 for information relating to impairment testing.

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2010 $'000	2009 $'000
CURRENT		
Trade payables (i)	**5,135**	5,632
Other payables (i)	**6,146**	7,611
Deferred consideration	**—**	25
Interest payable (ii)	**37**	33
	11,318	13,326
Related party payables (iii)		
Joint venture entity	**126**	120
	126	120
Carrying amount of trade and other payables	**11,444**	13,446

19. TRADE AND OTHER PAYABLES (Continued)

(i) Trade and other payables are non-interest bearing and are normally settled on 30 – 45 day terms.

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

(iii) For terms and conditions relating to related parties refer to note 29.

As at 31 December 2010, the Group had received grant funds to the value of $422,000 (2009: $818,000) for which corresponding research and development activities have been committed to.

20. INTEREST BEARING LIABILITIES

	Effective Interest rate %	Maturity	CONSOLIDATED 2010 $'000	2009 $'000
CURRENT				
Secured				
Lease liability (i)			—	4
Bank overdraft	10.81		**377**	972
Bank bill facility (ii)	5.77	rolling	**25,493**	28,246
Bank loans (iii)				
- Frespac Ginger (Fiji) Pty Ltd	11.49	2011	**5**	6
- Buderim Baking Company Pty Ltd	6.32	2011	**189**	224
- Buderim Ginger Limited	6.73	2011	**512**	545
- Buderim Ginger America, LLC	6.25	2011	**246**	504
- Buderim Ginger America, Inc	6.25	2011	**184**	—
			27,006	30,501

	Effective Interest rate %	Maturity	2010 $'000	2009 $'000
NON-CURRENT				
Secured				
Bank loans (iii)				
- Frespac Ginger (Fiji) Pty Ltd	11.49	2014	**17**	5
- Buderim Baking Company Pty Ltd			—	35
- Buderim Ginger Limited	6.57	2012	**84**	320
			101	360

Assets Pledged as Security

All Group assets are pledged as security for the bank facilities.

20. INTEREST BEARING LIABILITIES (Continued)

(i) Lease liability

All lease liabilities were finalised in 2009.

(ii) Bank overdraft and bill facilities

The bank overdraft and bill finance facilities are secured by a registered equitable mortgage over the Group's assets. The effective interest rate on the bill facilities is currently 5.77% (2009: 5.97%). The interest rate on the overdraft facilities is approximately 10.81% (2009: 9.71%).

(iii) Bank loans

Bank loans are secured over the plant and equipment of the entity subject to the loan. Frespac Ginger (Fiji) Pty Ltd loan facilities are at an average interest rate of 11.49% (2009: 11.49%). Buderim Baking Company Pty Ltd loans are at an average interest rate of 6.32%. (2009: 7.11%) Buderim Ginger Limited's loans are at an average interest rate of 6.73% (2009: 6.57%) and are secured over the plant and equipment subject to the loans.

(iv) Working capital facility (bank bill facility)

The working capital facility provided by Rabobank Australia Limited includes an amortising/multi-option component which is normally classified as long term. However, due to continuing negotiations with the Group's financier on a restructured facility for the Group, and due to the breach of two covenants, all debt facilities provided by Rabobank Australia Limited have been classified as current. Included in the working capital facility at balance date, are overseas currency loans held as part of the Group's hedge management strategy, combined with working capital requirements for its Hawaiian macadamia processing facility. The amortising facility was reduced by the repayment amount of $1,650,000 during the reporting period, the conversion of $2,000,000 of USD bills to AUD bills, and related exchange rate benefit. The working capital facility is on 30 – 90 rollover terms with variable interest rates linked to BBSY rates.

Financing facilities available

Financiers

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

At reporting date, the following financial facilities had been negotiated and were available:	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Total facilities		
- bank overdraft	**1,473**	1,520
- working capital facility	**25,493**	28,246
- bank loans	**1,237**	1,639
Facilities used at reporting date		
- bank overdraft	**377**	972
- working capital facility	**25,493**	28,246
- bank loans	**1,237**	1,639
Facilities unused at reporting date		
- bank overdraft	**1,096**	548

Working Capital Facility

The working capital facilities above are provided by Rabobank Australia Limited. A restructured facility is currently being re-negotiated with the company's financier. Refer Note 2 (a).

