

**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**BARKWORTH OLIVE GROVES LIMITED  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007**

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**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**  
**DIRECTORS' REPORT**

**1. DIRECTORS**

The names of the directors in office at any time during or since the end of the year are:

D W G Hanlon  
D Pollard  
G A McClymont  
J K Haley (appointed 14 December 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**2. PRINCIPAL ACTIVITIES**

The company's principal activities are that as an olive grower owning three major properties:

- a) The Keetah property in New South Wales adjacent to the Queensland border comprised of 7 titles totalling 1,366 hectares;
- b) The Bassano/Kingston Park property comprised of 6 titles totalling 1,680 hectares located in the Murrumbidgee Irrigation Area near Griffith, New South Wales; and
- c) The Kingsford property in South Australia of approximately 1,600 hectares.

Apart from some relatively small nature reserves all the land is cleared and has extensive irrigation head works including dams, bores, pumping stations and underground water mains.

**3. DIVIDENDS**

No dividends were paid or declared since the start of the financial year. No dividend has been recommended for the year ended 30 June 2007.

**4. REVIEW OF OPERATIONS**

A review of the operations of the company during the financial year and the results of those operations is as follows:

The operations of the company for the financial year have been satisfactory except that a net loss after income tax for the year ended 30 June 2007 of \$3,443,201 was incurred due to the running costs of the company's olive farming operations exceeding its revenue (2006: Profit of \$170,629).

Significant operations during the year include the following:

- (a) BOGL has obtained refinancing on the 14th of July 2006, borrowing \$4.5 million which was used to repay all remaining debentures and provide working capital.
- (b) On 10 October 2006 General Meetings of AB, C, D, E & F Class Shareholders voted in favour of the conversion of their respective shares to Ordinary shares. Total number of additional ordinary shares issued as a result of conversion was 7,076,641, which once consolidated with existing ordinary shares issued gave a total of 11,148,821 ordinary shares as at 20 October 2006.
- (c) On 20 October 2006 the Rights Issue 2006 Prospectus for the issue of one new ordinary share for each five ordinary shares held was lodged with the Australian Securities and Investments Commission. At minimum subscription BOGL would received \$200,000 and at maximum subscription \$891,844. The 2006 Rights Issue Prospectus closed on 30 April 2007. As at close of 2006 Rights Issue Prospectus 1,984,096 shares were issued totalling \$793,638.
- (d) Capital Project Financing (No 2) Pty Ltd repaid \$849,000 extinguishing the Promissory Noted owed by Capital Project Financing (No 2) Pty Ltd to the Company.

**BARKWORTH OLIVE GROVES LIMITED**  
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**DIRECTORS' REPORT**

(e) Due to a restructure of the Company and associated entities, the company no longer incurs Factory Access Fees, but is now responsible for all grove expenses and for increased employee costs (both grove and non-grove employees).

(f) Due to a restructure of the Company, the Company incurred and then discharged liabilities relating to the former Barkworth Olive Managed Investment Scheme projects. This is a one-off transaction and no further liabilities will be incurred.

(g) On 11 May 2007 the Rights Issue 2007 Prospectus for the issue of one new ordinary share for each two ordinary shares held was lodged with the Australian Securities and Investments Commission with a maximum subscription of \$4,924,844. As at 30 June 2007 subscriptions for 1,654,529 Ordinary Shares totalling \$1,240,896.75 were received and accepted.

5 No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect:

- (a) the operations of the company;
- (b) the results of those operations; or
- (c) the state of affairs of the company;

except that BOGL has refinanced its debt in August 2007 by borrowing \$5.0 million which was used to repay the previous facility with Gardez Nominees & Ors and exit fees of \$270,000 and 12 months interest in advance. The directors also expect to recover \$400,000 from the CPF2 loan book now over the next 6 months and \$734,000 from the 2007 Rights Issue. This will be sufficient to provide working capital for the followings year's harvest.

Also, the CPF2 debt of \$460,000 as at 30 June 2007 was converted to Ordinary Shares in August 2007 and any future loans will also be converted to Ordinary Shares.

6 Likely developments in the operations of the company and expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the company.

7 No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

8 Share Options

Options granted to Directors and Executives of the Company as at the date of the report

Name	Date		Exercise Price	Number		Held at		Vested and Unexercisable
	options granted	Expiry Date		Options	exercised	Reporting Date	Vested and Exercisable	
Douglas Pollard	20 June 2007	31 December 2011	\$1.00	150,000	0	150,000	150,000	0
John Haley	20 June 2007	31 December 2011	\$1.00	150,000	0	150,000	150,000	0
David Hanlon	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Graham McClymont	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Jeanette Arnold	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Ken Schutz	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Stephen Wells	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Vladimir Belededenko	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0
Tim Trochoulis	20 June 2007	31 December 2011	\$1.00	100,000	0	100,000	100,000	0

**BARKWORTH OLIVE GROVES LIMITED**

**A.B.N. 17 076 441 551**

**DIRECTORS' REPORT**

9 Particulars of directors' qualifications, experience, special responsibilities are as follows:

NAME	QUALIFICATIONS & EXPERIENCE	SPECIAL RESPONSIBILITIES
D W G Hanlon	Degree in Agricultural Science and a Diploma in Education. Certified Management Consultant with the Institute of Management Consultants. Director of Resource Consulting Services Pty Ltd, an agribusiness consulting company.	Director
D Pollard	Bachelor of Engineering and extensive experience in Project Planning and design of Irrigation Projects. Former Managing Director of a listed public company.	Director/ Company Secretary
G A McClymont	Degree in Applied Science and is an agribusiness consultant. A member of the Australian Association of Agricultural Consultants and the Australian Institute of Agricultural Science and Technology. Managing Director of McClymont Agricultural Services Pty Ltd which is an agribusiness consulting company operating throughout Australia.	Director
J K Haley	Bachelor of Commerce Degree and a Master of Business Administration from The University of Queensland. A fellow of both the Institute of Chartered Accountants in Australia and Taxation Institute of Australia and an Affiliate of the Securities Institute of Australia.	Director

