BOUNDARY BEND LIMITED

# Boundary Bend Limited and controlled entities

**ABN 32 115 131 667**

Financial report

For the year ended 30 June 2012

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BOUNDARY BEND
LIMITED
Australia's premier olive company
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## EXECUTIVE CHAIRMAN'S REPORT

20 September 2012

Dear Shareholders,

In the past 12 months Boundary Bend has seen contrasting outcomes. Cobram Estate brand sales growth has been outstanding, but the wet humid summer severely impacted olive oil production, resulting in a disappointing full year loss result. We are however increasingly confident about the future. That is, we are in a position where a large area of our groves are approaching maturity, whilst there has been a significant increase in world olive oil prices in recent months. A good harvest in 2013, combined with greatly improved olive oil prices and our strong Cobram Estate brand, is an exciting prospect.

Boundary Bend is clearly Australia's # 1 olive oil company:

- **Overwhelming share** of Australia's total olive oil production (57%)
- **Number 1 retail market share** for Australian produced extra virgin olive oil (**Cobram Estate**)
- **Automatic in-built profit growth** with 59.3% of trees yet to reach full yield maturity
- **Highly leveraged to an increasing global price of olive oil (from historic lows)**

## Results

The after tax result of the consolidated entity for the year, after providing for income tax and eliminating non-controlling interests, amounted to a loss of $7.720 million (2011: loss of $11.989 million). The trading loss before tax was $9.153 million (2011: loss of $13.964 million).

| | 2012 ($'000) | 2011 ($'000) |
|---|---|---|
| Trading profit/(loss) | (9,153) | (13,964) |
| Provision of onerous contract (water lease termination) | (5,601) | - |
| Goodwill and investment revaluation - profit/(loss) | (1,260) | - |
| Change in fair value of olive grove - profit/(loss) | 9,133 | - |
| Loss on revaluation of property | (839) | |
| Income tax benefit | - | 1,975 |
| **Profit/(loss) after income tax expense** | **(7,720)** | **(11,989)** |

Boundary Bend's full year trading result is substantially affected by the volume of oil produced from the year's harvest. Under Accounting Standard AASB 141 "Agriculture", the oil is required to be measured at fair value less point of sale costs. This means that the profit or loss relating to the crop is recognised in the year of harvest. Cash from the oil is generated as the oil is sold over the following 12 months, meaning that profit does not align with the company's cash flows. Therefore, the actual profit from the production of the oil will not be known until the oil is sold in the following financial year. If the oil is sold for a higher price a profit is recorded (at the point of sale) and the reverse happens if the oil is sold for less than the value attributed at 30 June.

The cash position of the business is in line with that forecast 12 months ago. Importantly, we have managed to turn around the operating cashflow position of the business. For the year to 30 June 2012 we reported an operating cashflow deficit of $0.787 million, which compares to an operating cashflow deficit of $12.583 million in 2011. We are forecasting our operating cashflow to be around break even for the year to 30 June 2013.

As at 30 June 2012 the consolidated entity had gross assets of $151.623 million, liabilities of $76.512 million giving net assets of $75.111 million. The net assets per share dropped from $1.73 at 30 June 2011 to $1.54 at 30 June 2012, due predominantly to the reported loss and the equity raising at $1.50 per share. Gearing for the consolidated entity dropped from 42.75% at 30 June 2011 to 41.72% at 30 June 2012.

It is also worth noting that as part of the gross asset value, the Cobram Estate brand is valued at cost of $2.447 million, despite generating gross sales for the year to 30 June 2012 of $25.628 million.

**Equity Raising and Debt Restructure**

During the year to 30 June 2012 the consolidated entity raised ordinary equity from a mixture of new and existing shareholders. A net amount of $5.496 million was raised, at a share price of $1.50 per ordinary share. The CBA debt facility was also restructured. The key terms of the restructure were to extend the expiry date to 30 November 2013 and to increase the total debt facilities by $5 million. At 30 June 2012, the consolidated entity had undrawn facilities of $5.5 million.

**Future Earnings**

As previously indicated, BBL's profitability correlates closely with its total olive oil production and the global olive oil prices. Operating costs are mostly fixed and predictable and therefore any movement in gross revenue has a significant impact on profitability. Due to the agricultural variability associated with production and the volatility of price and currency, the Board does not intend to give profit guidance for the 2013 financial year.

Barring any unforeseen agricultural disasters we are optimistic about both our 2013 production levels and global olive oil prices. Both of these are the key drivers of our future profitability.

**Dividend**

The Directors did not declare a dividend in 2012 and it is unlikely that a dividend will be declared in the 2013 financial year. The Board will consider payment of dividends when profits and cash flows improve.

**Harvest 2012**

As previously communicated to shareholders on 27 July, the 2012 harvest produced approximately 5.7 million litres of oil including 870,000 litres from harvesting the Kailis organic groves in Western Australia, where we purchased the harvest rights from the Kailis receivers. This was lower than the 8.2 million litres expected. The decrease in yield was almost solely caused by fungal disease pressure as a consequence of the record rains, flooding and unseasonal humid conditions in the 2010/11 growing season. The fungal disease attacked the fruit (reducing 2011 crop) and also the leaves, causing some of them to fall off. The leaf drop last year affected this year's crop (2012) because the tree self-regulates and concentrated on growing leaves instead of fruit in spring 2011. The leaf drop had a much bigger impact on the crop than expected and we now believe this was the primary cause of the variable flowering last spring. It was most prevalent in the Barnea variety that seems to be more susceptible to disease in humid growing conditions.

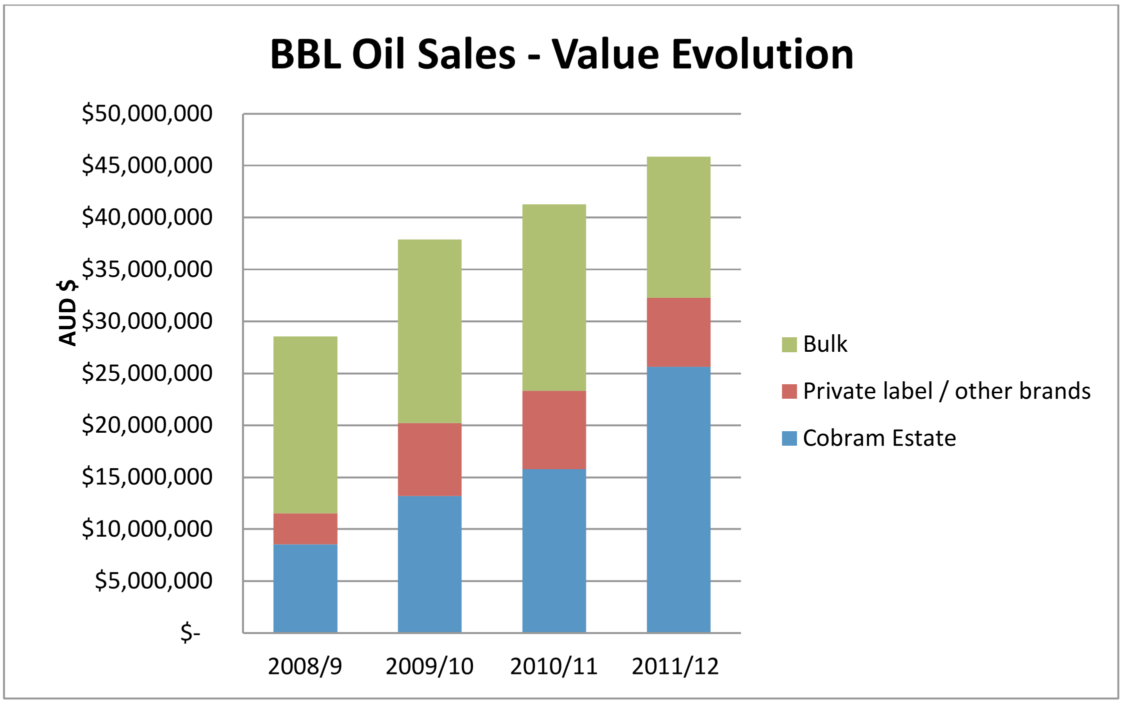
## Forecast 2013 harvest

Excluding any allowance for an unexpected natural disaster, we expect a much higher crop in 2013. This view is based on the following:

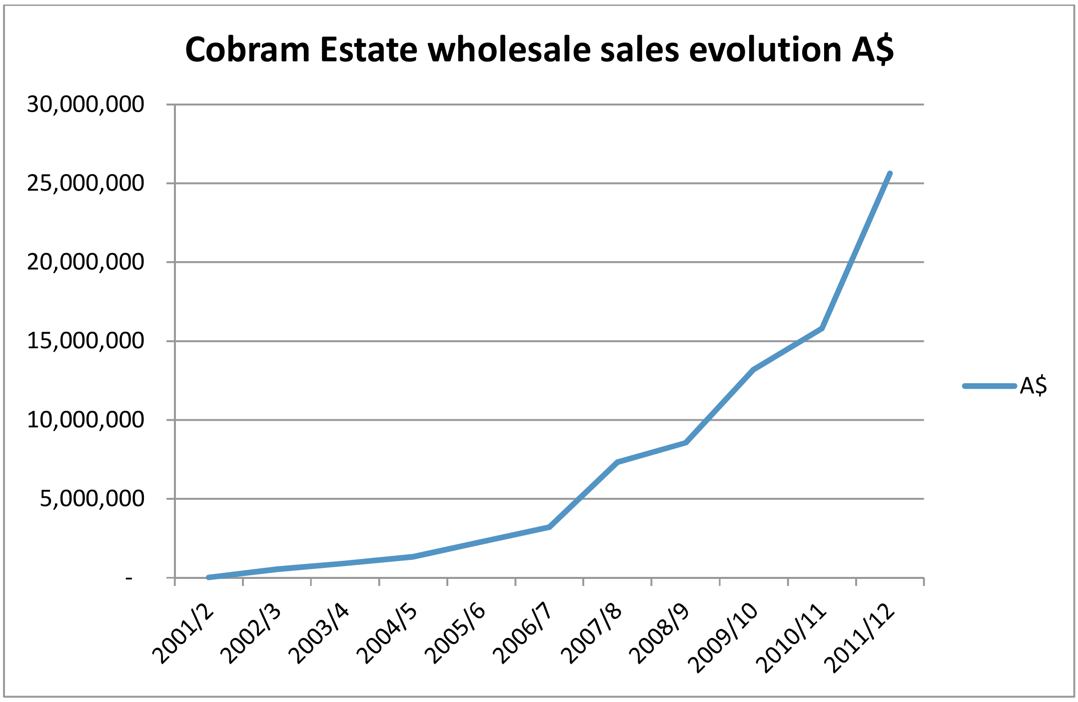
- The trees have excellent prospective fruit bearing growth to support the 2013 crop.
- Large areas of younger groves are coming into mature production.
- Although still wet and humid in the 2011/12 growing season, fungal disease was kept under control by our spraying program that was timely and to good effect.
- The natural cycle of the olive tree is to produce a bigger crop the year following a light crop.

## FY2012 Sales Summary

- BBL oil sales grew 11% in value terms during the year to 30 June 2012, with sales totalling $46 million up from $41 million in the previous year. Bulk sales totalled $13.6 million (30% of total) and packaged goods sales totalled $32.3 million (70% of total).
- BBL oil sales also grew 4% in volume terms during the year to 30 June 2012, with sales totalling 9.2 million litres up from 8.9 million litres in the previous year. Bulk sales fell 21% by volume and packaged goods sales grew 62% by volume.
- Over the course of the last 12 months the business executed a major shift in its sales mix from bulk to packaged goods. The change in sales mix provided many challenges and required an enormous contribution from all parts of our business. It is extremely pleasing to finish the year with strong sales results and happy customers.



- Cobram Estate sales accounted for all of the growth in packaged goods in FY12.
- Cobram Estate sales finished the year with total sales of $25.6 million, up 62% on 2010/11. A number of factors contributed to the growth including two successful TV campaigns, the launch of the pop-up pourer, new labels and 375ml packaging, and some great awards reflecting our outstanding oil quality. These initiatives were well supported by our blending/bottling/supply chain teams who achieved delivery in full and on time regularly exceeding industry high-performance benchmarks of 95% and our sales team, who strengthened and leveraged great relationships with key accounts to increase the shelf space allocated to Cobram Estate in stores.
- A summary of the evolution of Cobram Estate sales can be seen in the following chart (we acquired the brand in December 2006).

