

**BARKWORTH OLIVE GROVES LIMITED**  
**A.B.N. 17 076 441 551**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**BARKWORTH OLIVE GROVES LIMITED  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008**

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

Your directors present their report on the company for the financial year ended 30 June 2008.

**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

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 1,359.4 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 2008.

**4. REVIEW OF OPERATIONS**

A review of the operations of the company during the financial year has resulted in a net loss after income tax for the year ended 30 June 2008 of \$8,334,080 due a loss arising from changes in the fair value of bearer trees of \$4,744,316 in accordance with Accounting Standards and the running costs of the company's olive farming operations exceeding its revenue (2007: Loss of \$3,443,201).

Significant events during the year include the following:

- i) BOGL obtained refinancing on the 10th August 2007, borrowing \$5,000,000, from Stacks Managed Investments Pty Ltd, 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).
- ii) At a Board Meeting held on 17 October 2007 the Rights Issue 2007 under Prospectus lodged with the Australian Securities and Investments Commission on 11 May 2007 was closed. As at the date of closure total subscriptions for 3,039,341 ordinary shares totalling \$2,279,505.75 were received and accepted of which 1,384,812 subscriptions for ordinary shares totalling \$1,038,609 were received in the year ended 30 June 2008.
- iii) On 2 November 2007 Rights Issue 2007 Prospectus in relation to Redeemable Preference Shares was lodged with the Australian Securities and Investments Commission. Redeemable preference shares were offered to all existing shareholders at 25 cents per share on the basis of one preference share in respect of each ordinary share held at 17 October 2007. In addition, one bonus ordinary share would be issued in respect of each preference share subscribed for. As at the closure date of the Prospectus, 22 April 2008, \$2,708,076 had been subscribed under this Prospectus.
- iv) The loan from Capital Project Financing No 2 Pty Ltd of \$460,000 as at 30 June 2007 was converted to shares under the Rights Issue 2007 prior to the closure on 17 October 2007. Additional funds advanced of \$399,000 were converted to Redeemable Preference Shares as at 18 December 2007.
- v) A taxation refund being received for \$280,557 in respect of a Research and Development claim.

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

**4. REVIEW OF OPERATIONS cont'd**

- vi) A lack of water availability from the Murrumbidgee Irrigation Authority has lead to the loss of the 2007-08 crop on the Company's Bassano property in New South Wales.
- vi) In accordance with Accounting Standards a significant loss arising from changes in the fair value of the Bearer Trees has been recognised. Should weather and economic conditions improve, it is possible this impairment will be fully or partially reversed in future years.

**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;

with the exception of:

At the date of this report, contracts for sale in respect of the major part of the water entitlements of Bassano/Kingston Park are being prepared and/or have been executed. In addition, the dry land component has a purchaser and the contract is also being prepared by the Company's solicitors (Geoff Klooger and Associates).

1,000 megalitres of General Security water at market value of \$800,000 has yet to be contracted.

In summary, the sale of the water entitlements and dry land proceeds are expected to be as follows:

209 megalitres of High Security water at \$3,400/MI	\$710,600
*2,171 megalitres of General Security water outside Wah Wah at \$1,050/MI (contract executed on 23 October 2008)	\$2,279,550
*844 megalitres of General Security water inside Wah Wah at \$800/MI	\$675,200
Dry Land	\$725,000
	\$4,390,350

\* BOGL has water that may only be sold inside the Wah Wah district. Water that may be sold outside Wah Wah attracts a higher price.

The contract for the sale of 2,171 megalitres of General Security water has been executed.

BOGL has had discussions with its lender, Stacks Managed Investments Pty Ltd, and they require the loan to be reduced by \$2,500,000 by 1 April 2009.

A loss of \$4,744,316 arising from changes in the fair value of the bearer trees (biological assets) has been recognised which includes writing back the bearer trees on the Bassano property to nil carrying value, though it is expected the Company will derive a profit in the half year ended 31 December 2008 on the finalisation of the sale of Bassano Grove land and water.

It has been estimated by Directors that the gross value of the 2009 crop will be approximately \$1.8 million. It is also anticipated that by 2010 income from harvest will exceed expenses including overheads.

**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 Employees of the Company as at the date of the report:

Name	Date options granted	Expiry Date	Exercise Price	Number under		Held at Reporting Date	Vested and Exercisable	Vested and Unexercisable
				Options	Exercised			
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	Certified Management Consultant with the Institute of Management Consultants (a body representing agricultural and management consultants in Qld) and is a past Federal President of the Australian Institute of Agricultural Science and Technology. He consults extensively with respect to rural properties throughout Australia with clients in all States. David is currently working with a number of large scale agricultural projects within Australia.	Non Executive Director
D Pollard	Degree in civil engineering from the University of Queensland and has had extensive experience in project planning and implementation. His experience includes the design of major irrigation projects. In addition, his commercial experience is considerable having been Managing Director of a listed public company and the Managing Director of BOGL since its establishment.	Managing Director and Chairman
G A McClymont	Degree in Applied Science and is an agribusiness consultant. He is a member of the Australian Association of Agricultural Consultants and the Australian Institute of Agricultural Science and Technology. Graham is the Managing Director of McClymont Agricultural Services Pty Ltd, an agribusiness consulting company operating throughout Australia. Graham has many years of experience working with companies similar to BOGL.	Non Executive Director
J K Haley	Chartered Accountant (fellow of the Institute of Chartered Accountants) with over 25 years experience in taxation law and accounting (with Coopers & Lybrand and Arthur Anderson & Co), general management, financial reporting and company secretarial duties. He has extensive experience in the preparation of prospectuses and has been involved in the listing of companies in Australia and Canada. His work experience is in a diverse range of industries including mineral exploration, and he has participated as a seed capitalist in a number of mineral exploration companies. He is a Director of an ASX listed mineral development company and company secretary of a listed mineral exploration company.	Non Executive Director

10. **REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of Barkworth Olive Groves Limited. Apart from the Managing Director and Chairman, there are no executives who are Key Management Personnel.