10 During the financial year, 7 meetings of the company's directors were held. The number of meetings each director of the company attended is as follows:

NAME	NUMBER OF BOARD MEETINGS HELD WHILE A DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED
D W G Hanlon	7	6
D Pollard	7	7
G A McClymont	7	7
J K Haley	4	4

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

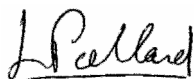
11 BOGL relies on bore and river water entitlements for its water. During the current year and subsequently, there had been instances where some entitlements have been subject to doubt as to their adequacy. Notwithstanding this, the company has been able to overcome any such doubts in respect of two of the three properties and ensure a continuous supply of water at the required volumes to its properties.

At this point in time Bassano has zero water allocation. The on-farm water supply will be exhausted by mid November. If this continues Bassano will have a poor crop, but the trees should not suffer any permanent damage.

BOGL operations are subject to significant environmental regulation under the law of the Commonwealth and State. No breaches of these regulations have been reported during the period.

12 The Auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 4 and forms part of the director's report for the year ended 30 June 2007.

Signed at Brisbane, this 30th day of October 2007 in accordance with a resolution of the Board of Directors.



D POLLARD  
DIRECTOR

**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, in relation to our audit of Barkworth Olive Groves Limited for the year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Signed at Brisbane, 30 October 2007



WILLIAM BUCK  
Chartered Accountants



B P WORRALL  
Lead Audit Partner

**BARKWORTH OLIVE GROVES LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2007**

	NOTE	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	5	1,093,314	39,856
Trade & Other Receivables	6	728,493	1,357,491
Inventory		-	17,498
Other current assets	8	41,487	54,864
<b>TOTAL CURRENT ASSETS</b>		<u>1,863,294</u>	<u>1,469,709</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	12,108,405	12,262,370
Biological assets	10	4,768,116	4,768,116
Other financial assets	7	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>16,876,521</u>	<u>17,030,486</u>
<b>TOTAL ASSETS</b>		<u>18,739,815</u>	<u>18,500,195</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	11	234,550	303,597
Financial liabilities	12	5,221,141	3,477,534
Current tax liabilities	13	18,151	8,321
Other current liabilities	14	3,900	3,080
Provisions	15	83,862	10,805
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,561,604</u>	<u>3,803,337</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	12	670,670	802,518
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>670,670</u>	<u>802,518</u>
<b>TOTAL LIABILITIES</b>		<u>6,232,274</u>	<u>4,605,855</u>
<b>NET ASSETS</b>		<u>12,507,541</u>	<u>13,894,340</u>
<b>EQUITY</b>			
Issued Capital	16	12,305,852	10,329,450
Retained Profits		(9,673,214)	(6,230,013)
Employee Options Reserve	22,23	80,000	-
Asset Revaluation Reserve	23	9,794,903	9,794,903
<b>TOTAL EQUITY</b>		<u>12,507,541</u>	<u>13,894,340</u>

*Notes to and forming part of the financial statements are attached.*

**BARKWORTH OLIVE GROVES LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	NOTE	2007 \$	2006 \$
Revenue	2	899,265	2,126,878
Depreciation and amortisation expense		(517,533)	(549,239)
Finance costs		(747,901)	(482,342)
Factory Access Fees and Water Charges	24(i)	-	(299,858)
Groves expenses	24(i)	(1,608,723)	(775,438)
Reversal of Impairment of current loans receivable	6	711,964	863,038
Employee Benefits (Grove and Non-grove)	24(i)	(1,129,225)	(455,691)
Employee Options		(80,000)	-
Liabilities transferred upon restructure of projects	24(ii)	(560,499)	-
Other expenses		<u>(410,549)</u>	<u>(256,719)</u>
Profit before income tax expense	3	(3,443,201)	170,629
Income tax expense	4	<u>-</u>	<u>-</u>
Profit for the year		<u>(3,443,201)</u>	<u>170,629</u>

*Notes to and forming part of the financial statements are attached.*

**BARKWORTH OLIVE GROVES LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007**

	Share Capital \$	Retained Profits \$	Asset Revaluation Reserve \$	Employee Options Reserves	Total \$
<b>Balance at 30 June 2005</b>	10,284,200	(6,400,642)	-	-	3,883,558
Profit attributable to members of the company	-	170,629	-		170,629
Revaluation increment / (decrement)	-	-	9,794,903		9,794,903
Shares Issued during the year	45,250	-	-		45,250
<b>Balance at 30 June 2006</b>	<u>10,329,450</u>	<u>(6,230,013)</u>	<u>9,794,903</u>	<u>-</u>	<u>13,894,340</u>
Profit attributable to members of the company		(3,443,201)			(3,443,201)
Shares converted during the period					
- Classes AB, C, D, E & F	(6,185,170)				(6,185,170)
- Ordinary Shares	6,185,170				6,185,170
2006 Rights Issue Shares Issued	793,638				793,638
2007 Rights Issue Shares issued	1,240,897				1,240,897
Rights issue expenses	(58,133)				(58,133)
Employee Options issued				80,000	80,000
<b>Balance at 30 June 2007</b>	<u>12,305,852</u>	<u>(9,673,214)</u>	<u>9,794,903</u>	<u>80,000</u>	<u>12,507,541</u>