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. Additionally, a guarantee for $US 850k is provided in favour of the US bank Central State Bank in connection with loan and transactional facilities supplied to Buderim Ginger America, LLC and Pan Pacific Foods, LLC.

21. PROVISIONS

	CONSOLIDATED	
	2010 $'000	2009 $'000
CURRENT		
Employee benefits	**868**	843
	868	843
NON-CURRENT	**66**	93
Employee benefits	**66**	93
	934	936

22. CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED	
	2010 $'000	2009 $'000
Issued and paid up capital		
40,896,353 ordinary shares fully paid (2009: 40,896,353)	**23,008**	23,008

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and the parent entity does not have a limited amount of authorised capital.

	2010		2009	
Movements in ordinary shares on issue	**Number of shares**	**$'000**	**Number of shares**	**$'000**
Beginning of the financial year	**40,896,353**	**23,008**	39,253,315	22,259
Issued during the year				
- managing director incentive scheme (i)	—	—	55,000	22
- dividend reinvestment scheme (ii)	—	—	286,977	137
- dividend share issue plan (iii)	—	—	1,301,061	590
End of the financial year	**40,896,353**	**23,008**	40,896,353	23,008

(i) On 31 March 2009, 55,000 ordinary shares were issued at a value of $0.40 per share fully paid under the terms of the Managing Director's employee incentive scheme.
(ii) On 13 May 2009, 286,977 ordinary shares were issued at a value of $0.4785 per share fully paid under the company's dividend reinvestment plan.
(iii) On 13 May 2009, 1,302,061 ordinary shares were issued at a value of $0.4532 under the company's dividend share issue plan.
(iv) All shares issued during 2009 rank equally with all other ordinary shares.
There were no shares issued during the year ended 31 December 2010

Nature and purpose of reserves

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.

23. FAIR VALUE AND MARKET RISKS

Fair values

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

(a) Interest rate risk

Refer to note 20 for disclosure on effective interest rates

Summarised sensitivity analysis as at 31 December 2010	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-1%		+1%		-10%		+10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets								
Cash and cash equivalents	-	-	-	-	11	11	(9)	(9)
Trade and other receivables	-	-	-	-	80	80	(66)	(66)
Derivatives – cash flow hedges	-	-	-	-	-	43	-	(35)
Financial Liabilities								
Derivatives – cash flow hedges	-	-	-	-	-	(55)	-	45
Trade and other receivables	-	-	-	-	(5)	(5)	4	4
Bank Overdraft	4	4	(4)	(4)	(16)	(16)	13	13
Borrowings	259	259	(259)	(259)	(708)	(708)	708	708
Total increase/(decrease)	263	263	(263)	(263)	(637)	(649)	650	660

This analysis assumes that all other variables remain constant.

Summarised sensitivity analysis as at 31 December 2009	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-1%		+1%		-10%		+10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Accounts Receivables	-	-	-	-	(63)	(63)	52	52
Financial Liabilities								
Derivatives – cash flow hedges	-	-	-	-	-	(140)	-	114
Bank Overdraft	10	10	(10)	(10)	(14)	(14)	18	18
Borrowings	282	282	(282)	(282)	(1,007)	(1,007)	999	999
Total increase/(decrease)	292	292	(292)	(292)	(1,084)	(1,224)	1,069	1,183

This analysis assumes that all other variables remain constant.

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.

23. FAIR VALUE AND MARKET RISKS (Continued)

(b) Hedging risk

Cash flow hedges – foreign currency

At 31 December 2010, 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 2 May 2011 (2009: 25 March 2010). The average AUD/GBP exchange rate of these contracts is $0.59420 (2009: $0.5577) with an AUD equivalent of $300,000 (2009: $300,000). At 31 December 2010, the Group held foreign exchange contracts designated as hedges of expected future sales to customers in the United States of America with varying maturity dates up to 16 May 2011 (2009: 17 December 2010). The average AUD/USD exchange rate of these contracts is $0.9527 (2009: $0.8656) with an AUD equivalent of $443,000 (2009: $956,000). At 31 December 2010, the Group held no foreign exchange contracts designated as hedges of expected future sales in Euro's. (2009: Nil).