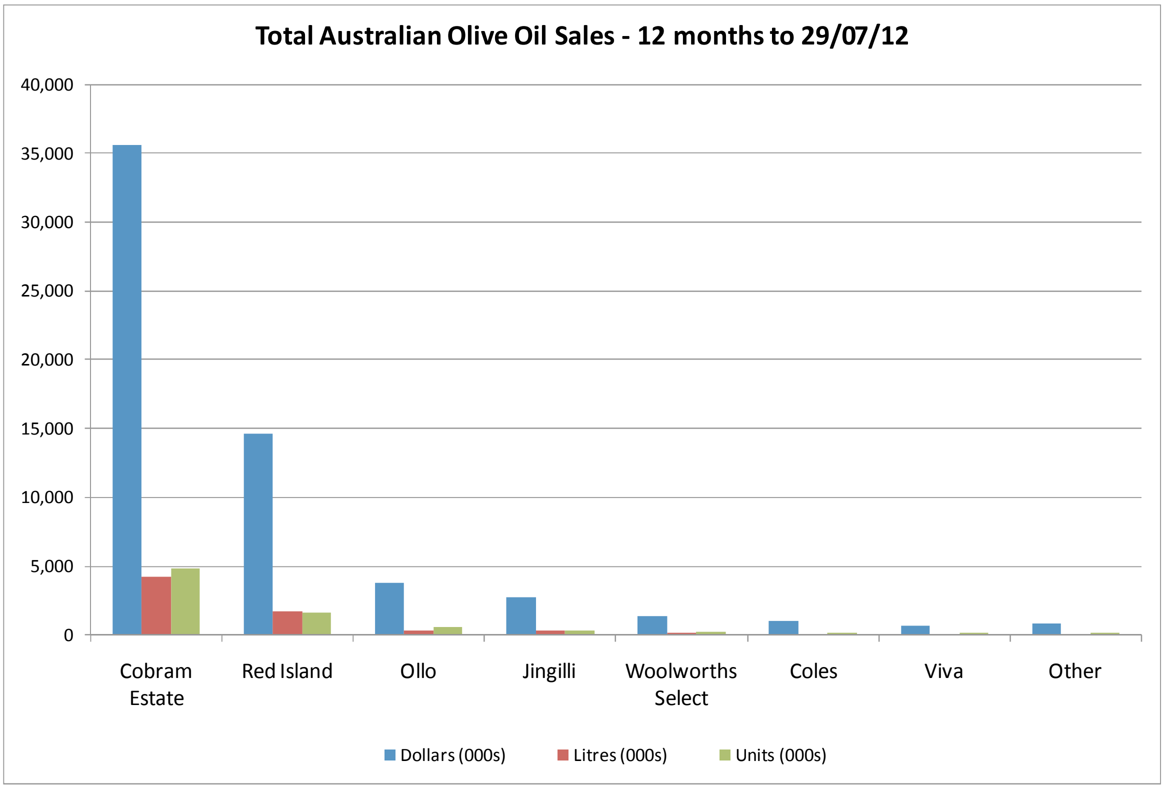



- In line with our sales growth, Cobram Estate market share grew substantially across the year. The brand is now ranked as follows:
  - Total olive oil:
    - Units: 2nd (17% share); Dollars: 2nd (15% share)
  - Extra Virgin sub-category:
    - Units: 1st (29% share); Dollars: 2nd (25% share)
  - Extra Virgin bottles only:
    - Units: 1st (29% share); Dollars: 1st (26% share)

**EXECUTIVE CHAIRMAN'S REPORT**

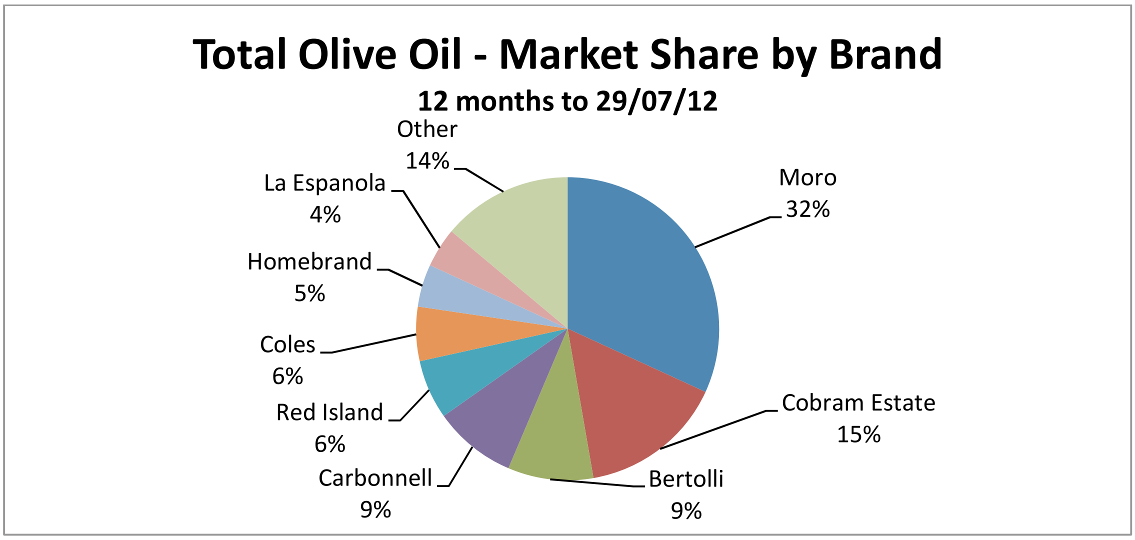
Please see below current market share versus our Australian and international competitors .

**Supermarket sales of Australian olive oil by brand – last 12 months (by dollars)**




Source: Aztec, August 2012

**Supermarket market share of olive oil brands – last 12 months**



**Sales update since 30 June 2012**

Sales have started the new financial year strongly with packaged goods sales (private label plus Cobram Estate) hitting almost $9 million for the first two months and finishing the period well ahead of budget. We have some great new initiatives coming up to assist sales growth in addition to our regular promotions and anticipate this will continue to drive strong growth in 2012/13.

It is worth noting that in the first two months of 2012/13 Cobram Estate overtook Moro to be the #1 selling Extra Virgin brand in the country (including imported brands) by both revenue and unit sales.

**Marketing**

In 2011 Cobram Estate launched its first TV advertising campaign during the Masterchef program with strong success. This year we followed up with a smaller campaign during Masterchef All-Stars and have further TV activity planned during the 2012/13 year.


Cobram Estate is featured in the first edition of a new magazine available from all IGA stores in early September (see image of the front cover below and Cobram ad contained within). In addition, Cobram ads will appear in Woolworths Good Taste (October) and Coles monthly magazine (October) – keep an eye out for these in-store.

EXECUTIVE CHAIRMAN'S REPORT



We have also taken our advertising to the road and now have a Cobram Estate branded b-double on the Geelong-Melbourne-Sydney route.

## Hampers

Cobram Estate 250ml is now ranged in some great hampers. If shareholders are ever in need of a gift hamper we suggest considering these:

- http://www.interhampers.com.au/p/110/premium-chest
- http://www.interhampers.com.au/p/108/cellar-choice
- http://www.interhampers.com.au/p/92/just-for-starters

## Global olive oil prices

After 2 ½ years in the doldrums, bulk prices for extra virgin olive oil have risen sharply, increasing over 50% in Spain since early July. The chart below from the Spanish PoolRed website shows the price increase in Euros/tonne for extra virgin olive oil from January 2012 through September 2012.


## A snapshot of the Company

BBL is a vertically integrated olive company and the largest producer and marketer of extra virgin olive oil in Australia. The company owns 2.3 million olive trees on total land area of 10,000ha, two of the world's top ten oil mills, a 9ha commercial site near Geelong and Australia's leading retail brand Cobram Estate. BBL also owns 1,500ha of vacant land and water allocation in Argentina that is highly suited to olive growing.

## Business Units

### Nursery and Technical Advice

- Boundary Bend has a specialist olive nursery and provides olive specific horticultural and technical advice and applied research.

- The nursery grows Australia's largest commercial collection of olive varieties:
  - There are 39 varieties in its collection.
  - It supplies premium grade olive trees to commercial growers throughout Australia as well as wholesaling olive trees to retail chains and nurseries.
  - It has the capacity to propagate more than 1 million trees per year.
  - This specialist facility is strategically located at Lara with access to key transport routes and retail markets.
- Modern Olives' technical team provides horticultural and olive specific technical advice to many of the leading olive developments in the Southern Hemisphere:
  - Its internationally recognised technical experts have extensive experience in grove layout and management, olive varieties and mechanical harvesting technologies.
  - In addition to Australia, it has been actively involved with clients and industry organisations in Europe, Argentina, Peru, USA, South Africa, California and New Zealand.
- Modern Olives has established an ISO accredited commercial olive oil laboratory at Lara, Victoria:
  - It provides a comprehensive suite of olive and olive oil tests that are required for labelling, nutritional, quality and authenticity purposes.
  - The laboratory clients include growers, oil traders, retailers, marketers, researchers and government.
  - **It recently won first place in the prestigious American Oil Chemists Society (AOCS) intercomparison test for 2011-2012, being the most accurate olive oil lab in the world. This is the 2nd time the laboratory has won this award in the last 5 years.**

## Groves

- Boundary Bend's weighted average age of trees is 7.2 years; olive trees typically do not reach yield maturity until years 8 to 10.
- 35% of Boundary Bend's groves are aged 5 years or less.
- Given the age profile of Boundary Bend's groves, fruit yields in 2013 should be approximately 78% of the full potential for both groves combined.
- Following the termination of our water leases, we now purchase the Groves' water requirement on the temporary market.
- Boundary Bend is recognised as being one of the lowest cost producers of extra virgin olive oil globally:
  - Intensive management of groves and use of proprietary world leading processing and harvesting technology and systems allows Boundary Bend to achieve significant economies of scale and processing efficiencies relative to other domestic and global producers.
  - A significant program is currently being undertaken to enhance long term fruit yields.
- As a result, Boundary Bend commands an overwhelming share of Australia's olive oil production (~57%).