*Notes to and forming part of the financial statements are attached.*

**BARKWORTH OLIVE GROVES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	NOTE	2007 \$	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,128,879	636,864
Payments to employees and suppliers		(3,603,139)	(1,809,724)
Interest received		39,751	466,271
Borrowing costs		(747,901)	(482,342)
		<u>(3,182,410)</u>	<u>(1,188,931)</u>
Net cash provided by (used in) operating activities	17(a)	<u>(3,182,410)</u>	<u>(1,188,931)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Payments)/proceeds from term deposits		-	1,490,000
Proceeds on sale of property, plant & equipment		-	19,128
Payment for purchase of property, plant & equipment		(163,887)	(107,542)
Proceeds from loans receivable		1,024,964	
		<u>861,077</u>	<u>1,401,586</u>
Net cash provided by (used in) investing activities		<u>861,077</u>	<u>1,401,586</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of share issues		1,976,403	45,250
Proceeds from borrowings		4,965,000	4,557,887
Repayments of borrowings		(3,566,612)	(4,837,027)
		<u>3,374,791</u>	<u>(233,890)</u>
Net cash provided by (used in) investing activities		<u>3,374,791</u>	<u>(233,890)</u>
Net increase in cash held		1,053,458	(21,235)
Cash at the beginning of the financial year.	17(c)	<u>39,856</u>	<u>61,091</u>
Cash at the end of the financial year.	17(c)	<u>1,093,314</u>	<u>39,856</u>

*Notes to and forming part of the financial statements are attached.*

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Statement of Compliance

The financial report is a general purpose financial report and has been prepared in accordance with Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), adopted by the Australian Accounting Standards Board, and the Corporations Act 2001. Compliance with AIFRS ensures the financial report, comprising the financial statements, and notes thereto, complies with International Financing Reporting Standards.

The financial report covers Barkworth Olive Groves Limited as an individual entity. Barkworth Olive Groves Limited is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Functional and Presentation Currency**

The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

**Accounting Policies**

**(a) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or a liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited direct to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(b) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

(c) **Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant & Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class Of Asset	Depreciation Rate
Plant and equipment	2.5% - 40%
Buildings	3% - 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**(d) Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

**(e) Revenue**

Revenue from the sale of goods or rendering of service is recognised upon delivery to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax.

**(f) Cash & Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of any outstanding bank overdrafts.

**(g) Trade creditors and accruals**

A liability is recorded for goods and services received prior to balance date, whether invoiced or not. Trade creditors are normally settled within 60 days.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

- (h) **Leased assets**  
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.
- Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.
- (i) **Trade Debtors**  
Trade and other debtors represent principal amounts outstanding at balance date and are normally settled on 30 day terms.
- (j) **Loans receivable**  
Loans receivable from related corporations represent the principal amounts due at balance date and are non-interest bearing. There are no fixed terms of repayment.
- Promissory Notes receivable represent the principal amounts due at balance date and are non-interest bearing and repayable on demand.
- (k) **Debenture Liabilities**  
As at 30 June 2007 Debentures with a value of \$Nil (2006: \$3,092,823) were outstanding.
- (l) **Impairment of Assets**  
At each reporting date, the entity reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.
- Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
- Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
- (m) **Net Fair Value**  
The carrying amount of financial assets and liabilities recorded in the financial statements are stated at net fair values unless otherwise stated. The net fair value of assets is the amount that could be recovered on disposal less any costs of disposal. The net fair value of liabilities is the amount that could be paid to extinguish the debt, plus any costs of extinguishment.
- (n) **Borrowing Costs**  
Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of the asset.
- (o) **Comparative Figures**  
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
- (p) **New accounting standards and interpretations**  
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out
- (i) AASB7 Financial Instruments: Disclosures and AASB2005-10 Amendments to Australian Accounting Standards (AASB132, AASB101, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 and AASB1038)*
- AASB7 and AASB2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the company's financial instruments.
- (q) **Critical accounting estimates and judgements**  
The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. There were no key adjustments during the year which required accounting estimates or judgements.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2007	2006
	\$	\$
<b>NOTE 2 - REVENUE</b>		
<b>Operating revenue:</b>		
Factory access fees	-	320,570
Farm Gate Sales of Olives	726,522	1,078,910
Lease/Agistment Fees	25,595	-
Hire of equipment	33,120	223,817
	<u>785,237</u>	<u>1,623,297</u>
<b>Non-operating revenue:</b>		
Interest received	39,751	466,271
Insurance Claims	15,193	
Water Rights Compensation	17,285	
Proceeds on sale of non current assets	41,799	19,128
Other income	-	18,182
	<u>114,028</u>	<u>503,581</u>
	<u>899,265</u>	<u>2,126,878</u>
<b>NOTE 3 - PROFIT</b>		
Profit before income tax has been determined after:		
<b>Crediting as Income:</b>		
Interest received and receivable		
- other persons or corporations	14,412	12,335
- related parties - Barkworth Finance Pty Ltd	21,843	453,936
Profit on sale of non current assets	-	5,330
<b>Charging as Expense:</b>		
Amortisation – leased assets	218,781	216,041
Auditors' remuneration		
- Audit and review of financial report	29,200	16,000
- Other services - review of prior year reports	-	30,230
Borrowing costs - interest paid - debentures	19,857	412,669
Borrowing costs - other	123,027	3,690
Finance charges	605,017	65,983
Depreciation	298,752	333,198
Factory Access Fees and Water Charges	-	299,858
Foreign exchange rate losses/(profit)	(48,059)	(21,212)
Loss on sale of assets	(13,691)	(6,402)
Provision for doubtful debts	(33,570)	33,570
Impairment write-downs	(711,964)	(863,038)