At 31 December 2010 the Group held foreign exchanges contracts designated as hedges of future purchases from overseas suppliers with varying maturity dates up to 15 July 2011. The average AUD/USD exchange rate of these contracts is $0.8915 with an AUD equivalent of $385,000 (2009: Nil).

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

Cash flow hedge – interest rate swap

At 31 December 2010, the Group had no interest rate swap agreements in place (2009: Nil). The interest rate swap arrangement grants the Group the right to receive interest at a variable rate equal to the ABBSY on the notional amount and pay interest at a fixed rate .

The swaps are used to hedge exposures to changes in the fair value of a portion of the Group's bill facilities.

The use of swaps will be reconsidered on the restructuring of new debt facilities.

Hedge on foreign currency borrowings

Included in the bill facility at 31 December 2010, are borrowings of USD $6,038,000 (AUD $5,941,000). As at 31 December 2009, these borrowings were USD $8,038,000 (AUD $9,028,000) and GBP 20,000 (AUD $35,000). These loans are being used to reduce the exposure to foreign exchange risk and to support the working capital requirements for MacFarms of Hawaii in the local currency. Exchange differences at balance date have been brought to account in profit or loss.

24. COMMITMENTS AND CONTINGENCIES

	CONSOLIDATED	
Operating lease commitments – Group as lessee	**2010 $'000**	**2009 $'000**
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. The Group entered into a 20 year of the Hawaiian orchard and processing facilities in 2008.		
Future minimum rentals payable under non-cancellable operating leases as at 31 December 2010 are as follows:		
Within one year	**480**	540
After one year and not more than five years	**1,356**	1,452
In excess of five years	**4,336**	5,230
	6,172	7,222

Finance lease commitments – Group as lessee

The Group has no remaining finance leases or hire purchase contracts.

Commitments payable:

	2010		2009	
	Minimum lease payments $'000	**Present value of lease payments $'000**	**Minimum lease payments $'000**	**Present value of lease payments $'000**
CONSOLIDATED				
Within one year	—	—	4	4
After one year and not more than five years	—	—	—	—
	—	—	4	4
Less amounts representing future finance charges	—	—	—	—
Minimum lease payments	—	—	4	4

Capital commitments

At 31 December 2010 the Group has commitments of $86,000 (2009: $40,000) principally relating to plant and machinery upgrades planned for 2011. Commitments contracted at reporting date, but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Within one year		
– plant and equipment upgrades	**86**	40
	86	40

Contingent asset

Buderim Macadamias of Hawaii, LLC is expected to make a claim during 2011 under its Crop Insurance policy as a result of lost production due to drought conditions which prevailed in the Kona region of Hawaii during the 2010/2011 harvest season. This claim remains subject to quantification and assessment.

25. IMPAIRMENT TESTING

An independent assessment is obtained of a range of discount rates applicable for impairment testing to the Group's cash generating units. The Group engages external consultants to regularly assess the appropriateness of discount rates applied within impairment testing models. The identified cash generating units include the Australian and Fijian Ginger divisions, the Tourism division, the Baking division and the Australian and Hawaiian Macadamia divisions. The assessed discount rates are based on the cash generating unit's weighted average cost of capital which reflects a 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 is allocated to individual cash generating units for impairment testing as follows:

- Ginger Australia cash generating unit
- Ginger Fiji cash generating unit
- Tourism cash generating unit
- Baking cash generating unit
- Macadamia Australian cash general unit
- Macadamia Hawaii cash generating unit

Discount rates applicable to cash generating units

The recoverable amount of each cash generating 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 the forthcoming year is then used as a basis for projecting performance over a five year period. Growth averaging 3% and an inflationary factor of 2% applied to cash forecasts are consistent with external sources and industry statistics. These factors also reflect past experience and anticipated results based on changes in environment factors and restructured supply strategies.

The discount rate applied to the cash flow projections for each unit are as follows:

- Ginger Australia 11.2%
- Ginger Fijian 14.0%
- Tourism 11.7%
- Baking 11.8%
- Macadamias – Hawaii 10.3%
- Macadamias – Australia 1.5%

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

CONSOLIDATED	Ginger Australia		Ginger Fijian		Baking		Tourism		Macadamia Australia		US Distribution		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount of goodwill	**44**	122	**101**	108	**2,016**	2,016	**218**	218	**1,517**	1,517	**—**	214	**3,896**	4,195
Trademarks	**139**	139	**1**	1	**—**	—	**—**	—	**—**	—	**—**	—	**140**	140
	183	261	**102**	109	**2,016**	2,016	**218**	218	**1,517**	1,517	**—**	214	**4,036**	4,335

26. EVENTS AFTER THE BALANCE SHEET DATE

On 27 January 2011, the Central State Bank facilities in the USA were closed with a repayment of loans and lines of credit totalling $353,110.