*Remuneration Policy*

The remuneration policy of Barkworth Olive Groves Limited has been designed to provide directors and the managing director with a fixed remuneration component only. The board of Barkworth Olive Groves Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain appropriately qualified and experienced directors and managing director to run and manage the company.

The board's policy for determining the nature and amount of remuneration for board members and the managing director is as follows:

- The remuneration policy including the terms and conditions for the directors was developed and approved by the board.
- All directors and managing director receive a base salary, superannuation and options.

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

**10. REMUNERATION REPORT cont'd**

The directors and managing director receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals however have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and the managing director is valued at the cost to the company and expensed. Shares given to directors are valued at the difference between the market price of those shares and the amount paid by the director. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors and the managing director at market rates for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors and the managing director are not linked to the performance of the company. However, to align directors' and the managing director's interests with shareholders interests, the directors and the managing director are encouraged to hold shares in the company.

*Performance-based remuneration*

There is no performance-based remuneration for directors and the managing director.

*Key Management Personnel Remuneration Policy*

The only Key Management Personnel of the company is the Managing Director and Chairman. The board's policy for determining the nature and amount of remuneration of key management personnel is as discussed above.

The employment conditions of the Managing Director and Chairman, Douglas Pollard is based on a fixed remuneration component totaling \$55,000 (plus compulsory 9% superannuation) per annum. Any options not exercised before or on the date of termination will lapse.

**2008**

Directors	Short Term Cash Benefits (Salaries & Fees)	Post Employ- ment Super- annuation	Long Term Benefits	Share-based payments (Options)	Total
	\$	\$	\$	\$	\$
D Pollard#	55,000	-	-	-	55,000
J K Haley	25,000	2,250	-	-	27,250
D W G Hanlon	-	-	-	-	-
G A McClymont	25,000	2,250	-	-	27,250
	105,000	4,500	-	-	109,500

# Remuneration relates to role as fulltime Managing Director

**2007**

Directors	Short Term Cash Benefits (Salaries & Fees)	Post Employ- ment Super- annuation	Long Term Benefits	Share-based payments (Options)	Total
	\$	\$	\$	\$	\$
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

*Performance Income as a Proportion of Total Remuneration*

No performance income has been paid to directors or the Managing Director and Chairman.

*Options Issued as Part of Remuneration for the Year Ended 30 June 2008*

No options were issued as part of remuneration for the year-ended 30 June 2008.

*Shares Issued on Exercise of Compensation Options*

No options were exercised during the year that were granted in prior compensation periods.

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

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

Name	No of Meetings	Number of Board Meetings Attended
D W G Hanlon	4	2
D Pollard	4	4
G A McClymont	4	4
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.


12. 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 causing the 2008 crop to fail. It is highly unlikely any allocation will be made for the 2009 year and as a consequence the Directors agreed to seek out interested parties for the sale of the high and general security water.

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.

13. The Auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 5 and forms part of the director's report for the year ended 30 June 2008.

Signed at Brisbane, this 30th day of October 2008 in accordance with a resolution of the Board of Directors.



D POLLARD  
DIRECTOR

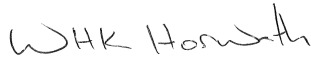
**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF BARKWORTH OLIVE GROVES LIMITED  
A.B.N. 17 076 441 551**

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Barkworth Olive Groves Limited.**

I declare that, to the best of my knowledge and belief, in relation to our audit of Barkworth Olive Groves Limited for the period ended 30 June 2008 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, this 30th day of October 2008



**WHK HORWATH**



**B P WORRALL  
PRINCIPAL**

*Liability limited by a scheme approved under Professional Standards Legislation.*

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**BARKWORTH OLIVE GROVES LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

	NOTE	2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	5	1,070,334	1,093,314
Trade & Other Receivables	6	769,251	728,493
Inventory	8	51,502	-
Other current assets	8	315,553	41,487
Assets held for sale	9, 31	<u>5,190,000</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>7,396,640</u>	<u>1,863,294</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9, 32	6,571,319	12,108,405
Biological assets	10	23,800	4,768,116
Other financial assets	7	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,595,119</u>	<u>16,876,521</u>
<b>TOTAL ASSETS</b>		<u>13,991,759</u>	<u>18,739,815</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	11	299,893	234,550
Financial liabilities	12	2,826,557	5,221,141
Current tax liabilities	13	16,679	18,151
Other current liabilities	14	6,706	3,900
Provisions	15	97,725	83,862
Liabilities relating to assets held for sale	31,33	<u>2,500,000</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,747,560</u>	<u>5,561,604</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	12	<u>349,113</u>	<u>670,670</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>349,113</u>	<u>670,670</u>
<b>TOTAL LIABILITIES</b>		<u>6,096,673</u>	<u>6,232,274</u>
<b>NET ASSETS</b>		<u>7,895,086</u>	<u>12,507,541</u>
<b>EQUITY</b>			
Issued Capital	16	16,027,477	12,305,852
Retained Profits		(18,007,294)	(9,673,214)
Employee Options Reserve	22,23	80,000	80,000
Asset Revaluation Reserve	23	<u>9,794,903</u>	<u>9,794,903</u>
<b>TOTAL EQUITY</b>		<u>7,895,086</u>	<u>12,507,541</u>

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

**BARKWORTH OLIVE GROVES LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	NOTE	2008 \$	2007 \$
Revenue	2	920,455	899,265
Depreciation and amortisation expense		(492,539)	(517,533)
Finance costs		(957,331)	(747,901)
Groves expenses	24(i)	(1,863,874)	(1,608,723)
Reversal of Impairment of current loans receivable	6	-	711,964
Loss arising from changes in fair value of biological assets	10	(4,744,316)	-
Employee Benefits (Grove and Non-grove)	24(i)	(1,037,589)	(1,129,225)
Employee Options		-	(80,000)
Liabilities transferred upon restructure of projects	24(ii)	-	(560,499)
Other expenses		<u>(439,443)</u>	<u>(410,549)</u>
Profit/(Loss) before income tax expense	3	(8,614,637)	(3,443,201)
Income tax credit/(expense)	4	<u>280,557</u>	-
Profit/(Loss) for the year		<u>(8,334,080)</u>	<u>(3,443,201)</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 2008**