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2007	2006
	\$	\$
<b>NOTE 4 - INCOME TAX</b>		
The prima facie tax on operating profit/(loss) before income tax is reconciled to the income tax as follows:		
Operating profit/(loss) before income tax	(3,443,201)	170,629
Prima facie tax payable (benefit) before income tax at 30% 2006: 30%)	(1,032,960)	51,189
Add tax effect of: Non-deductible items	16,776	2,807
Less tax effect of: Recoupment of prior year tax losses	-	(53,996)
Income tax attributable to to entity	<u>(1,016,184)</u>	<u>-</u>

Deferred tax assets not brought to account, the benefits of which will only be realised if condition deductibility set out in Note 1(a) and below occur:

- Temporary differences \$99,084 (2006 \$257,369)
- Tax losses: operating losses \$1,603,202 (2006 \$487,458)

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax \$71,474 (2006 \$71,474)

Deferred tax assets attributable to tax losses and timing differences will only be realised where there are no adverse changes in income taxation legislation and the company derives sufficient future assessable income to enable the asset to be realised and the company continues to comply with the conditions of deductibility imposed by the law.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Cash on Hand	5	5
Cash at Bank - Locked Box account	-	5,157
Cash at Bank - Other accounts	1,093,309	34,694
	<u>1,093,314</u>	<u>39,856</u>

**BARKWORTH OLIVE GROVES LIMITED**  
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	2007 \$	2006 \$
<b>NOTE 6 - TRADE AND OTHER RECEIVABLES</b>		
Trade & other debtors	709,139	1,052,781
Less provision for impairment	-	(33,570)
Fuel Tax Credits	4,550	-
GST Receivables	14,804	25,280
	728,493	1,044,491
Loans - related corporations (unsecured & non-interest bearing):		
Barkworth Finance Pty Limited	-	175,962
Impairment write down	-	(175,962)
	-	-

The impairment write down is on the basis that the directors do not expect any recovery of the loan.

Promissory notes, non-interest bearing, unsecured, repayable on demand:

Other entities	-	849,000
Impairment write down	-	(536,000)
	-	313,000
	728,493	1,357,491

The reversal of the impairment write down was based on receipts during and subsequent to year end.

**NOTE 7 - OTHER FINANCIAL ASSETS**

**Non-Current**

Shares in Inglewood Olive Processors Limited, at cost	4,055,930	4,055,930
Impairment write down	(4,055,930)	(4,055,930)
	-	-

Barkworth Olive Groves Limited owns 38% of the share capital in Inglewood Olive Processors Pty Ltd. Inglewood Olive Processors Pty Ltd formerly owned and operated processing equipment for the conversion of olives into olive oil, but is now non-operating.

The equity method of accounting has not been applied to the investment on the basis that recoverable amount write-downs have reduced the carrying amount to nil.

**NOTE 8 - OTHER CURRENT ASSETS**

Inventory	-	17,498
Prepayments	23,434	28,364
Deposits paid	18,053	16,500
Other	-	10,000
	41,487	54,864

**BARKWORTH OLIVE GROVES LIMITED**  
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<b>NOTE 9 - PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
Freehold land, at cost	-	-
Freehold land, at Directors' Valuation	10,376,384	10,376,384
	<u>10,376,384</u>	<u>10,376,384</u>
Buildings, at cost	309,798	309,798
Less accumulated depreciation	(99,830)	(86,182)
	<u>209,968</u>	<u>223,616</u>
Plant, motor vehicle, and equipment - at cost	3,082,626	3,105,541
Less accumulated depreciation	(2,237,717)	(2,203,888)
	<u>844,909</u>	<u>901,653</u>
Plant, motor vehicle, and equipment, under finance lease	1,046,118	1,003,117
Accumulated Amortisation	(624,932)	(417,328)
	<u>421,186</u>	<u>585,789</u>
Plant, motor vehicle, and equipment, under hire purchase	41,000	110,540
Accumulated Amortisation	(10,531)	(40,830)
	<u>30,469</u>	<u>69,710</u>
Motor Vehicles under finance	157,552	115,389
Less accumulated depreciation	(67,140)	(40,897)
	<u>90,412</u>	<u>74,492</u>
Plant & Equipment under finance less accumulated depreciation	183,880 (48,803)	55,673 (24,946)
	<u>135,077</u>	<u>30,726</u>
	<u>12,108,405</u>	<u>12,262,370</u>

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	<b>Freehold land</b>	<b>Buildings, at cost</b>	<b>Plant, motor vehicle, and equipment</b>	<b>Plant, motor vehicle, and equipment, under lease</b>	<b>Plant, motor vehicle, and equipment, under hire purchase</b>	<b>Plant, motor vehicle, and equipment, under finance</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	10,376,384	223,616	901,653	585,789	69,710	105,218	12,262,370
- Additions	-	-	163,887	43,000	-	170,371	377,258
- Revaluation	-	-	-	-	-	-	-
- Transfers	-	-	69,540	-	(69,540)	-	-
- Disposals	-	-	(13,691)	-	-	-	(13,691)
- Depreciation expense	-	(13,648)	(276,480)	(207,603)	30,299	(50,100)	(517,532)
Carrying amount at the end of the year	<u>10,376,384</u>	<u>209,968</u>	<u>844,909</u>	<u>421,186</u>	<u>30,469</u>	<u>225,489</u>	<u>12,108,405</u>

The 2006 director's revaluations were based on independent assessments by Mr E.M. Harrison AAPI (CPV) Registered Valuer No. 1353 QLD and Registered Valuer No. 2827 NSW, Mr N.G. Bruce AAPI (CPV) Registered Valuer No. 2425 and Mr N.J. Newton, Qualified Land Valuer, CPM (Val.) PAAPI. The values have been determined from the valuers experience and knowledge of intensive tree crop properties throughout Australia using the direct comparison method.

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 10      BIOLOGICAL ASSETS**

The olive trees are stated at net market value. AASB141 Agriculture requires that biological assets be measured at fair value less estimated point of sale costs. Adjustments to the fair value of biological assets are recognised as revenues and expenses in the Income Statement in the financial year in which they occur.