On 28 January 2011, the settlement on the Sale and Leaseback of the Alstonville property occurred. The property was sold for $1.9m (excluding GST), the proceeds from which were used to reduce the company's debt with Rabobank Australia. On this date, Buderim Macadamias Pty Ltd entered into a 7 year lease arrangement with the new property owner, with an option to renew for a further period of 7 years.

Since the end of the reporting period, directors have declared that no dividend be paid for the year ended 31 December 2010.

27. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Compensation of Directors and Executives

The company has taken advantage of the relief provided and has transferred the detailed remuneration disclosures to the directors' report. 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 can be found in the remuneration report.

	CONSOLIDATED	
	2010	2009
	$	$
Short-term employee benefits		
Cash salary and fees	**1,248,853**	1,095,345
Cash bonus	**—**	7,500
Non monetary	**216,484**	190,363
Post-employment benefits		
Superannuation	**114,233**	104,995
Long term employee benefits		
Long service leave	**15,045**	14,391
Share-based payments	**—**	22,000
Termination benefits	**153,734**	—
	1,748,349	1,434,594

(b) Shareholdings during the year ended 31 December 2010

Ordinary Shares held in Buderim Ginger Limited	Balance 1 January 2010	MD's Incentive Scheme	Dividend Reinvestment Issue	Dividend Share Issue Plan	Market Acquisition / (Sale)	Balance 31 December 2010
	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.
Current Directors						
S.J. Maitland	118,611	—	—	—	—	118,611
S.T. Templeton	2,818,733	—	—	—	—	2,818,733
S.J. Morrow	—	—	—	—	—	—
Retired Directors						
J.M. Ruscoe	208,126	—	—	—	—	208,126
J. H.P. Roy	6,331,520	—	—	—	(6,331,520)	—
G.D. O'Brien	898,379	—	—	—	—	898,379
Executives						
P.G. Ritchie	4,681	—	—	—	—	4,681
J.H. Wilkie	101,890	—	—	—	—	101,890
K.L. Rogers	1,652	—	—	—	—	1,652
D.R. Burton	31,189	—	—	—	(31,389)	—
D.J. Cashin	—	—	—	—	—	—
N.L. Seymore	—	—	—	—	—	—

* Shares held nominally by directors include 201,912 held by S Templeton. Executive shareholdings are all nominally held.

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.

Current Directors

(1) S. Maitland holds a relevant interest in 118,611 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).

(2) S. Templeton holds a relevant interest in 53,187 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, and 2,563,634 shares registered in the name of Redarea Pty Ltd (The Templeton Family Account).

27. DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

Retired Directors

(3) J. Ruscoe held a relevant interest in 208,126 shares registered in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund).

(4) J. Roy held a relevant interest in 6,244,135 shares registered in the name of Big Sister Foods Pty Ltd and 87,385 shares register in the name of John Roy Pty Ltd (Roy Family Superannuation Fund).

(5) G. O'Brien held a relevant interest in 898,379 shares registered in the name of Consolar Investments Pty Ltd.

(b) Shareholdings during the year ended 31 December 2009.

Ordinary Shares held in Buderim Ginger Limited	Balance 1 January 2009	MD's Incentive Scheme	Dividend Reinvestment Issue	Dividend Share Issue Plan	Market Acquisition / (Sale)	Balance 31 December 2009
	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.	Ordinary No.
Directors						
J.M. Ruscoe	196,446	—	4,743	6,937	—	208,126
J. H.P. Roy	6,031,156	—	—	214,602	85,762	6,331,520
S.J. Maitland	111,955	—	2,703	3,953	—	118,611
S.T. Templeton	2,661,713*	—	63,027	93,993	—	2,818,733
G.D. O'Brien	812,737	55,000		30,642	—	898,379
Executives						
P.G. Ritchie	25,852	—		492	(22,000)	4,681
P. Bialkowski	44,593	—	337	1,339	—	46,849
J.H. Wilkie	100,000	—	917	1,890	—	101,890
K.L. Rogers	1,560	—	—	55	—	1,652

* Shares held nominally by directors include 201,912 held by S Templeton. Executive shareholdings are all nominally held.