	Share Capital \$	Retained Profits \$	Asset Revaluation Reserve \$	Employee Options Reserves	Total \$
<b>Opening Balance at 30 June 2006</b>	10,329,450	(6,230,013)	9,794,903	-	13,894,340
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>	<b>12,305,852</b>	<b>(9,673,214)</b>	<b>9,794,903</b>	<b>80,000</b>	<b>12,507,541</b>
Profit attributable to members of the company		(8,334,080)			(8,334,080)
2007 Rights Issue Shares Issued	1,038,609				1,038,609
2007 Redeemable Preference Shares Issued	2,708,076				2,708,076
Redeemable Preference Rights issue expenses	(25,060)				(25,060)
<b>Balance at 30 June 2008</b>	<b>16,027,477</b>	<b>(18,007,294)</b>	<b>9,794,903</b>	<b>80,000</b>	<b>7,895,086</b>

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

**BARKWORTH OLIVE GROVES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	NOTE	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		741,116	1,128,879
Payments to employees and suppliers		(3,278,901)	(3,603,139)
Interest received		105,809	39,751
Borrowing costs		<u>(957,331)</u>	<u>(747,901)</u>
Net cash provided by (used in) operating activities	17(a)	<u>(3,389,307)</u>	<u>(3,182,410)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds on sale of property, plant & equipment		7,000	-
Payment for purchase of property, plant & equipment		(146,157)	(163,887)
Proceeds from loans receivable		<u>-</u>	<u>1,024,964</u>
Net cash provided by (used in) investing activities		<u>(139,157)</u>	<u>861,077</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of share issues		3,721,624	1,976,403
Proceeds from borrowings		500,000	4,965,000
Repayments of borrowings		<u>(716,140)</u>	<u>(3,566,612)</u>
Net cash provided by (used in) investing activities		<u>3,505,484</u>	<u>3,374,791</u>
Net increase in cash held		(22,980)	1,053,458
Cash at the beginning of the financial year.	17(c)	<u>1,093,314</u>	<u>39,856</u>
Cash at the end of the financial year.	17(c)	<u>1,070,334</u>	<u>1,093,314</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 2008**

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

**Reporting Entity**

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

The company is primarily involved in the operation of growing olives in Australia.

**Basis of Preparation**

*Statement of Compliance*

The financial report of Barkworth Olive Groves Limited is a general purpose financial report prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations and other pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards form the basis of Australian Accounting Standards adopted by the AASB.

The financial report of Barkworth Olive Groves Limited complies with all Australian Equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following standards and amendments were available for early adoption but have not been applied in these financial statements:

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038]. AASB 2007-3 is applicable to annual reporting periods beginning on or after 1 January 2009. The company has not adopted the standard early. AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the change of name to AASB 8. AASB 8 is a disclosure standard and will therefore have no impact on the company's reported position and performance.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. AASB 2007-8 is applicable to annual reporting periods beginning on or after 1 January 2009. The company has not adopted the standard early. AASB 2007-8 consequentially amends a number of standards arising from the revision of AASB 101. This amending Standard also changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including interpretations) to better align with IFRS terminology. Revised AASB 101 introduces as a financial statement (formerly 'primary' statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by AASBs. The company has not yet determined the potential effect of the revised standard on the disclosures in the financial report.
- Revised AASB 123 Borrowing costs are applicable to annual reporting periods beginning on or after 1 January 2009. The revised statement removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The revised standard is not expected to have any impact on the company's financial report.
- AASB 8 Operating Segments is applicable to annual reporting periods beginning on or after 1 January 2009. The standard introduces the "management approach" to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the board of directors in order to assess each segment's performance and to allocate resources to them. This standard is a disclosure standard, and is not expected to have any impact on the reported financial position or performance or the disclosures in the financial report. The company has not adopted the standard early.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

*Reporting Basis and Conventions*

The financial report is presented in Australian dollars.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, revenue and expenses.

- *Critical Accounting Estimates and Judgments*

The estimates and judgments incorporated into the financial report are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the group. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates. Based on executed/negotiated Bassano water sales to date, the directors are confident that the 1,000 megalitres of general security water at Bassano which is not yet subject to sale negotiation, has a market value of \$800,000.

- *Key Estimates — Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

- *Key Estimates — Carrying Amount of Land and Buildings*

The land and buildings of Keetah and Kingsford are carried at fair value per a 2006 independent assessment by registered valuers as detailed in Note 9. As detailed in Note 32, there is significant uncertainty which cast doubt about whether the carrying amount of land and buildings for the Keetah and Kingsford properties are at fair value or are indeed over-valued or under-valued as at the date of this financial report.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required accounting estimates and judgements.

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, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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.

**(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) Inventories**

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

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(c) Property, Plant and 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 and 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 which 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.

*Depreciation*

The depreciable amount of all fixed assets including 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:

<i>Class Of Asset</i>	<i>Depreciation Rate</i>
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.

**(d) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the entity are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised on a straight-line basis over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred as this represent the pattern of benefits derived from the leased assets. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(e) 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. 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 principle 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.

**(f) Impairment of Assets**

At each reporting date, the company reviews the carrying values 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(g) Employee entitlements**

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

- (h) **Provisions**  
Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
- (i) **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, and bank overdrafts.
- (j) **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.
- (k) **Finance Costs**  
  
Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.  
  
All other finance costs are recognised in the income statement in the period in which they are incurred.
- (l) **Goods and Services Tax (GST)**  
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.  
  
Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.
- (m) **Comparative Figures**  
Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
- (n) **Trade Debtors**  
Trade and other debtors represent principal amounts outstanding at balance date and are normally settled on 30 day terms.
- (o) **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.
- (p) **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.
- (q) **Cash Flow Statement**  
For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of any outstanding bank overdrafts.
- (r) **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.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
<b>NOTE 2 - REVENUE</b>		
<b>Operating revenue:</b>		
Farm Gate Sales of Olives	766,532	726,522
Lease/Agistment Fees/Sale of Hay	9,625	25,595
Hire of equipment	-	33,120
	776,157	785,237
<b>Non-operating revenue:</b>		
Interest received	105,810	39,751
Insurance Claims	25,173	15,193
Rental/Reimbursements	6,315	-
Water Rights Compensation	-	17,285
Proceeds on sale of non current assets	7,000	41,799
	144,298	114,028
	920,455	899,265

**NOTE 3 - PROFIT**

Profit before income tax has been determined after:

**Crediting as Income:**

Interest received and receivable		
- other persons or corporations	105,809	14,412
- related parties - Barkworth Finance Pty Ltd	-	21,843
Profit on sale of non current assets	7,000	-

**Charging as Expense:**

Amortisation – leased assets	223,595	218,781
Auditors' remuneration		
- Audit and review of financial report	38,649	29,200
- Other services - review of prior year reports	8,633	-
Borrowing costs - interest paid - debentures	-	19,857
Borrowing costs - other	399,484	123,027
Finance charges	557,846	605,017
Depreciation	268,944	298,752
Foreign exchange rate losses/(profit)	76	(48,059)
Loss on sale of assets	(705)	(13,691)
Provision for doubtful debts	-	(33,570)
Impairment write-downs	-	(711,964)

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<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	(8,334,080)	(3,443,201)
Prima facie tax payable (benefit) before income tax at 30% 2006: 30%	(2,500,224)	(1,032,960)
Add tax effect of:		
Non-deductible items	-	16,776
Less tax effect of:		
Recoupment of prior year tax losses	-	-
Income tax attributable to to entity	<u>(2,500,224)</u>	<u>(1,016,184)</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 \$ 69,792 (2007 \$99,084)
  - Tax losses: operating losses \$2,651,209 (2007 \$1,603,202)
- Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax \$71,474 (2007 \$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.

A taxation refund of \$280,557 was received during the year in respect of a research and development claim.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Cash on Hand	5	5
Cash at Bank - Other accounts	<u>1,070,329</u>	<u>1,093,309</u>
	<u>1,070,334</u>	<u>1,093,314</u>

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 6 - TRADE AND OTHER RECEIVABLES</b>		
Trade & other debtors	741,882	709,139
Accrued Income	2,300	-
Less provision for impairment	-	-
Fuel Tax Credits	5,073	4,550
GST Receivables	19,996	14,804
	<u>769,251</u>	<u>728,493</u>

The reversal of the impairment write down done in 2007 was based on receipts during and subsequent to 30 June 2007 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	<u>(4,055,930)</u>	<u>(4,055,930)</u>
	-	-

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	<u>51,502</u>	<u>-</u>
Prepayments - Creditors	32,470	23,434
Prepayments - Interest	266,283	-
Deposits paid	16,800	18,053
Other	-	-
	<u>315,553</u>	<u>41,487</u>

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 9 - PROPERTY, PLANT &amp; EQUIPMENT</b>		
Freehold land, at cost	-	-
Freehold land, at fair value	5,186,384	10,376,384
	<u>5,186,384</u>	<u>10,376,384</u>
Buildings, at cost	309,798	309,798
Less accumulated depreciation	(109,104)	(99,830)
	<u>200,694</u>	<u>209,968</u>
Plant, motor vehicle, and equipment - at cost	3,304,831	3,082,626
Less accumulated depreciation	(2,490,192)	(2,237,717)
	<u>814,639</u>	<u>844,909</u>
Plant, motor vehicle, and equipment, under finance lease	945,577	1,046,118
Accumulated Amortisation	(747,986)	(624,932)
	<u>197,591</u>	<u>421,186</u>
Plant, motor vehicle, and equipment, under hire purchase	41,000	41,000
Accumulated Amortisation	(20,781)	(10,531)
	<u>20,219</u>	<u>30,469</u>
Motor Vehicles under finance	157,552	157,552
Less accumulated depreciation	(98,651)	(67,140)
	<u>58,901</u>	<u>90,412</u>
Plant & Equipment under finance	183,880	183,880
less accumulated depreciation	(90,989)	(48,803)
	<u>92,891</u>	<u>135,077</u>
	<u>6,571,319</u>	<u>12,108,405</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

	Freehold land	Buildings, at cost	Plant, motor vehicle, and equipment	Plant, motor vehicle, and equipment, under lease	Plant, motor vehicle, and equipment, under hire purchase	Plant, motor vehicle, and equipment, under finance	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	10,376,384	209,968	844,909	421,186	30,469	225,489	12,108,405
- Additions	-	-	146,157	-	-	-	146,157
- Revaluation	-	-	-	-	-	-	-
- Transfers	(5,190,000)	-	100,541	(100,541)	-	-	(5,190,000)
- Disposals	-	-	(704)	-	-	-	(704)
- Depreciation expense	-	(9,274)	(276,264)	(123,054)	(10,250)	(73,697)	(492,539)
Carrying amount at the end of the year	<u>5,186,384</u>	<u>200,694</u>	<u>814,639</u>	<u>197,591</u>	<u>20,219</u>	<u>151,792</u>	<u>6,571,319</u>

The 2006 director's valuations 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. Refer also to Note 32 regarding the carrying amount of land and buildings at the Keetah and Kingsford properties. The transfer of freehold land relates to the Bassano property which has been reclassified as a current asset available for sale.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Bearer trees, at market value	4,768,116	4,768,116
Loss arising from change in fair value	(4,744,316)	-
	<u>23,800</u>	<u>4,768,116</u>