**Olive Trees**

The valuation of the bearer olive trees are determined by independent valuations to be performed at regular intervals of not more than three years or as determined by the directors where there is a known change in the values evident from sale of a similar property.

Olives on the trees are fully harvested and sold by year end.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Bearer trees, at market value	4,768,116	4,768,116

**NOTE 11 -      TRADE AND OTHER PAYABLES**

Trade Payables	197,371	287,114
Other Creditors and accruals	18,603	16,483
Retentions	18,576	-
	234,550	303,597

**NOTE 12 -      FINANCIAL LIABILITIES**

**Current:**

Lease liability and Hire Purchase (Note 18)	189,082	169,371
Finance/Chattel Mortgage Liabilities (Note 18)	67,059	34,340
Loan - Gardez Nominees & Ors	4,500,000	-
Loan - Capital Project Financing (No 2) Pty Ltd	460,000	-
Redeemable preference share liability #	5,000	-
B Class Debentures	-	-
C Class Debentures	-	445,000
D Class Debentures	-	1,842,000
E Class Debentures	-	-
F Class Debentures	-	765,823
Loan - Barkworth Financing Pty Ltd	-	221,000
	5,221,141	3,477,534

**Non-current:**

Lease liability and Hire Purchase (Note 18)	513,069	663,035
Finance/Chattel Mortgage Liabilities (Note 18)	157,601	94,483
Redeemable preference share liability	-	5,000
D Class Debentures	-	40,000
F Class Debentures	-	-
	670,670	802,518

# The redeemable preference shares are redeemable at the option of the holder for cash consideration.

**Details of Security**

Lease liabilities, hire purchase liabilities and chattel mortgage liabilities are secured by the respective equipment.

The Gardez Nominees & Ors loan is secured by Registered 1st Mortgages over all properties owned by Barkworth Olive Groves Limited, Charge over Water Licences and Company Charge over the Company.

**BARKWORTH OLIVE GROVES LIMITED**  
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		2007	2006
		\$	\$
<b>NOTE 13 -</b>	<b>CURRENT TAX LIABILITIES</b>		
	PAYG Liabilities	18,151	4,703
	Other	-	3,618
		18,151	8,321
<b>NOTE 14 -</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Payroll Liabilities	3,900	3,080
		3,900	3,080
<b>NOTE 15 -</b>	<b>PROVISIONS</b>		
	<b>Employee Leave Benefits</b>		
	Balance at the beginning period	10,805	-
	Liability due to restructure of projects	71,182	-
	Additions to provision	46,305	10,805
	Charges against provision	(44,430)	-
	Closing balance	83,862	10,805

**Employee leave benefits**

Provisions are recognised when the company 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.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

*(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.

**BARKWORTH OLIVE GROVES LIMITED**  
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	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 16 - ISSUED CAPITAL</b>		
Ordinary shares	4,144,280	3,660,280
Ordinary shares converted from Class AB/C/D/E/F	6,185,170	
Ordinary shares (2006 Rights Issue)	793,638	
Ordinary shares (2007 Rights Issue)	1,240,897	
Rights issue expenses	(58,133)	
Ordinary shares of \$1 partly paid	-	516,188
Uncalled Capital	-	(32,188)
"AB" Class shares of \$1 fully paid	-	1,908,750
"AB" Class shares of \$0.40 fully paid	-	1,467,420
"C" Class shares of \$1 fully paid	-	2,106,000
"D" Class shares of \$1 fully paid	-	412,500
"E" Class shares of \$1 fully paid	-	166,000
"F" Class shares of \$1 fully paid	-	75,750
"F" Class shares of \$1 fully paid No Rights	-	48,750
	<u>12,305,852</u>	<u>10,329,450</u>

(a) On 10 October 2006 General Meetings of AB, C, D, E & F Class Shareholders voted in favour of the conversion of their respective shares to Ordinary shares. Total number of additional ordinary shares issued as a result of conversion was 7,076,641, which once consolidated with existing ordinary shares issued gave a total of 11,148,821 ordinary shares as at 20 October 2006.

(b) On 20 October 2006 the Rights Issue 2006 Prospectus for the issue of one new ordinary share for each five ordinary shares held was lodged with the Australian Securities and Investments Commission. At minimum subscription BOGL would received \$200,000 and at maximum subscription \$891,844. The 2006 Rights Issue Prospectus closed on 30 April 2007. As at close of 2006 Rights Issue Prospectus 1,984,096 shares were issued totalling \$793,638.

(c) On 11 May 2007 the Rights Issue 2007 Prospectus for the issue of one new ordinary share for each two ordinary shares held was lodged with the Australian Securities and Investments Commission with a maximum subscription of \$4,924,844. As at 30 June 2007 subscriptions for 1,654,529 Ordinary Shares totalling \$1,240,896.75 were received and accepted.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.