(1) J. Ruscoe held a relevant interest in 208,126 shares registered in the name of J.M. & S.E. Ruscoe (Ruscoe Family Super Fund).

(2) G. O'Brien held a relevant interest in 898,379 shares registered in the name of Consolar Investments Pty Ltd.

(3) J. Roy held a relevant interest in 6,244,135 shares registered in the name of Big Sister Foods Pty Ltd and 87,385 shares register in the name of John Roy Pty Ltd (Roy Family Superannuation Fund).

(4) S. Maitland held a relevant interest in 118,611 shares registered in the name of S.J. Maitland & F.P. Maitland (Maitland Family Superannuation Fund).

(5) S. Templeton held a relevant interest in 53,187 shares registered in the name of Templeton Holdings (Qld) Pty Ltd, and 2,563,634 shares registered in the name of Redarea Pty Ltd (The Templeton Family Account).

(c) Other transactions and balances with key management personnel

Ginger Supplies

S. Templeton is a director of Templeton Ginger Pty Ltd. Ginger supplies were purchased during the year from Templeton Ginger Pty Ltd to the value of $502,069 (2009: $861,163) in a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other suppliers. The amount owing to Templeton Ginger Pty Ltd at 31 December 2010 is $510 (2009: $1,190).

(d) Loans

There were no loans made to key management personnel during the year or prior year and there are no loans outstanding as at 31 December 2010 (2009: $Nil).

28. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2010 $	**2009 $**
Amounts paid or payable to BDO Audit (Qld) Pty Ltd for:		
– an audit or review of the financial statements of the parent entity and any other entity in the consolidated group	**103,961**	118,556
– tax advice in relation to the entity and any other entity in the consolidated group	**57,837**	47,648
– other assurance services in relation to the entity and any other entity in the consolidated group	**2,039**	—
	163,837	166,204
Amounts received or due and receivable by internationally related practices of BDO for:		
– an audit or review of the financial statements of subsidiaries	**67,828**	62,384
– tax advice in relation to subsidiaries	**18,968**	36,619
	86,796	99,003
	250,633	265,207

29. RELATED PARTY DISCLOSURES

(a) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to certain 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 comprehensive income and statement of financial position of the entities which are members of the "Closed Group" are as follows:

	CLOSED GROUP	
	2010 $'000	2009 $'000
INCOME		
Sale of goods	**69,431**	28,121
Rental revenue	**210**	202
Dividend income	**512**	—
Other income	**498**	1,024
Finance revenue	**65**	5
Total income	**70,716**	29,352
Cost of sales	**(54,638)**	(19,558)
Gross profit	**16,078**	9,794
Share of profit of jointly controlled entity	**22**	37
Selling and distribution expenses	**(8,765)**	(4,340)
Marketing expenses	**(276)**	(284)
Tourism expenses	**(2,156)**	(2,016)
Administration expenses	**(5,490)**	(3,013)
OPERATING PROFIT/(LOSS) BEFORE TAX and FINANCING COSTS	**(588)**	178
Finance costs	**(1,148)**	(418)
PROFIT/(LOSS) BEFORE INCOME TAX	**(1,735)**	(240)
Income tax (expense) / benefit	**620**	(37)
NET PROFIT/(LOSS) FOR THE YEAR	**(1,115)**	(277)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Currency translation	**(244)**	(5)
Cash flow hedges	**(33)**	7
Changes in fair value of land	—	(1,000)
Income tax on other comprehensive income items	—	300
Total other comprehensive income/(loss) net of tax	**(277)**	(698)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,392)**	(975)
Total net profit/(loss) is attributable to:		
Equity holders of Buderim Ginger Limited	**(1,115)**	(277)
Non-controlling interests	—	—
	(1,115)	(277)
Total comprehensive income/(loss) is attributed to:		
Equity holders of Buderim Ginger Limited	**(1,392)**	(975)
Non-controlling interests	—	—
	(1,392)	(975)