**NOTE 11 TRADE AND OTHER PAYABLES**

Trade Payables	280,782	197,371
Other Creditors and accruals	19,111	18,603
Retentions	-	18,576
	<u>299,893</u>	<u>234,550</u>

**NOTE 12 FINANCIAL LIABILITIES**

**Current:**

Lease liability and Hire Purchase (Note 18)	262,750	189,082
Finance/Chattel Mortgage Liabilities (Note 18)	58,807	67,059
Loan - Gardez Nominees & Ors	-	4,500,000
Loan - Stacks Managements Investments Pty Ltd	2,500,000	-
Loan - Capital Project Financing (No 2) Pty Ltd	-	460,000
Redeemable preference share liability #	5,000	5,000
	<u>2,826,557</u>	<u>5,221,141</u>

**Non-current:**

Lease liability and Hire Purchase (Note 18)	250,320	513,069
Finance/Chattel Mortgage Liabilities (Note 18)	98,793	157,601
	<u>349,113</u>	<u>670,670</u>

# 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 Stacks Managed Investments Pty Ltd 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
<b>NOTE 13 CURRENT TAX LIABILITIES</b>		
PAYG Liabilities	16,679	18,151
Other	-	-
	16,679	18,151
<b>NOTE 14 OTHER CURRENT LIABILITIES</b>		
Payroll Liabilities	6,706	3,900
	6,706	3,900
<b>NOTE 15 PROVISIONS</b>		
<b>Employee Leave Benefits</b>		
Balance at the beginning period	83,862	10,805
Liability due to restructure of projects	-	71,182
Additions to provision	42,875	46,305
Charges against provision	(29,012)	(44,430)
Closing balance	97,725	83,862

**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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 16 ISSUED CAPITAL</b>		
Ordinary shares	4,144,280	4,144,280
Ordinary shares converted from Class AB/C/D/E/F	6,185,170	6,185,170
Ordinary shares (2006 Rights Issue)	793,638	793,638
Ordinary shares (2007 Rights Issue)	2,279,506	1,240,897
Rights issue expenses	(58,133)	(58,133)
Redeemable preference shares (2008 RPS Issue)	2,708,076	-
Redeemable preference shares expenses	(25,060)	-
	<b>16,027,477</b>	<b>12,305,852</b>

*Number of shares*

27,004,560 fully paid Ordinary shares (2007: 14,787,446), and 10,832,302 Redeemable Preference shares (2007: Nil)

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>Number of</b>	<b>Number of</b>	<b>Number of</b>	<b>Number of</b>
	<b>Ordinary</b>	<b>Preference</b>	<b>Ordinary</b>	<b>Preference</b>
	<b>shares</b>	<b>shares</b>	<b>shares</b>	<b>shares</b>
Balance at beginning of the year	14,787,446	-	12,786,714	-
Ordinary share issue	1,384,812	-	2,000,732	-
Preference share issue	-	10,832,302	-	-
Bonus share issue	10,832,302	-	-	-
Balance at end of the year	<b>27,004,560</b>	<b>10,832,302</b>	<b>14,787,446</b>	<b>-</b>

At a Board Meeting held on 17 October 2007 the Rights Issue 2007 under Prospectus lodged with the Australian Securities and Investments Commission on 11 May 2007 was closed. As at the date of closure total subscriptions for 3,039,341 ordinary shares totalling \$2,279,506 were received and accepted of which 1,384,812 subscriptions for ordinary shares totalling \$1,038,609 were received in the financial year ended 30 June 2008.

On 2 November 2007 Rights Issue 2007 Prospectus in relation to Redeemable Preference Shares was lodged with the Australian Securities and Investments Commission. Redeemable preference shares were offered to all existing shareholders at 25 cents per share on the basis of one preference share in respect of each ordinary share held at 17 October 2007. In addition, one bonus ordinary share would be issued in respect of each preference share subscribed for. As at the closure date, 22 April 2008, \$2,708,076 had been subscribed under this Prospectus.

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.

	<b>2008</b>	<b>2007</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	(8,334,080)	(3,443,201)
Non-cash flows in operating profit;		
Amortisation	223,595	218,781
Depreciation	268,943	298,752
Loss/(Profit) on sale of property, plant & equipment	(6,295)	13,691
Reversal of impairment of loans receivable	-	(711,964)
Provision for doubtful debts	-	(33,570)
Option expense	-	80,000
Loss arising from changes in fair value of biological assets	4,744,316	-
Changes in assets and liabilities;		
Trade & other receivables	(40,757)	349,568
Prepayments	(274,066)	13,377
Inventory	(51,505)	17,498
Accounts payable	66,679	(58,399)
Provision for annual leave	13,863	73,057
	<b>(3,389,307)</b>	<b>(3,182,410)</b>

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**(b) Non-cash Financing Activities**

(i) During the year the company acquired property, plant and equipment with an aggregate fair value of \$Nil (2007: \$173,580) 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 \$Nil (2006:\$21.843)

<b>(c) Reconciliation of Cash</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	5	5
Cash at Bank	<u>1,070,329</u>	<u>1,093,309</u>
	<u>1,070,334</u>	<u>1,093,314</u>

**NOTE 18 EXPENDITURE COMMITMENTS**

**Finance Leases and Hire Purchase:**

Payable:

- no later than 1 year	285,307	228,275
- later than 1 year but no later than 5 years	259,998	545,305
- later than 5 years	-	-
Minimum lease payments	<u>545,305</u>	<u>773,580</u>
Less Future finance charges		
- no later than 1 year	22,558	39,193
- later than 1 year but no later than 5 years	9,678	32,236
- later than 5 years	-	-
Present value of minimum lease payments	<u>513,069</u>	<u>702,151</u>
Disclosed as:		
Current (Note 12)	262,750	189,082
Non-Current (Note 12)	<u>250,320</u>	<u>513,069</u>
	<u>513,070</u>	<u>702,151</u>