**BARKWORTH OLIVE GROVES LIMITED**  
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	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 17 - CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of Cash Flow from Operating</b>		
Operating profit / (loss) after income tax	(3,443,201)	170,629
Non-cash flows in operating profit;		
Amortisation	218,781	216,041
Depreciation	298,752	333,198
Loss/(Profit) on sale of property, plant & equipment	13,691	(5,330)
Reversal of impairment of loans receivable	(711,964)	(829,468)
Provision for doubtful debts	(33,570)	-
Option expense	80,000	-
Changes in assets and liabilities;		
Trade & other receivables	349,568	(1,063,070)
Prepayments	13,377	(34,073)
Inventory	17,498	(17,498)
Accounts payable	(58,399)	29,835
Provision for annual leave	73,057	10,805
	<u>(3,182,410)</u>	<u>(1,188,931)</u>
<b>(b) Non-cash Financing Activities</b>		
(i) During the year the company acquired property, plant and equipment with an aggregate fair value of \$173,580 (2006: \$155,650) by means of a finance lease. These acquisitions are not reflected in the statement of cash flows or note (a) above.		
(ii) During the year non-cash loan account transactions between related parties totalled \$21,843 (2006:\$374,069)		
<b>(c) Reconciliation of Cash</b>		
Cash on hand	5	5
Cash at Bank	1,093,309	39,851
	<u>1,093,314</u>	<u>39,856</u>
<b>NOTE 18 - EXPENDITURE COMMITMENTS</b>		
<b>Finance Leases and Hire Purchase:</b>		
Payable:		
- no later than 1 year	228,275	217,231
- later than 1 year but no later than 5 years	545,305	728,526
- later than 5 years	-	-
Minimum lease payments	773,580	945,757
Less Future finance charges		
- no later than 1 year	39,193	48,060
- later than 1 year but no later than 5 years	32,236	65,291
- later than 5 years	-	-
Present value of minimum lease payments	702,151	832,406
Disclosed as:		
Current (Note 11)	189,082	169,371
Non-Current (Note 11)	513,069	663,035
	<u>702,151</u>	<u>832,406</u>

**BARKWORTH OLIVE GROVES LIMITED**  
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	2007 \$	2006 \$
<b>Finance/Chattel Mortgage:</b>		
Payable:		
- no later than 1 year	81,883	43,357
- later than 1 year but no later than 5 years	175,227	106,182
Minimum payments	257,110	149,539
Less Future finance charges		
- no later than 1 year	14,824	9,016
- later than 1 year but no later than 5 years	17,626	11,700
Present value of minimum payments	224,660	128,823
 Disclosed as:		
Current (Note 12)	67,059	34,340
Non-Current (Note 12)	157,601	94,483
	224,660	128,823

**NOTE 19 - RELATED PARTY DISCLOSURES**

**(a) Names and positions held by Directors and Key Management Personnel**

**Directors**

D Pollard	Director/Company Secretary
D W G Hanlon	Director
G A McClymont	Director
J K Haley	Director

**Executives**

There are no executives who are Key Management Personnel.

**Principles of compensation**

Remuneration of directors is referred to as compensation as defined in AASB124 Related Party Disclosures.

Compensation levels for directors are competitively set to attract and retain appropriately qualified and experienced directors.

Compensation packages only include a fixed component comprising base compensation as well as employer contributions to superannuation funds.

**(b) Key Management Personnel Remuneration and Retirement Benefits**

**2007**

	Short Term Benefits (Salaries & Fees) \$	Post Employment - Superannuat- ion \$	Long Term Benefits \$	Share-based payments (Options) \$	Total \$
Directors					
D Pollard	55,000	-	-	12,000	67,000
J K Haley	56,000	1,125	-	12,000	69,125
D W G Hanlon	-	-	-	8,000	8,000
G A McClymont	25,500	2,251	-	8,000	35,751
	136,500	3,376	-	40,000	179,876

**2006**

	Short Term Benefits (Salaries & Fees) \$	Post Employment - Superannuat- ion \$	Long Term Benefits \$	Share-based payments (Options) \$	Total \$
Directors					
B R Martin	-	-	-	-	-
D Pollard	-	-	-	-	-
G A McClymont	8,750	-	-	-	8,750
D W G Hanlon	-	-	-	-	-
	8,750	-	-	-	8,750

**BARKWORTH OLIVE GROVES LIMITED**  
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**(c) Transactions with Directors' and Director Related Entities or Related Person**

(i) During the year the company advanced funds and received repayments from a number of related entities. The balances of these loan accounts are set out in Notes 6 and 12. These loans are unsecured, interest free and repayable on demand. Details of these transactions are as follows;

<b>2007 Entity</b>	<b>Loans advanced \$</b>	<b>Loans repaid \$</b>	<b>Reimbursed for Interest Received \$</b>
Barkworth Finance Pty Ltd (loan receivable)	441,535	617,497	21,843
Barkworth Financing Pty Ltd (loan payable)		221,000	-
Capital Project Financing No 2 PL (loan payable)	460,000		

<b>2006 Entity</b>	<b>Loans advanced \$</b>	<b>Loans repaid \$</b>	<b>Reimbursed for Interest Received \$</b>
Barkworth Finance Pty Ltd (loan receivable)	841,806	3,971,398	453,936
Barkworth Financing Pty Ltd (loan payable)	221,000		

Barkworth Finance Pty Ltd reimbursed the company for 110% of the interest paid by the company on debentures.

<b>2007 Related Person</b>	<b>Short Term Benefits (Salaries &amp; Fees) \$</b>	<b>Post Employment - Superannuat- ion \$</b>	<b>Long Term Benefits \$</b>	<b>Total \$</b>
M Pollard	55,000	4,500	-	59,500

<b>2006 Related Person</b>	<b>Short Term Benefits (Salaries &amp; Fees) \$</b>	<b>Post Employment - Superannuat- ion \$</b>	<b>Long Term Benefits \$</b>	<b>Total \$</b>
M Pollard	-	-	-	-

The spouse of Douglas Pollard is employed in the roles of Special Projects Officer and Administrative Assistant on an arms length basis.