29. RELATED PARTY DISCLOSURES (Continued)	CLOSED GROUP	
(ii) Consolidated Statement of Financial Position	2010 $'000	2009 $'000
CURRENT ASSETS		
Cash and cash equivalents	**133**	—
Trade and other receivables	**12,198**	7,246
Inventories	**12,360**	12,144
Current tax assets	**1,015**	72
Other current assets	**626**	182
Derivatives	**24**	13
TOTAL CURRENT ASSETS	**26,356**	19,657
NON-CURRENT ASSETS		
Receivables	**9,892**	16,626
Investments	**1,151**	11,201
Investments accounted for using equity method	**1,219**	1,222
Property, plant and equipment	**28,896**	21,181
Deferred tax assets	**802**	674
Intangible assets	**3,889**	356
TOTAL NON-CURRENT ASSETS	**45,849**	51,260
TOTAL ASSETS	**72,205**	70,917
CURRENT LIABILITIES		
Trade and other payables	**11,223**	5,643
Interest-bearing liabilities	**26,462**	29,338
Short-term provisions	**862**	669
Current tax liabilities	**468**	—
Derivatives	**44**	—
TOTAL CURRENT LIABILITIES	**39,059**	35,650
NON-CURRENT LIABILITIES		
Trade and other payables	**—**	1,373
Interest-bearing liabilities	**84**	320
Deferred tax liabilities	**3,175**	3,230
Long-term provisions	**66**	52
TOTAL NON-CURRENT LIABILITIES	**3,325**	4,975
TOTAL LIABILITIES	**42,384**	40,625
NET ASSETS	**29,821**	30,292
EQUITY		
Contributed equity	**23,008**	23,008
Reserves	**6,118**	6,009
Retained earnings	**695**	1,275
TOTAL EQUITY	**29,821**	30,292

29. RELATED PARTY DISCLOSURES (Continued)

Transactions and balances

Sales and purchases 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 for any related party except for the $450,000 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, the $US850,000 guarantee to the Central State Bank of America as security for banking facilities provided to Buderim Ginger America, LLC and Pan Pacific Foods, LLC, 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. During the year ended 31 December 2010, Buderim Baking Company Pty Ltd and Buderim Macadamias Pty Ltd joined the closed group cover by the Class Order 98/1418.

The following table provides the total amount of transactions which have been entered into with the joint venture entity.

RELATED PARTY	% equity interest	Year	Sales to related parties $	Purchases from related parties $	Amounts owed by related parties $	Amounts owed to related parties $
Joint venture entities						
Ginger Head Quarters Pty Ltd	**50**	**2010**	**517,289**	**785,942**	**75,833**	**126,298**
	50	2009	509,899	579,317	120,131	40,412
Director						
The following table provides the total value of transactions which have been entered into with other related parties for the relevant financial year and amount owing at year end.						
Templeton Ginger Pty Ltd *	**—**	**2010**	**—**	**502,069**	**—**	**510**
	—	2009	—	861,163	—	1,190

For the year ended 31 December 2010, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties. (2009: 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.

Non-controlling Interest

Buderim Ginger America, Inc agreed to acquire the remaining 25% of ownership units in Buderim Macadamias of Hawaii, LLC dba MacFarms of Hawaii on 31 December 2010 for consideration of $177k consisting of $100k cash and the issue of 400,000 ordinary shares in Buderim Ginger Limited on settlement. Settlement is to occur in early 2011.

Buderim Ginger America, Inc also agreed to acquire the remaining 25% non-controlling interests in Buderim Ginger America, LLC for no consideration.

On the same date, Buderim Ginger America, Inc agreed to sell its 75% ownership units in Pan Pacific Foods, LLC to the non-controlling interests for consideration of $63k.

30. BUSINESS COMBINATIONS

Acquisition of ownership units in Buderim Ginger America, LLC

On 1 March 2009, Buderim Ginger Limited acquired a further 25% in Buderim Ginger America, LLC ("BGA") through its 100% owned subsidiary, Buderim Ginger America, Inc as part of the restructure of the Group's US subsidiaries bringing its percentage ownership to 75%. As at this date, equity accounting for BGA ceased and the entity's financial results were fully consolidated into the group accounts.

The additional 25% ownership units purchased in Buderim Ginger America, LLC was acquired for a one off cash payment of $US150k ($A 217k), and is represented by assets detailed below.