**Finance/Chattel Mortgage:**

Payable:

- no later than 1 year	68,504	81,883
- later than 1 year but no later than 5 years	<u>106,723</u>	<u>175,227</u>
Minimum payments	175,227	257,110
Less Future finance charges		
- no later than 1 year	9,697	14,824
- later than 1 year but no later than 5 years	<u>7,928</u>	<u>17,626</u>
Present value of minimum payments	<u>157,602</u>	<u>224,660</u>
Disclosed as:		
Current (Note 12)	58,807	67,059
Non-Current (Note 12)	<u>98,793</u>	<u>157,601</u>
	<u>157,600</u>	<u>224,660</u>

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 19 RELATED PARTY DISCLOSURES**

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

**Directors**

D Pollard	Managing Director/Chairman/Secretary
D W G Hanlon	Non Executive Director
G A McClymont	Non Executive Director
J K Haley	Non Executive Director

**Executives**

There are no executives who are Key Management Personnel apart from the Managing Director and Chairman.

**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**

**2008**

Directors	Short Term Cash Benefits (Salaries & Fees) \$	Post Employ- ment Super- annuation \$	Long Term Benefits \$	Share-based payments (Options) \$	Total \$
D Pollard	55,000	-	-	-	55,000
J K Haley	25,000	2,250	-	-	27,250
D W G Hanlon	-	-	-	-	-
G A McClymont	25,000	2,250	-	-	27,250
	105,000	4,500	-	-	109,500

**2007**

Directors	Short Term Cash Benefits (Salaries & Fees) \$	Post Employ- ment Super- annuation \$	Long Term Benefits \$	Share-based payments (Options) \$	Total \$
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

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**(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>2008</b>			
<b>Entity</b>	<b>Loans advanced \$</b>	<b>Loans repaid \$</b>	<b>Reimbursed for Interest Received \$</b>
Barkworth Finance Pty Ltd (loan receivable)	-	-	-
Barkworth Financing Pty Ltd (loan payable)		-	-
Capital Project Financing No 2 PL (loan payable)	-	460,000	-

<b>2007</b>			
<b>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)	-		-

<b>2008</b>	<b>Short Term Benefits (Salaries &amp; Fees) \$</b>	<b>Post Employment - Superannuation \$</b>	<b>Long Term Benefits \$</b>	<b>Total \$</b>
<b>Related Person</b>				
M Pollard	50,000	4,500	-	54,500

<b>2007</b>				
<b>Related Person</b>				
M Pollard	50,000	4,500	-	54,500

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 2008 directly, indirectly or beneficially by directors and key management personnel and their related entities are as follows:

<b>2008</b>	<b>Ordinary</b>	<b>Redeemable Preference Shares</b>
<b>Held by Directors</b>		
D Pollard	294,626	147,313
J K Haley	-	-
D W G Hanlon	-	-
G A McClymont	-	-
<b>Held by Related</b>		
Barkworth Holdings Pty Ltd	187,095	-
Barkworth Financing Pty Ltd	783,312	391,656
Capital Project Financing (No 2) PL	522,058	500,005

<b>2007</b>	<b>Ordinary</b>	<b>Redeemable Preference Shares</b>
<b>Held by Directors</b>		
D Pollard	397,315	-
D W G Hanlon	-	-
G A McClymont	-	-
<b>Held by Related</b>		
Barkworth Holdings Pty Ltd	187,095	-
Barkworth Financing Pty Ltd	141,656	-
Capital Project Financing (No 2) PL	13,875	-

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 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 1,359.4 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.

The directors' overall risk management strategy seeks to assist the company to meet its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The company does not have any derivative instruments at 30 June 2008.

**Financial Risk Exposures and Management**

**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 2007. As at date of this financial report this facility has been extended to 1 August 2009 and the company has had discussions with the lender Stacks Finance who require the loan to be reduced by \$2,500,000 by 1 April 2009.

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in financial loss to the company. As detailed in Note 30 the company is economically dependent on the purchase of its harvest by Viva Olives Pty Ltd.

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. Credit risk is managed and reviewed regularly by the Board of Directors. It arises from exposure to customers as well as through deposits with financial institutions.

The ageing of the company's receivables at reporting date was:

	2008		2007	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due (current)	741,882	-	709,139	-
Past due 0-30 days	-	-	-	-
Past due 30-60 days	-	-	-	-
Past due more than 60 days	-	-	-	-
	<u>741,882</u>	<u>-</u>	<u>709,137</u>	<u>-</u>

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 21- FINANCIAL INSTRUMENTS cont'd**  
**Financial Risk Exposures and Management cont'd**

**Foreign Currency Risk**

The company is not exposed to fluctuations in foreign currencies.

**Price Risk**

The company is exposed to the commodity price of olives.

**Capital Risk Management**

The directors manage the capital to ensure that the company will be able to continue as a going concern and to be able to satisfy future capital needs of the company, through the optimisation of debt and equity.

The capital structure consists of cash and cash equivalents and equity comprising reserves and retained earnings.

The board reviews this structure and the associated risks with each class of capital on a regular basis.