**Boundary Bend Estate Grove**

- It comprises 3,456 hectares of developed, irrigated olive groves across two properties in north-western Victoria:
    - 2,623 hectares at Boundary Bend.
    - 833 hectares at Wemen.
- Infrastructure:
    - Boundary Bend Estate operates one of the world's top ten olive oil processing plants (by capacity), capable of processing more than 58 tonnes of olives per hour to make premium extra virgin olive oil.
    - A sophisticated computerised pressure drip-irrigation system operates throughout the groves.
- A significant program is currently being undertaken to enhance long term fruit yields including replacing underperforming trees / varieties.
- 1.33 million trees are planted, representing major oil varieties including Arbequina, Barnea, Coratina, Picual, Frantoio, Leccino, Hojiblanca, Koroneiki and Picholine.

**Boort Estate Grove**

- Boort is one of the world's largest single estate olive groves:
    - Estate comprises approximately 885,510 trees on an area covering 2,569 hectares.
- 640 hectares of additional land highly suited to olive growing available to plant.
- Infrastructure:
    - Boort Estate operates one of the world's top ten olive oil processing plants (by capacity).
    - It is capable of processing more than 40 tonnes of olives per hour to make premium extra virgin olive oil.
    - A sophisticated computerised pressure drip-irrigation system operates throughout the grove.

**Storage, Processing and Bottling**

- Boundary Bend has state-of-the-art processing facilities at Boort Estate and Boundary Bend Estate with combined production capacity of ~98 tonnes of olives per hour:
    - Both facilities have 'top ten' global ranking (by size and output).
- There is substantial oil storage capacity in custom designed stainless steel tanks:
    - 1.7 million litre capacity at Boundary Bend Estate.
    - 4.8 million litre capacity at Boort Estate.
    - 4.0 million litres at Lara.

    - There is expansion capacity to install 10 million litres of additional storage if required at Lara.

- By controlling all of its own storage facilities, Boundary Bend is not forced to sell oil on the spot market post-processing, thus achieving 'best pricing' with the ability to meet customer orders over the course of the year.
- Boundary Bend operates a contract oil filling and packaging plant at its Lara facility:
    - In addition to Cobram Estate and other branded productions, Boundary Bend also contract packs private label products for Aldi and Coles.
    - Technological systems are in place to track oil from grove to batch number and sales destination.
    - It has the capability to fill up to 3,000 units an hour with two processing lines in operation.
    - The bottling facility is currently undergoing a capital upgrade to increase efficiency gains including installing new automatic bottle de-palletising and accumulation areas.
    - It has the capacity to expand bottling facility if required.

**Advice of AGM**

Please be advised that the Annual General Meeting of shareholders will be held at 151 Broderick Road, Corio on Friday the 26th of October 2012 at 11.00am. A formal notice of meeting will also be posted to Shareholders.

**Thanks to our staff**

It would be remiss of me not to acknowledge and thank our fantastic team. Over the last few years Boundary Bend has had to adjust to external pressures and despite reducing total staff numbers, I can confidently say that the business has never been in better shape thanks to the dedication and commitment of our wonderful team who make it a pleasure to go to work each day.

If you have any questions please call me on 0418 955 363 or email r.mcgavin@boundarybend.com

Kindest regards,

Rob McGavin

Executive Chairman

# DIRECTORS' REPORT

The Directors present their report together with the financial report of Boundary Bend Limited and controlled entities for the year ended 30 June 2012 and auditors report thereon.

**Directors names**

The names of the Directors of Boundary Bend Limited in office at any time during or since the end of the year are:

Robert McGavin
Paul Riordan
Leandro Ravetti
Tim Jonas
Craig Ball
Jonathan West
Timothy Smith

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

**Company secretary**

Samuel Beaton

**Results**

The loss of the consolidated entity for the year after providing for income tax and eliminating non-controlling interests amounted to $7,720,000 (2011: $11,989,000 loss). For detailed comments in relation to the result of the consolidated entity during the financial year please refer to the Executive Chairman's report.

**Review of operations**

For detailed comments in relation to a review of operations of the consolidated entity during the financial year and the results of those operations please refer to the Executive Chairman's report.

**Significant changes in state of affairs**

There are no significant changes in the state of affairs of the consolidated entity.

**Principal activities**

The principal activities of the consolidated entity during the year were management of our olive groves, production of olive oil for sale, marketing of olive oil, provision of management and consulting services for the olive industry, propagation of olive trees for sale and the production of olive harvesters.

**After balance date events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**Likely developments**

For further comments in relation to the likely developments please refer to the Executive Chairman's report.

**Environmental regulation**

The consolidated entity's operations are subject to environmental regulations under the laws of the Commonwealth and of a State or Territory.

The consolidated entity is subject to regulations stipulated by the Environmental Protection Authority (EPA), Department of Sustainability and Environment concerning native vegetation and the Lower Murray Water Council for irrigation and drainage.

The Directors are not aware of any material breaches of environmental laws and regulations.