	CONSOLIDATED	
	Recognised on acquisition	Carrying value
	$'000	$'000
Cash	1	1
Trade and other receivables	70	70
Inventory	227	227
	298	298
Trade and other payables	(32)	(32)
Financial liabilities	(70)	(70)
Fair value of identifiable net assets	196	196
Goodwill arising on acquisition	21	
	217	
Consideration		
Cash paid	217	
	217	

Included in the $21k 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 market position, reputation, brand value, and customer relationships. Since the acquisition of the additional 25% in Buderim Ginger America, LLC, this entity made a positive contribution to the Group's 2009 full-year result in terms of both revenue of $1.8m and operating profit (before tax but after minority interest) of $25k. Had the results relating to Buderim Ginger America, LLC been fully consolidated from 1 January 2009, it is estimated that the contribution to the Group's 2009 net profit for the full year would have been $13k. This is due to the fact that losses were incurred in the first two months of this period under review during which equity accounting was applied at 50%.

30. BUSINESS COMBINATIONS (Continued)

Acquisition of ownership units in Pan Pacific Foods, LLC

As part of the restructure of the Group's US subsidiaries in 2009, Buderim Ginger Limited also acquired 75% of the business assets of Pan Pacific Foods, LLC ("PPF") through its 100% owned subsidiary, Buderim Ginger America, Inc on 1 March 2009. As at this date, PPF was fully consolidated into the group accounts. PPF manages the sales and distribution of Buderim Ginger and MacFarms of Hawaii products throughout the Americas.

Assets acquired in the Pan Pacific Foods, LLC business combination include cash, prepayments, inventory and plant and equipment. Liabilities assumed included bank liabilities and a few specific account payable commitments.

The purchase price for the 75% of ownership units was $US150k ($A 217k).

	CONSOLIDATED	
	Recognised on acquisition $'000	Carrying value $'000
Cash	50	50
Prepayments	1	1
Inventory	61	61
Property, plant and equipment	3	3
	115	115
Financial liabilities	(74)	(74)
Fair value of identifiable net assets	41	41
Goodwill arising on acquisition	176	
	217	
Consideration		
Cash paid	217	
	217	

Included in the $176k 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 extensive marketing expertise with particular emphasis on the North American market, customer relationships, and a well established distribution network. Pan Pacific Foods, LLC made positive contributions to the Group's 2009 full-year result in terms of both revenue of $1.6m and operating profit (before tax but after minority interest) of $94k. Had the results relating to Pan Pacific Foods, LLC been consolidated from 1 January 2009, it is estimated that an additional contribution towards the Group's 2009 result approximating $32k (before tax but after minority interest) would have been achieved for the year ended 31 December 2009.

31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 22 and on the face of the Statement of Changes in Equity. There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital, as demonstrated in the table below. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

Asset and capital structure	**2010**	**2009**
	TOTAL OPERATIONS	**TOTAL OPERATIONS**
Net Gearing	**$'000**	**$'000**
Debts		
Interest bearing loans and borrowings	27,107	30,861
Cash and short term deposits	(1,638)	(1,059)
Net debt	25,469	29,802
Total equity	28,333	31,507
Total capital employed	53,802	61,309
	47.3%	48.6%
Assets funded by external stakeholders		
Total assets	71,617	80,187
Total liabilities	43,284	48,680
	60.4%	60.7%

32. PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Buderim Ginger Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1(b).

Parent entity	2010 $'000	2009 $'000
Current assets	**15,931**	19,599
Non-current assets	**47,383**	50,110
Total assets	**63,314**	69,709
Current liabilities	**32,598**	35,654
Non-current liabilities	**4,238**	5,108
Total liabilities	**36,836**	40,672
Net assets	**26,478**	29,037
Issued capital	**23,008**	23,008
Reserves	**6,118**	6,152
Retained earnings/(accumulated losses)	**(2,648)**	(123)
Total shareholders' equity	**26,478**	29,037
Net Profit/(loss) for the year	**(2,526)**	(278)
Total comprehensive income/(loss) for the year	**(2,559)**	(971)

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 FJD $500,000 (AUD $285,000) to indemnify the Westpac Banking Corporation for an overdraft facility made available to Frespac Ginger (Fiji) Ltd.