**(d) Shares held by Directors and Key Management Personnel and their Related Entities**

The number of shares held at 30 June 2007 directly, indirectly or beneficially by directors and key management personnel and their related entities are as follows:

<b>2007</b>	<b>Held by Directors</b>	<b>Ordinary</b>	<b>"AB" Class</b>	<b>"C" Class</b>	<b>"D" Class</b>	<b>"E" Class</b>	<b>"F" Class</b>
	D Pollard	397,315	-	-	-	-	-
	J K Haley	-	-	-	-	-	-
	D W G Hanlon	-	-	-	-	-	-
	G A McClymont	-	-	-	-	-	-
	<b>Held by Related</b>						
	Barkworth Holdings Pty Ltd	187,095	-	-	-	-	-
	Barkworth Olives Management Ltd	-	-	-	-	-	-
	Barkworth Financing Pty Ltd	141,656	-	-	-	-	-
	<b>2006</b>						
	<b>Held by Directors</b>	<b>Ordinary</b>	<b>"AB" Class</b>	<b>"C" Class</b>	<b>"D" Class</b>	<b>"E" Class</b>	<b>"F" Class</b>
	D Pollard	210,000	9,500	-	-	-	-
	D W G Hanlon	-	-	-	-	-	-
	G A McClymont	-	-	-	-	-	-
	<b>Held by Related</b>						
	Barkworth Holdings Pty Ltd	23,005	147,250	27,250	5,500	14,250	37,500
	Barkworth Olives Management Ltd	-	-	19,750	-	-	-
	Barkworth Financing Pty Ltd	-	-	47,500	-	-	-

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 20 - FINANCIAL REPORTING BY SEGMENTS**

The company's principal activities and sole business and geographical segments are that as an olive grower and oil producer owing three major properties:

- a) The Keetah property in New South Wales adjacent to the Queensland border comprised of 7 titles totalling 1,366 hectares;
- b) The Bassano/Kingston Park property comprised of 6 titles totalling 1,680 hectares located in the Murrumbidgee Irrigation Area near Griffith, New South Wales; and
- c) The Kingsford property in South Australia of approximately 1,600 hectares.

Apart from some relatively small nature reserves all the land is cleared and has extensive irrigation head works including dams, bores, pumping stations and underground water mains.

**NOTE 21- FINANCIAL INSTRUMENTS**

**Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from associates, bills and leases.

**Interest Rate Risk**

The company manages its exposure to interest rates through a formal set of policies and procedures approved by the board of directors. Interest rate risk is managed through a mixture of short and long term debt in the form of debentures, finance leases, hire purchase and chattel mortgages. Details of interest risk are shown in the table below

**Liquidity Risk**

Prudent Liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company manages liquidity risk by monitoring forecast cash flows and adequate unutilised borrowing facilities and cash reserves are maintained. At year end there were no unused borrowing facilities however in August 2007 the company entered into a facility agreement and guarantee to the extent of \$5,000,000 for the purpose of refinancing facility with Gardez Nominees & Ors together with exit fees of \$270,000 and 12 months interest of \$500,000. Interest payable under the new facility will be at a minimum rate of 10% and a maximum rate of 14% under certain circumstances. The facility is repayable within 12 months from the date of the advance being 1 September 2008.

**Credit Risk**

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognised in the balance sheet net of any provisions for losses. There are no concentrations of credit risk due from any single counterparty or group of counterparties.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing						Non Interest Bearing		Total	Total
					Within 1 year		1 to 5 Years		Over 5 Years		2007	2006	2007	2006
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Financial Assets</b>	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash	3%	2%	1,093,314	39,856	-	-	-	-	-	-	-	-	1,093,314	39,856
Trade & Other Receivables	0%	0%	-	-	-	-	-	-	-	-	709,139	1,019,211	709,139	1,019,211
GST Receivables	0%	0%	-	-	-	-	-	-	-	-	19,354	25,280	19,354	25,280
Short Term Deposits	0%	5%	-	-	-	-	-	-	-	-	-	-	-	-
Loans to Related Companies	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-
Promissory Notes	0%	0%	-	-	-	-	-	-	-	-	-	313,000	-	313,000
<b>Total Financial Assets</b>			<b>1,093,314</b>	<b>39,856</b>	-	-	-	-	-	-	<b>728,493</b>	<b>1,357,491</b>	<b>1,821,807</b>	<b>1,397,347</b>
<b>Financial Liabilities</b>														
Trade & Other Payables	0%	0%	-	-	-	-	-	-	-	-	234,550	303,597	234,550	303,597
Loan from Related Company	0%	0%	-	-	460,000	221,000	-	-	-	-	-	-	460,000	221,000
Redeemable Preference Share Liability	0%	0%	-	-	-	-	-	5,000	-	-	-	-	-	5,000
Finance/Chattel Mortgages	4%	9%	-	-	67,059	34,340	157,601	94,483	-	-	-	-	224,660	128,823
Lease & Hire Purchase Liabilities	7%	13%	-	-	189,082	169,371	513,069	663,035	-	-	-	-	702,151	832,406
Loan	12%	0%	-	-	4,500,000	-	-	-	-	-	-	-	4,500,000	-
Debentures	0%	9%	-	-	-	3,052,823	-	40,000	-	-	-	-	-	3,092,823
<b>Total Financial Liabilities</b>			-	-	<b>5,216,141</b>	<b>3,477,534</b>	<b>670,670</b>	<b>802,518</b>	-	-	<b>234,550</b>	<b>303,597</b>	<b>6,121,361</b>	<b>4,583,649</b>

**NOTE 22 - SHARES UNDER OPTION**

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Name	Date options granted	Expiry Date	Exercise Price	Number under Options
Douglas Pollard	20 June 2007	31 December 2011	\$1.00	150,000
John Haley	20 June 2007	31 December 2011	\$1.00	150,000
David Hanlon	20 June 2007	31 December 2011	\$1.00	100,000
Graham McClymont	20 June 2007	31 December 2011	\$1.00	100,000
Jeanette Arnold	20 June 2007	31 December 2011	\$1.00	100,000
Ken Schutz	20 June 2007	31 December 2011	\$1.00	100,000
Stephen Wells	20 June 2007	31 December 2011	\$1.00	100,000
Vladimir Belededenko	20 June 2007	31 December 2011	\$1.00	100,000
Tim Trochoulis	20 June 2007	31 December 2011	\$1.00	100,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

**NOTE 23 - RESERVES**

**Asset Revaluation reserve**

	2007	2006
	\$	\$
<b>Asset Revaluation reserve</b>	<b>9,794,903</b>	<b>9,794,903</b>

The asset revaluation reserve records revaluations of non-current assets. There was no movement during the financial year ended 30 June 2007.