**Dividends paid, recommended and declared**

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

## DIRECTORS' REPORT

**Information on directors**

| | |
|---|---|
| **Robert McGavin** | Age 43 |
| Experience | Rob is a co founder of the BBL Group and has extensive experience in the agribusiness sector. He is directly involved in a large scale vineyard in South Australia, a grazing operation in Western Queensland, a cropping and grazing operation in South Western Victoria, as well as Boundary Bend Ltd's development and management. Rob is also a board member of Marcus Oldham Agricultural College. |
| Special responsibilities | Robert McGavin is Executive Chairman of Boundary Bend Ltd. |
| **Paul Riordan** | Age 40 |
| Experience | Paul Riordan has extensive experience in the olive industry having worked in the industry since 1996 and is a co founder of the Boundary Bend Group. He currently oversees the operations of the olive groves and the manufacturing of the olive harvesting equipment. |
| Special responsibilities | Paul Riordan is Operations Director of Boundary Bend Ltd. |
| **Leandro Ravetti** | Age 39 |
| Experience | Leandro joined the Boundary Bend group from Argentina where he had been working with many of the largest olive developments. Leandro was acknowledged as one of Argentina’s most experienced and respected olive advisors and researchers dealing specifically with “modern” olive production. This experience adds to his vast knowledge of varieties, olive cultural practices, olive oil processing and oil chemistry. Leandro is highly valued and respected within Boundary Bend Group and a great resource for the Australian Olive industry. |
| Special responsibilities | Leandro Ravetti is the Technical Director of Boundary Bend Ltd. |
| **Tim Jonas** | Age 67 |
| Experience | Tim is a retired partner and former National Chairman of Pitcher Partners but continues as a consultant to that firm. He holds a number of directorships and provides business advice to a wide range of businesses particularly in the agribusiness sector. He has been involved with Boundary Bend from its inception. His qualifications include a Master of Business Administration (University of Melbourne), Bachelor of Commerce (University of Melbourne), Fellow of the Institute of Chartered Accountants in Australia and Fellow of the CPA Australia. |
| Special responsibilities | Tim Jonas is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. |
| **Craig Ball** | Age 56 |
| Experience | Craig Ball is an executive director of stockbrokers Taylor Collison Limited, responsible for corporate finance in equity capital markets. He has had extensive experience in capital raising and advising wineries and horticulture enterprises. He has been involved with Boundary Bend since 1998 assisting with its formation and development. Craig is a Chartered Accountant and holds a Bachelor of Economics degree from the University of Adelaide. He worked for international Chartered Accounting firms before joining the stockbroking industry. |
| Special responsibilities | Craig is a member of the Audit and Risk Committee and the Chairman of the Remuneration Committee. |
| **Jonathan West** | Age 56 |
| Experience | Professor Jonathan West is founding Director of the Australian Innovation Research Centre. Prior to assuming his current appointment, Professor West spent 18 years at Harvard University, where he was Associate Professor in the Graduate School of Business Administration. Jonathan has served as a consultant to and a board member of major corporations around the world and as an advisor to several governments, particularly in the fields of agribusiness, innovation policy and economic development. His doctoral and masters degrees are from Harvard University, and he holds a Bachelor of Arts majoring in history and philosophy of science from the University of Sydney. |
| Special responsibilities | Jonathan is a member of the Remuneration Committee. |
| **Timothy Smith** | Age 38 |
| Experience | Tim joined the Company early in 2004 to head up the consolidated entity's sales and marketing activities. Tim's qualifications include a Bachelor of Agricultural Economics from the University New England, Armidale. Prior to joining Boundary Bend Limited, Tim was the Food and Beverage Program Business Development Manager at Austrade in New York. Prior to joining Austrade, Tim worked as an export trader and supply management coordinator for Elders Limited, one of Australia's largest agribusiness |
| Special responsibilities | Tim is Boundary Bend Limited's Sales and Marketing Director. |

## DIRECTORS' REPORT

**Meetings of Directors**

| Directors | Directors' meetings | | Audit & risk committee meetings | | Remuneration committee meetings | |
|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Robert McGavin | 9 | 9 | - | - | - | - |
| Paul Riordan | 9 | 8 | - | - | - | - |
| Leandro Ravetti | 9 | 8 | - | - | - | - |
| Tim Jonas | 9 | 9 | 3 | 3 | 1 | 1 |
| Craig Ball | 9 | 9 | 3 | 3 | 1 | 1 |
| Jonathan West | 9 | 7 | - | - | 1 | 1 |
| Timothy Smith | 9 | 8 | - | - | - | - |

**Options**

2,600,000 options over unissued ordinary shares in the consolidated entity were granted during the financial year ended 30 June 2012 (2011: nil).

During the year 200,000 options were exercised. Since year end, no options have been exercised, 225,000 options lapsed and no further options have been granted. The consolidated entity has 2,870,000 options on issue as at 30 June 2012.

**Remuneration report**

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Boundary Bend Limited's Directors and its senior management for the financial year ended 30 June 2012.

Director and senior management details

The following persons acted as Executive Directors of the consolidated entity during or since the end of the financial year. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr R.D. McGavin (Executive Chairman)
Mr P.C. Riordan (Operations Director)
Mr L.M. Ravetti (Technical Director)
Mr T.F. Smith (Sales and Marketing Director)

In addition the following persons acted as non executive directors of the consolidated entity during the whole of the financial year and since the end of the financial year:

Mr T.A. Jonas (Chairman of Audit and Risk Committee and a member of the Remuneration Committee)
Mr C.P. Ball (Member of the Audit and Risk Committee and Chairman of the Remuneration Committee)
Professor J. West (Member of the Remuneration Committee)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:
Mr S.J. Beaton (Chief Financial Officer & Company Secretary).

**Remuneration policy**

To meet our objectives the consolidated entity must attract, motivate and retain highly skilled Directors and Executives. To achieve this, the consolidated entity considers the following principles in its remuneration framework:

• Provide competitive rewards to attract high calibre Directors and senior managers
• Align executive rewards to shareholder value and provide incentives to key management personnel to remain in the consolidated entity for the longer term.

# DIRECTORS' REPORT

**Remuneration Committee**

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior management.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior management on a periodic basis with the overall objective of ensuring the maximum stakeholder benefit from the retention of a high quality Board and executive team.

**Executive Directors and Key Management Personnel**

The senior executive remuneration policy is intended to be consistent with ‘best practice’ corporate governance guidelines. Broadly, the policy is intended to ensure that total compensation (that is the sum of fixed and variable remuneration) for each executive is fair, reasonable and market competitive.

Generally, senior executives are offered market competitive base salaries (including benefits). Any adjustments are based on promotion or significant role responsibility changes, pay relative to market and relative performance in the role and executives remuneration is, where possible, aligned with the interests of shareholders.

Typically, for each financial year, performance incentive payments include:
- consideration of the consolidated entity's performance
- consideration of specific divisional financial targets and goals
- a discretionary component for each senior executive based on their performance.

In July of each year, performance reviews are completed for all employees including executives.

**Non-executive Directors**

The Constitution of the consolidated entity provides that the non executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the consolidated entity in general meeting, to be divided among the Directors and in default of agreement then in equal shares. Directors are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the consolidated entity and other miscellaneous expenses.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the consolidated entity or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of Directors’ fees.

**Key terms of employment contracts**

Directors and Senior managers are employed under our standard employee contract and adhere to our standard terms and conditions. There are no Directors or Senior managers with any special terms or conditions.

## DIRECTORS' REPORT

**Remuneration report (Continued)**

**Relationship between the remuneration policy and consolidated entity performance**

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with a greater emphasis given to the current year. Meeting strategic objectives are also taken into account.

| | 30 June 2012 $'000 | 30 June 2011 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2008 $'000 |
|---|---|---|---|---|---|
| Revenue | 57,597 | 46,468 | 93,327 | 47,816 | 42,466 |
| Net (loss)/profit before tax | (7,720) | (13,964) | 37,449 | (18,611) | 6,059 |
| Net (loss)/profit after tax | (7,720) | (11,989) | 38,420 | (18,999) | 4,892 |
| Net Assets | 75,111 | 77,403 | 88,962 | 30,260 | 41,856 |

| | 30-Jun-12 | 30-Jun-11 | 30-Jun-10 | 30-Jun-09 | 30-Jun-08 |
|---|---|---|---|---|---|
| Shares on issue (at end of year) | 48,839,320 | 44,766,986 | 44,226,986 | 35,214,850 | 32,246,546 |
| Net assets per Share ($) | 1.54 | 1.73 | 2.01 | 0.86 | 1.30 |
| Dividends | - | - | - | - | 5cps |

The company is an unlisted public company and has limited share liquidity. As such, it is not meaningful to consider share price or market capitalisation data.