**Net Fair Values**

The net fair values of financial assets and liabilities approximate their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standard form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

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:

	Weighted Average Effective Interest		Floating Interest Rate		Fixed Interest Rate Maturing						Non Interest Bearing		Total		Total			
			2008	2007	Within 1 year		1 to 5 Years		Over 5 Years		2008	2007	2008	2007	2008	2007		
					2008	2007	2008	2007	2008	2007								
<b>Financial Assets</b>	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Cash	0%	3%	1,070,334	1,093,314	-	-	-	-	-	-	-	-	-	-	1,070,334	1,093,314		
Trade & Other Receivables	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	741,882	709,139		
GST Receivables	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	25,069	19,354		
Short Term Deposits	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Loans to Related Companies	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Promissory Notes	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Total Financial Assets</b>			<b>1,070,334</b>	<b>1,093,314</b>	-	-	-	-	-	-	-	-	-	-	<b>766,951</b>	<b>728,493</b>	<b>1,837,285</b>	<b>1,821,807</b>
<b>Financial Liabilities</b>																		
Trade & Other Payables	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	299,893	234,550	299,893	234,550
Loan from Related Company	0%	0%	-	-	-	460,000	-	-	-	-	-	-	-	-	-	-	-	460,000
Redeemable Preference Share Liability	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance/Chattel Mortgages	4%	4%	-	-	58,807	67,059	98,794	157,601	-	-	-	-	-	-	-	-	157,601	224,660
Lease & Hire Purchase Liabilities	7%	7%	-	-	262,750	189,082	250,320	513,069	-	-	-	-	-	-	-	-	513,070	702,151
Loan	12%	12%	-	-	5,000,000	4,500,000	-	-	-	-	-	-	-	-	-	-	5,000,000	4,500,000
<b>Total Financial Liabilities</b>			-	-	<b>5,321,557</b>	<b>5,216,141</b>	<b>349,114</b>	<b>670,670</b>	-	-	<b>299,893</b>	<b>234,550</b>	<b>5,970,564</b>	<b>6,121,361</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 Trochoulias	20 June 2007	31 December 2011	\$1.00	100,000
Total				<u>1,000,000</u>

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

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
<b>NOTE 23 RESERVES</b>		
<b>Asset Revaluation reserve</b>	<u>9,794,903</u>	<u>9,794,903</u>
The asset revaluation reserve records revaluations of non-current assets. There was no movement during the financial year ended 30 June 2008.		
<b>Employee Options reserve</b>	<u>80,000</u>	<u>80,000</u>
The employee options reserve records the expenses of options issued in return for services provided to the Company.		

**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 2008.

**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.

	2008		2007	
	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	1,000,000	\$1.00
Exercised	-		-	
Expired	-		-	
Outstanding at year-end	<u>1,000,000</u>	<u>\$1.00</u>	<u>1,000,000</u>	<u>\$1.00</u>
Exercisable at year-end	<u>1,000,000</u>	<u>\$1.00</u>	<u>1,000,000</u>	<u>\$1.00</u>

There were nil (2007:nil) options exercised during the year ended 30 June 2008.

The options outstanding at 30 June 2008 had a weighted average exercise price of \$1.00 and a weighted average remaining contractual life of 3.53 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.

**BARKWORTH OLIVE GROVES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 27 SUBSEQUENT EVENTS**

As at the date of this financial report:

(a) the finance facility of \$5,000,00 with Stacks Finance has been extended to 1 August 2009 at an interest rate of 12.00% per annum. Stacks Finance have indicated that they require the loan to be reduced by \$2,500,000 by 1 April 2009; and

(b) the contract for sale of 2,171 megalitres of General Security water has been executed by the company and with other contracts for sale being prepared as detailed in Note 31 Assets Held for Sale.

**NOTE 28 GOING CONCERN**

The company made a loss for the year-ended 30 June 2008 of \$8,334,080 (2007: loss of \$3,443,201) and its current liabilities exceed current assets by \$3,540,919 (2007: \$3,698,310) after excluding assets held for sale.

The company has extended its \$5,000,000 loan facility with Stacks Finance to 1 August 2009. However, Stacks Finance have indicated to the company that they require the facility to be reduced by \$2,500,000 by 1 April 2009. The directors are confident that the remaining facility of \$2,500,000 will be successfully rolled-over for a further 12 months from 1 August 2009.

Due to the non-availability of water from the Murrumbidgee Irrigation Scheme resulting in the loss of the 2008 crop at the Bassano Grove, the Directors sought expressions of interest in the selling of water rights and the dry land. At the date of this financial report contracts for sale in respect of the major part of the water entitlements of Bassano/Kingston Park are being prepared. The contract for the sale of 2,171 megalitres of General Security water has been executed. The sale of the 209 megalitres of High Security water and the sale of 844 megalitres of General Security water is expected to receive approval from the purchaser's board when they next meet in November 2008. The directors are currently negotiating the sale of the dry land component. The directors are confident that each of these sales will proceed with settlement to occur by 31 December 2008. The expected proceeds from these sales of \$4,390,350 will be used to retire \$2,500,000 of the Stack Finance loan facility with the balance providing sufficient working capital for the company to continue operations for at least 12 months from the date of this financial report. Further, 1,000 megalitres of Bassano/Kir water at market value of \$800,000 is expected to be contracted over the next 12 months.

After operations in 2008-09 and after allowing for the expected settlement of the sale of water rights and the dry land but excluding the sale of the 1,000 megalitres of Bassano/General Security water, the company is expected to have \$900,000 of funds available at 30 June 2009 which the directors believe will be sufficient to fund the company's activities until at least 31 October 2009.

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

**NOTE 29 AUDITORS REMUNERATION**

	2008	2007
Amounts received or due and receivable by auditors for:	\$	\$
- An audit or review of the financial report of the entity	28,332	26,060
- Other services in relation to the entity	-	8,633
	<u>28,332</u>	<u>34,693</u>

**NOTE 30 ECONOMIC DEPENDENCY**

Barkworth Olive Groves Ltd has an established sales contract with Viva Olives Pty Ltd, to sell all its harvested fruits to Viva Olives Pty Ltd, under the terms and conditions of the supply and purchase agreement between the two companies. The entire 2008 harvested fruit was sold to Viva Olives Pty Ltd.

**NOTE 31 ASSETS HELD FOR SALE**

As at balance date, the directors had identified Bassano/Kingston Park property as available for sale. At the date of this report, contracts for sale in respect of the major part of the water entitlements of Bassano/Kingston Park are being prepared and/or have been executed. In addition, the dry land component has a purchaser and the contract is also being prepared by BOGL's solicitors (Geoff Klooger and Associates).