Contractual commitments

At 31 December 2010 the parent entity has commitments of $55,000 (2009: $40,000) principally relating to plant and machinery upgrades planned for 2011. These amounts represent commitments contracted at reporting date, but not recognised as liabilities are as follows:

Contingent liabilities

The parent entity has no contingent liabilities, other than the guarantees detailed above.

Directors' Declaration

The directors of the company declare that:

(a) the attached financial statements and notes, and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, and:

(i) comply with Accounting Standards and the Corporations Regulations 2001; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of the performance for the year ended on that date;

(b) 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 year ended 31 December 2010;

(c) in the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(d) note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

(e) 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 29 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 described in note 29.

Signed in accordance with a resolution of the directors.

S. Maitland
Director

Yandina, 25 February 2011

Independent Auditor's Report

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Buderim Ginger Limited

Report on the Financial Report

We have audited the accompanying financial report of Buderim Ginger Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

BDO

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Buderim Ginger Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Buderim Ginger Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Working Capital Deficiency

Without qualifying our opinion, we draw attention to note 2(a) in the financial report which indicates that Buderim Ginger Limited has a working capital deficiency due to the breaching of bank covenants which has resulted in all amounts owing under the facility being classified as current as at 31 December 2010. This condition, along with the other matters as set out in note 2, indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Buderim Ginger Limited for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO

Tim Kendall

T J KENDALL
Director

Brisbane, 25 February 2011

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 9 March, 2011.

(a) Distribution of equity securities

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

	ORDINARY SHARES	
	NUMBER OF HOLDERS	NUMBER OF SHARES
1 – 1,000	266	96,833
1,001 – 5,000	686	1,728,891
5,001 – 10,000	223	1,541,162
10,001 – 100,000	406	10,905,544
100,001 and over	39	27,023,924
	1620	41,296,354
The number of shareholders holding less than a marketable parcel of shares are:	674	802755

(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	Mr John Cheadle	6,331,520	15.33
2	Bundaberg Sugar Group Pty Ltd	4,388,649	10.63
3	Redarea Pty Ltd	2,467,754	5.98
4	Rathvale Pty Limited	1,783,119	4.32
5	National Nominees Limited	1,657,154	4.01
6	Consolar Investments Pty Ltd	898,379	2.18
7	Clowes Investments Pty Ltd	807,936	1.96
8	Mrs Felicity Ruth Benoit & Mr Ashley Laurence Benoit	726,312	1.76
9	Amak Pty Ltd	661,966	1.60
10	James Gordon Moffatt	534,143	1.29
11	Siben Nominees Pty Ltd	467,079	1.13
12	Panda Investments (VIC) Pty Ltd	466,258	1.13
13	Mr James Gordon Maxwell Moffatt	401,504	0.97
14	Lance O'Connor	400,000	0.97
15	Vittorio Alberti	395,818	0.96
16	Tregunna Pty Ltd	342,065	0.83
17	The Canny Investor Pty Ltd	322,136	0.78
18	Douglas Meaden Pty Ltd	318,406	0.77
19	Mr John Barr	281,573	0.68
20	Raylou Investments Pty Ltd	280,000	0.68
	Report Total	23,931,771	57.95
	Remainder	17,364,582	42.05
	Grand Total	41,296,353	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
The John Cheadle Trust	6,331,520
Bundaberg Sugar Group Ltd	4,388,649
Redarea Pty Ltd (the Templeton Family Account)	2,902,206
Rathvale Pty Ltd and Associates	2,029,054

(d) Substantial shareholders

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

Corporate Information

BUDERIM GINGER LIMITED
ABN 68 010 978 800
ASX Code: BUG

DIRECTORS
Stephen J. Maitland (Chairman)
Shane T. Templeton
Steve J. Morrow

CHIEF EXECUTIVE
Ron W. O'Grady

COMPANY SECRETARY
Karon L. Rogers

SENIOR MANAGEMENT
Karon L. Rogers (Chief Financial Officer)
Darren R. Burton (General Manager – Agrimac)
John H. Wilkie (General Manager – MacFarms of Hawaii)
Daniel J. Cashin (General Manager – Buderim Baking)
Nichole L. Seymore (General Manager – Tourism)

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YEAR ANNIVERSARY

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World's Finest Ginger™