**Remuneration of Directors and senior management**

| | Short-term employee benefits | | | | Post-employment benefits | Share-based Payments | |
|---|---|---|---|---|---|---|---|
| 2012 | Salary & fees $ | Bonus $ | Non-monetary $ | Other $ | Super-annuation $ | Options & rights $ | Total $ |
| Mr T. A. Jonas | - | - | - | - | - | 27,000 | 27,000 |
| Mr C.P. Ball | - | - | - | - | - | 27,000 | 27,000 |
| Mr J. West | - | - | - | - | - | 27,000 | 27,000 |
| Mr R.D. McGavin | 87,156 | - | - | - | 7,844 | 135,106 | 230,106 |
| Mr P.C. Riordan | 174,311 | - | - | - | 15,688 | 8 | 190,007 |
| Mr L.M. Ravetti | 368,753 | 20,000 | 2,055 | - | 26,571 | 58 | 417,437 |
| Mr T.F. Smith | 204,762 | 10,000 | - | - | 19,329 | 4,012 | 238,103 |
| Mr S. J. Beaton | 215,795 | 40,000 | - | - | 21,672 | 35,942 | 313,409 |
| | **1,050,777** | **70,000** | **2,055** | **-** | **91,104** | **256,126** | **1,470,062** |

## DIRECTORS' REPORT

**Remuneration of Directors and senior management (continued)**

| 2011 | Short-term employee benefits Salary & fees $ | Bonus $ | Non-monetary $ | Other $ | Post-employment Super-annuation $ | Share-based Payments Options & rights $ | Total $ |
|---|---|---|---|---|---|---|---|
| Mr T. A. Jonas | 50,000 | - | - | - | - | - | 50,000 |
| Mr C.P. Ball | 50,000 | - | - | - | - | - | 50,000 |
| Mr J. West | 50,000 | - | - | - | - | - | 50,000 |
| Mr D. Lipton* | 30,462 | - | - | - | 2,742 | - | 33,204 |
| Mr R.D. McGavin | 174,311 | - | - | - | 15,688 | 8,994 | 198,993 |
| Mr P.C. Riordan | 158,272 | - | 16,040 | - | 15,688 | 2,998 | 192,998 |
| Mr L.M. Ravetti | 371,713 | - | 18,608 | - | 26,504 | 8,994 | 425,819 |
| Mr T.F. Smith | 190,986 | - | 13,777 | - | 18,429 | 5,488 | 228,680 |
| Mr S.J. Beaton | 198,486 | - | - | - | 16,514 | 35,811 | 250,811 |
| | **1,274,230** | **-** | **48,425** | **-** | **95,565** | **62,285** | **1,480,505** |

* Formerly a Director of Boundary Bend Marketing Pty Ltd.

No Director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

**Shareholdings of Directors and executives**

| | Balance at 1 July No. | Granted as compensation No. | Received upon exercise of options No. | Net other change No. | Balance as 30 June No. |
|---|---|---|---|---|---|
| **2012** | | | | | |
| Mr T. A. Jonas | 808,204 | - | - | - | 808,204 |
| Mr C.P. Ball | 405,062 | - | - | - | 405,062 |
| Mr J. West | 100,000 | - | - | - | 100,000 |
| Mr R.D. McGavin | 9,507,396 | - | - | - | 9,507,396 |
| Mr P.C. Riordan | 6,109,118 | - | - | - | 6,109,118 |
| Mr L.M. Ravetti | 624,764 | - | - | - | 624,764 |
| Mr T.F. Smith | 111,546 | - | - | - | 111,546 |
| Mr S. J. Beaton | 10,000 | - | 200,000 | - | 210,000 |
| **2011** | | | | | |
| Mr T. A. Jonas | 808,204 | - | - | - | 808,204 |
| Mr C.P. Ball | 405,062 | - | - | - | 405,062 |
| Mr J. West | 100,000 | - | - | - | 100,000 |
| Mr D. Lipton | 37,430 | - | - | - | 37,430 |
| Mr R.D. McGavin | 9,507,396 | - | - | - | 9,507,396 |
| Mr P.C. Riordan | 6,109,118 | - | - | - | 6,109,118 |
| Mr L.M. Ravetti | 624,764 | - | - | - | 624,764 |
| Mr T.F. Smith | 111,546 | - | - | - | 111,546 |
| Mr S. J. Beaton | 10,000 | - | - | - | 10,000 |

**Loans to Directors and executives**

Information on loans to Directors and executives are set out in Note 25.

**Remuneration report (Continued)**

**Employee share option plan**

The consolidated entity has an ownership-based compensation scheme for employees and officers. The Employees and Officers Share Option Plan provides that shares issued to any eligible person pursuant to this plan during the previous five years will be limited to a maximum of 5% of the issued ordinary capital of Boundary Bend Limited. Eligibility for the plan and exercise price for options issued under the plan are determined at the discretion of the Board.

Each employee option converts into one ordinary share of Boundary Bend Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the financial year, the consolidated entity granted 2,150,000 options (2011: nil) to directors and senior management of the consolidated entity, as part of their remuneration.

200,000 options were exercised in the financial year ended 30 June 2012 (2011: nil).

| Grant date | Expiry date | Exerc-ise price | Fair value at grant date | Balance at beginning of the year | Granted during the year | Exercised during the year | Lapsed during the year | Balance at the end of the year | Exercis-able at end of the year |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | |
| 01-Jul-07 | 01-Jul-11 | $1.60 | $1.11 | 825,000 | - | - | (825,000) | - | - |
| 05-Aug-09 | 30-Jun-12 | $1.00 | $1.30 | 200,000 | - | (200,000) | - | - | - |
| 13-Nov-09 | 01-Jul-12 | $1.30 | $1.30 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Jun-10 | 01-Jul-13 | $1.40 | $1.40 | 45,000 | - | - | - | 45,000 | - |
| 31-Oct-11* | 31-Oct-14 | $1.60 | $1.50 | - | 200,000 | - | - | 200,000 | 200,000 |
| 15-Feb-12* | 15-Feb-17 | $1.50 | $1.50 | - | 150,000 | - | - | 150,000 | 150,000 |
| 30-Jun-12* | 30-Jun-15 | $1.85 | $1.30 | - | 100,000 | - | - | 100,000 | 100,000 |
| 30-Jun-12 | 30-Jun-15 | $1.60 | $1.30 | - | 2,150,000 | - | - | 2,150,000 | 1,600,000 |
| | | | | 1,295,000 | 2,600,000 | (200,000) | (825,000) | 2,870,000 | 2,275,000 |
| Weighted average exercise price: | | | | $1.45 | $1.60 | $1.00 | $1.60 | $1.58 | $1.57 |
| **2011** | | | | | | | | | |
| 01-Jul-07 | 01-Jul-11 | $1.60 | $1.11 | 825,000 | - | - | - | 825,000 | 825,000 |
| 05-Aug-09 | 30-Jun-12 | $1.00 | $1.30 | 200,000 | - | - | - | 200,000 | - |
| 13-Nov-09 | 01-Jul-12 | $1.30 | $1.30 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Jun-10 | 01-Jul-13 | $1.40 | $1.40 | 45,000 | - | - | - | 45,000 | - |
| | | | | 1,295,000 | - | - | - | 1,295,000 | 1,050,000 |
| Weighted average exercise price: | | | | $1.45 | $0.00 | $0.00 | $0.00 | $1.45 | $1.54 |

* Issued to consultants for services provided.

## DIRECTORS' REPORT

**Indemnification of officers**

During or since the end of the financial year, the consolidated entity has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

Directors and officers liability insurance has been taken out for all Directors. Period of cover is until 30 June 2013.

**Indemnification of auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any auditors of the consolidated entity.

**Auditor's independence declaration**

A copy of the auditor's declaration under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report on page 22.

**Proceedings on behalf of the consolidated entity**

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors.