1,000 megalitres of General Security water at market value of \$800,000 has yet to be contracted. In summary, the sale of the water entitlements and dry land proceeds are expected to be as follows:

209 megalitres of High Security water at \$3,400/MI	\$710,600
*2,171 megalitres of General Security water outside Wah Wah at \$1,050/MI (contract executed on 23 October 2008)	\$2,279,550
*844 megalitres of General Security water inside Wah Wah at \$800/MI	\$675,200
Dry Land	<u>\$725,000</u>
	<u>\$4,390,350</u>

\* BOGL has water that may only be sold inside the Wah Wah district. Water that may be sold outside Wah Wah attracts a higher price.

It is expected that the above sales will be concluded by 31 December 2009.

The beraer trees (biological assets) on the Bassano/Kingston Park properties have been written back to a nil carrying value.

**BARKWORTH OLIVE GROVES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 32 CARRYING AMOUNT OF LAND AND BUILDINGS AT KEETAH AND KINGSFORD PROPERTIES**

The company last obtained an independent valuation on its Keetah and Kingsford properties in 2006 as detailed in Note 9 of this financial report. Since the 2006 valuation the general drought conditions have continued for both properties. There is significant uncertainty as to whether the drought conditions will continue beyond 2009 and as such, there is a risk that the future fair value of the Keetah and Kingsford properties may be negatively impacted. If the drought conditions persist. Conversely, if the drought conditions break then this may have a positive impact on the fair value of both properties.

**NOTE 33 LIABILITIES RELATING TO ASSETS HELD FOR SALE**

	<b>2008</b>	<b>2007</b>
	\$	\$
Loan - Stacks Managements Investments Pty Ltd	2,500,000	-
	2,500,000	-

The company has given an undertaking to Stacks Management Investments Ltd that it will reduce its loan facility by \$2,500,000 by 1 April 2008. Refer Note 12 regarding details of security provided in relation to this loan.

**NOTE 34 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 Limited  
98 Main Street  
Kangaroo Point, Brisbane  
Queensland, Australia

The financial report was authorised for issue by the Board of Directors on 30th October 2008

**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 6 to 30 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 company's financial position as at 30 June 2008 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:

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

Signed in accordance with a resolution of the directors at Brisbane, this 30th day of October 2008.



**D POLLARD**  
**DIRECTOR**

**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 2008, 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 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 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.

**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.

*Total Financial Solutions*



Horwath refers to Horwath International Association, a Swiss entity.  
Each member of the Association is a separate and independent legal entity.

**Member Horwath International**

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A WHK Group firm

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

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

**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 2008 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in paragraph 11 of the director's report for the year ended 30 June 2008. 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 Barkworth Olive Groves Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

**Significant 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 \$8,334,080 during the year ended 30 June 2008 (2007: \$3,443,201) and, as of that date, the company's current liabilities exceeded its current assets by \$3,540,919 (2007:\$3,698,310) after excluding assets held for sale.

The company has extended its \$5,000,000 loan facility with Stacks Finance to 1 August 2009. However, Stacks Finance have indicated to the company that they require the facility to be reduced by \$2,500,000 by 1 April 2009. The directors are confident that the remaining facility of \$2,500,000 will be successfully rolled-over for a further 12 months from 1 August 2009.

Due to the non-availability of water from the Murrumbidgee Irrigation Scheme resulting in the loss of the 2008 crop at the Bassano Grove, the Directors sought expressions of interest in the selling of water rights and the dry land. At the date of this financial report contracts for sale in respect of the major part of the water entitlements of Bassano/Kingston Park are being prepared. The contract for the sale of 2,171 megalitres of General Security water has been executed. The sale of the 209 megalitres of High Security water and the sale of 844 megalitres of General Security water is expected to receive approval from the purchaser's board when they next meet in November 2008. The directors are currently negotiating the sale of the dry land component. The directors are confident that each of these sales will proceed with settlement to occur by 31 December 2008. The expected proceeds from these sales of \$4,390,350 will be used to retire \$2,500,000 of the Stack Finance loan facility with the balance providing sufficient working capital for the company to continue operations for at least 12 months from the date of this financial report. Further, 1,000 megalitres of Bassano/Kingston Park General Security (seperable) water at market value of \$800,000 is expected to be contracted over the next 12 months.

After operations in 2008-09 and after allowing for the expected settlement of the sale of water rights and the dry land but excluding the sale of the 1,000 megalitres of Bassano/General Security water, the company is expected to have \$900,000 of funds available at 30 June 2009 which the directors believe will be sufficient to fund the company's activities until at least 31 October 2009.

These conditions as set forth in Note 28 are dependent upon future events and therefore constitute a significant uncertainty over the company's ability to continue as a going concern.

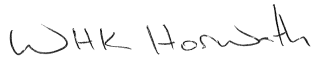
**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Members of Barkworth Olive Groves Limited**

**Significant Uncertainty Regarding the Carrying Amount of Land and Buildings for the Keetah and Kingsford Properties**

Without qualifying our opinion, we draw attention to Note 32 in the financial report which indicates the company last obtained an independent valuation on its Keetah and Kingsford properties in 2006 as detailed in Note 9 in the financial report. Since the 2006 valuation the general drought conditions have continued for both properties. There is significant uncertainty as to whether the drought conditions will continue beyond 2009 and as such, there is a risk that the future fair value of the Keetah and Kingsford properties may be negatively impacted if the drought conditions persist. Conversely, if the drought conditions break then this may have a positive impact on the fair value of both properties.

These conditions as set forth in Note 32 are dependent upon future events and therefore constitute a significant uncertainty about the future carrying amount of land and buildings for the Keetah and Kingsford properties.

Signed at Brisbane, 30th October 2008



WHK HORWATH



B P WORRALL  
Principal

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