**Employee Options reserve**

<b>Employee Options reserve</b>	<b>80,000</b>	<b>-</b>
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The employee options reserve records the expenses of options issued in return for services provided to the Company.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 24 - SIGNIFICANT CHANGES IN OPERATIONS**

(i) Due to a restructure of the Company and associated entities, the company no longer incurs Factory Access Fees, but is now responsible for all grove expenses and for increased employee costs (both grove and non-grove employees).

(ii) Due to a restructure of the Company, the Company incurred and then discharged liabilities relating to the former projects. This is a one-off transaction and no further liabilities will be incurred.

**NOTE 25 - CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The entity had no contingent liabilities or contingent assets at 30 June 2007.

**NOTE 26 - SHARE-BASED PAYMENTS**

All options granted to key management personnel confer a right to be issued one ordinary share in Barkworth Olive Groves Limited for every option held.

	2007		2006	
	Number of Options	Weighted Average Exercise	Number of Options	Weighted Average Exercise
Outstanding at the beginning of the year	-		-	
Granted	1,000,000	\$1.00	-	
Exercised	-		-	
Expired	-		-	
Outstanding at year-end	<u>1,000,000</u>	<u>\$1.00</u>		
Exercisable at year-end	<u>1,000,000</u>	<u>\$1.00</u>		

There were nil (2006:nil) options exercised during the year ended 30 June 2007.

The options outstanding at 30 June 2007 had a weighted average exercise price of \$1.00 and a weighted average remaining contractual life of 4.53 years. Exercise prices of all options was \$1.00.

The weighted average fair value of the options granted during the year was \$0.08.

The fair value was calculated by using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$1.00
Weighted average life of the option	4.53 years
Underlying share price	\$0.849
Expected share price volatility	9.00%
Expected dividend rate	0%
Risk free interest rate	0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

**NOTE 27 - SUBSEQUENT EVENTS**

BOGL has obtained refinancing on the 10th August 2007, borrowing \$5,000,000, which was used to repay loan and exit fees of facility with Gardez Nominees & Ors, interest for the next 12 months and provide working capital. This refinancing was at an interest rate of 10% (Gardez Nominees & Ors 12%) and attracts no exit fees (Gardez Nominees & Ors \$270,000).

The CPF2 debt of \$460,000 as at 30 June 2007 was converted to Ordinary Shares in August 2007.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 28 - GOING CONCERN**

The company made a loss for the year-ended 30 June 2007 of \$3,443,201 (2006: profit \$170,629) and its current liabilities exceed current assets by \$3,698,310 (2006: \$2,333,628).

The directors are planning a further rights issue in the near future which the directors expect will enable the company to meet the following year's harvest costs and corporate overheads by supplementing funds received from the 2007 rights issue and expected recoveries of \$400,000 from the CPF2 loan book over the next 6 months.

The company re-financed its debt in August 2007 by borrowing \$5.0 million which was used to repay the previous facility with Gardez Nominees & Ors and exit fees of \$270,000 and 12 months interest in advance. The re-financed facility is due for repayment on 1 September 2008 but the directors are confident in being able to successfully roll-over the facility for a further 12 months from 1 September 2008.

It is on this basis, that the financial report has been prepared on a going concern basis.

**NOTE 29 - COMPANY DETAILS**

Legal form:

Barkworth Olive Groves Ltd is a company limited by shares domiciled in Australia.

The registered office of the company is:

Barkworth Olive Groves Ltd  
98 Main St  
Kangaroo Point, Brisbane  
Queensland  
Australia

The financial report was authorised for issue by the Board of Directors on 30 October 2007.

**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**  
**DIRECTORS' DECLARATION**

The directors declare that:

(a) the financial statements and notes set out on pages 5 to 26:

- (i) comply with Accounting Standards and other mandatory professional reporting requirements;
- (ii) give a true and fair view of the company's financial position as at 30 June 2007 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(b) in the directors' opinion:

- (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (ii) the financial statements and notes are in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the directors at Brisbane, 30 October 2007



D POLLARD

**BARKWORTH OLIVE GROVES LIMITED**  
A.B.N. 17 076 441 551

**INDEPENDENT AUDITOR'S REPORT**  
**To the Members of Barkworth Olive Groves Limited**

**Report on the Financial Report**

We have audited the accompanying financial report of Barkworth Olive Groves Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and the cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

**Director's Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

**Auditor's Responsibility Approach**

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance.

Signed in accordance with a resolution of the directors at Brisbane, 30 October 2007

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 and fair presentation of the financial report 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 the 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.

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**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Members of Barkworth Olive Groves Limited**

**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, was provided to the directors of Barkworth Olive Groves Limited on the same date as the auditor's report.

**Auditor's Opinion**

In our opinion:

- (a) the financial report of Barkworth Olive Groves Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 28 in the financial report which indicates the company incurred a net loss of \$3.443M during the year ended 30 June 2007 and, as of that date, the company's current liabilities exceeded its current assets by \$3.698M.

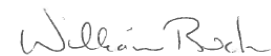
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It is on this basis, that the financial report has been prepared on a going concern basis.

These conditions are forth in Note 28, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern.

Signed at Brisbane, 30 October 2007



**WILLIAM BUCK**  
Chartered Accountants



**B P WORRALL**  
Partner

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