Director: ______________________

Robert McGavin

Director: ______________________

Tim Jonas

Dated this 20th day of September 2012

Deloitte.

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The Board of Directors
Boundary Bend Limited
151 Broderick Road
LARA VIC 3212

20 September 2012

Dear Board Members

**Boundary Bend Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Boundary Bend Limited.

As lead audit partner for the audit of the financial statements of Boundary Bend Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | 3 | 46,294 | 43,468 |
| Other revenue | 3 | 2,170 | 3,000 |
| Net increase in fair value of non-current biological assets | 3 | 9,133 | - |
| | 3 | 57,597 | 46,468 |
| Net change in fair value of agricultural produce | 4 | (2,232) | (5,330) |
| **Expenses** | | | |
| Cost of sales | 4 | (40,741) | (39,647) |
| Administration expenses | | (3,698) | (4,134) |
| Distribution expenses | | (2,720) | (2,763) |
| Marketing expenses | | (2,512) | (1,905) |
| Occupancy expenses | | (600) | (1,980) |
| Finance costs | 4 | (4,799) | (4,391) |
| Provision for onerous contract | 4 | (5,601) | - |
| Impairment of non-current assets | 4 | (1,260) | - |
| Loss on revaluation of property | 4 | (839) | - |
| Other expenses | | (315) | (282) |
| | | (63,085) | (55,102) |
| **Loss before income tax expense** | | (7,720) | (13,964) |
| Income tax benefit | 5 | - | 1,975 |
| **Net loss from continuing operations** | | (7,720) | (11,989) |
| **Loss for the year** | | **(7,720)** | **(11,989)** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **Loss for the year** | (7,720) | (11,989) |
| **Other comprehensive income** | | |
| Foreign currency translation reserve | (55) | (449) |
| Loss on revaluation of property through asset revaluation reserve | (286) | - |
| Net loss on hedging instruments through cash flow hedge reserve | (60) | - |
| **Other comprehensive loss for the period** | (401) | (449) |
| **Total comprehensive loss for the period** | **(8,121)** | **(12,438)** |
| **Loss attributable to:** | | |
| Owners of Boundary Bend Limited and controlled entities | (7,720) | (11,989) |
| Non-controlling interests | - | - |
| | (7,720) | (11,989) |
| **Total comprehensive loss attributable to:** | | |
| Owners of Boundary Bend Limited and controlled entities | (8,121) | (12,438) |
| Non-controlling interests | - | - |
| | (8,121) | (12,438) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 297 | 187 |
| Trade and other receivables | 7 | 8,320 | 8,623 |
| Inventory | 8 | 25,040 | 30,082 |
| Biological assets | 11 | 496 | 733 |
| Other financial assets | 9 | 25 | - |
| Other assets | 10 | 907 | 2,150 |
| **Total current assets** | | 35,085 | 41,775 |
| **Non-current assets** | | | |
| Trade and other receivables | 7 | 101 | 145 |
| Biological assets | 11 | 33,768 | 24,161 |
| Other financial assets | 9 | 436 | 497 |
| Intangible assets | 12 | 2,567 | 3,766 |
| Property, plant and equipment | 13 | 79,666 | 83,573 |
| **Total non-current assets** | | 116,538 | 112,142 |
| **Total assets** | | 151,623 | 153,917 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 4,991 | 6,672 |
| Borrowings | 15 | 2,363 | 59,386 |
| Provisions | 16 | 1,603 | 614 |
| Other financial liabilities | 17 | 60 | - |
| Other liabilities | 18 | 3,723 | 3,817 |
| **Total current liabilities** | | 12,740 | 70,489 |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 60,121 | 4,989 |
| Provisions | 16 | 2,628 | 31 |
| Other liabilities | 18 | 1,023 | 1,005 |
| **Total non-current liabilities** | | 63,772 | 6,025 |
| **Total liabilities** | | 76,512 | 76,514 |
| **Net assets** | | **75,111** | **77,403** |
| **Equity** | | | |
| Share capital | 19 | 61,237 | 55,707 |
| Reserves | 20 | (304) | (202) |
| Retained earnings | 21 | 14,178 | 21,898 |
| Equity attributable to owners of the parent | | 75,111 | 77,403 |
| Non-controlling interest | | - | - |
| **Total equity** | | **75,111** | **77,403** |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2012

| | Contributed equity $'000 | Asset revaluation reserve $'000 | Foreign currency translation reserve $'000 | Share based payments reserve $'000 | Cash flow hedge reserve $'000 | Retained earnings / (Accumulated losses) $'000 | Non - controlling interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2010** | 55,005 | 286 | (291) | 185 | - | 33,737 | 39 | 88,962 |
| Loss for the year | - | - | - | - | - | (11,989) | - | (11,989) |
| Foreign currency translation reserve | - | - | (449) | - | - | - | - | (449) |
| **Total comprehensive income/(loss) for the period** | - | - | (449) | - | - | (11,989) | - | (12,438) |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Proceeds from share issue | 702 | - | - | - | - | - | - | 702 |
| Deconsolidation adjustment on loss of control of subsidiary | - | - | - | - | - | 150 | (39) | 111 |
| Share based payments expense | - | - | - | 67 | - | - | - | 67 |
| **Total transactions with owners in their capacity as owners** | 702 | - | - | 67 | - | 150 | (39) | 880 |
| **Balance at 30 June 2011** | **55,707** | **286** | **(740)** | **252** | **-** | **21,898** | **-** | **77,403** |
| Loss for the year | - | - | - | - | - | (7,720) | - | (7,720) |
| Other comprehensive income for the year | - | - | - | - | (60) | - | - | (60) |
| Exchange differences arising on translation of foreign operations | - | - | (55) | - | - | - | - | (55) |
| Fair value adjustments to non-current assets | - | (286) | - | - | - | - | - | (286) |
| **Total comprehensive income/(loss) for the period** | **-** | **(286)** | **(55)** | **-** | **(60)** | **(7,720)** | **-** | **(8,121)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Proceeds from share issue | 5,426 | - | - | - | - | - | - | 5,426 |
| Options exercised, transferred to equity | 104 | - | - | (104) | - | - | - | - |
| Share based payments expense | - | - | - | 403 | - | - | - | 403 |
| **Total transactions with owners in their capacity as owners** | 5,530 | - | - | 299 | - | - | - | 5,829 |
| **Balance at 30 June 2012** | **61,237** | **-** | **(795)** | **551** | **(60)** | **14,178** | **-** | **75,111** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 49,209 | 46,025 |
| Payments to suppliers and employees | | (44,275) | (56,810) |
| Interest received | | 66 | 201 |
| Borrowing costs | | (5,787) | (4,072) |
| Income tax (payments)/refunds | | - | 2,073 |
| Net cash used in operating activities | 23 (b) | (787) | (12,583) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 311 | 398 |
| Proceeds from sale of assets held for sale | | - | 3,456 |
| Payments for land, property, plant and equipment | | (778) | (6,069) |
| Payments for biological assets | | (241) | (661) |
| Net cash used in investing activities | | (708) | (2,876) |
| **Cash flows from financing activities** | | | |
| Proceeds from share issue | | 5,496 | 702 |
| Payment for water lease termination | | (2,000) | - |
| Net (repayment)/proceeds from borrowings | | (1,891) | 13,123 |
| **Net cash provided by financing activities** | | 1,605 | 13,825 |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents at the beginning of the period | | 187 | 1,821 |
| Net increase/(decrease) in cash and cash equivalents | | 110 | (1,634) |
| **Cash and cash equivalents at the end of the period** | 23 (a) | 297 | 187 |

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

The financial report was authorised for issue by the directors on 20 September 2012.

The financial report is for the entity Boundary Bend Limited and controlled entities as an individual entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Boundary Bend Limited and controlled entities is a consolidated entity limited by shares, incorporated and domiciled in Australia.

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

The consolidated entity has adopted all new and revised Standards and Interpretations that are effective for the reporting period.

### (a) Basis of preparation of the financial report

*Compliance with IFRS*

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

*Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

*Going Concern basis*

These financial statements are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which Boundary Bend Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.
The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are seperated from the date that control ceases.
Non controlling interests in the result of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

When the consolidated entity loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

### (c) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

*Tax Consolidation*

The parent entity and its subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated group from 1 July 2005. This means that:
• each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity.
• the parent entity assumes the current tax liability and any deferred tax assets relating to tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset are capitalised until the asset is ready for its intended use or sale.

### (e) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### (f) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### (g) Leases

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

*Finance Leases*
Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated 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 values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the consolidated statement of comprehensive income. Leased assets are depreciated on a mixture of straight line and diminishing value basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

*Operating leases*
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Rent revenue is recognised on a straight line basis over the rental term.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

### (i) Inventories

Inventories are measured at the lower of cost and net realisable value. Finished goods include olive oil produced from the consolidated entity's olive groves. Olive oil inventories include agricultural produce that the consolidated entity has harvested from its biological assets. This agricultural produce is measured on initial recognition at fair value less estimated point of sale costs at the point of harvest. This value forms part of the cost of olive oil inventories for measurement at balance date.

### (j) 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 any accumulated impairment losses.

*Property*

Freehold land and buildings are measured at fair value. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease for the same asset previously recognised in the profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

*Plant and equipment*

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those 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 present values in determining recoverable amounts.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Depreciation*

The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

| Class of fixed asset | Depreciation rates | Depreciation basis |
|---|---|---|
| Plant & machinery at cost | *4.5% - 22.5 %* | Diminishing value |
| Leased plant and equipment - cost | *10 - 22.5 %* | Diminishing value |
| Motor vehicles at cost | *18.75%* | Diminishing value |
| Office equipment at cost | *10 - 60%* | Diminishing value |
| Furniture, fixtures & fittings at cost | *4.5% - 22.5%* | Diminishing value |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

**(k) Intangibles**

*Goodwill*

Goodwill represents the excess of the consideration of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

*Water rights*

Water rights are recorded at cost. Water rights have an indefinite life and are not amortised. Water rights are tested annually for impairment.

*Distribution rights and Trademarks*

Distribution rights and Trademarks are initially recorded at the purchase price and are subsequently carried at cost. Distribution rights and Trademarks are not amortised but are tested annually for impairment.

Trademarks are tested for impairment using the assumptions in Note 2(b).

**(l) Foreign currency translations and balances**

*Functional and presentation currency*

The functional currency of each of the individual entities comprising the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities is Australian dollars except for Boundary Bend Estate Pty Ltd which has a functional currency of Argentinean Pesos. These financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Foreign currency translations and balances (continued)

*Transactions and Balances*

Transactions in foreign currencies of the consolidated entity are translated into the functional currency at the rate of exchange ruling at the date of the transaction.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of Boundary Bend Estate Pty Ltd are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for each month in the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated directly into equity in the Foreign Currency Translation Reserve.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

The foreign currency hedging risk policy is described under Note 26(a) Financial Risk Management.

### (m) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions made by the consolidated entity to an employee superannuation fund are recognised as an expense as they become payable.

*Share based payments*

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Share options are priced using the Black Scholes option pricing model. Details regarding the determination of the fair value of equity settled share based transactions are set out in Note 28.

Options that vest on issue are expensed in full on issue date. Options that do not vest on issue are expensed on a straight line basis over the vesting period.

### (n) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments**

*Classification*

Management determines the classification of its investments at initial recognition. Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Available for sale financial assets*

Listed shares held by the consolidated entity that are traded in an active market are classified as available for sale and are stated at fair value. The consolidated entity also has investments in unlisted shares that are not traded in an active market which are stated at cost. Gains and losses arising from the changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.
Dividends on available for sale equity instruments are recognised in profit or loss when the consolidated entity’s right to receive the dividends is established.

*Loans and receivables*

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

*Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to director related entities. Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and

Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction, the consolidated entity documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

*(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(ii) Cash flow hedge*

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable. Changes in the fair value of derivative that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Agriculture

The consolidated entity applies Accounting Standard AASB 141 "Agriculture", which requires the measurement of biological assets and agricultural produce at the point of harvest to be valued at fair value less estimated point of sale costs. Where fair value cannot be measured reliably for biological assets, such biological assets are measured at cost.

Biological assets include olive trees owned by the consolidated entity including olive trees in the olive groves and those held in the nurseries. Olive trees in the olive groves are measured at net fair value based on a discounted cash flow valuation. This fair value was derived using the net present value of cash flows expected to be generated by the biological assets discounted at a current market determined rate which reflected the risks associated with cash flow streams. Olive trees in the nursery are initially measured at cost until the tree has reached maturity and there is a market in which to sell the trees, which is historically at 18 months from date of propagation. Where no active market exists for the sale of the Olive trees they are recognised at cost.

The olive fruit produced at the point of harvest is valued at fair value less costs to sell forming part of the measurement of inventory cost.

### (q) 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 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 consolidated statement of financial position are shown inclusive of GST.

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (r) Rounding of amounts

The consolidated entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Impairment of goodwill*

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on current financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using current forecasts for a five year period and a discount rate of 12.5% (2011: 12.5%) to determine value in use.

Goodwill impairment losses of $1,198,904 (2011: nil) have been recognised for the year ended 30 June 2012. This impairment loss has been recognised in profit or loss disclosed as 'impairment of non current assets'.

*(b) Impairment other assets*

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist. A five year cash flow as described above in part (a) was used to assess the recoverable values of the investments.

An impairment loss of $61,000 (2011: nil) has been recognised in the consolidated entity in relation to investments. This impairment loss has been recognised in profit or loss disclosed as 'impairment of non current assets'.

*(c) Income tax*

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

*(d) Biological Assets*

Biological assets relate to the olive trees.

The fair value of the biological assets determined using a discounted cashflow methodology. The following key assumptions were applied:
- a pre-tax discount rate of 20% to reflect the uncertainty associated with the oil yield, price received for oil as well as fluctuations in input costs including exposure to climatic risk;
- the expected oil yield from crushed olives increases up to the expected yield from a fully mature olive tree;
- the current farm gate price, increasing up to the expected long term farm gate price of olive oil;
- the current water costs, increasing up to the expected long term water costs;
- the other costs associated with maintaining the groves and processing the oil are based on expected costs, increasing in line with expected inflation.

## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|---|
| **NOTE 3: REVENUE** | | | |
| Sale of goods | | 46,294 | 43,468 |
| Management/service fees | | 522 | 640 |
| Rental income | | 454 | 415 |
| Interest income | | 66 | 201 |
| Other income | | 688 | 1,142 |
| Profit on sale of property plant and equipment | | 405 | 461 |
| Subsidies and grants | | 35 | 141 |
| Fair value adjustment to non-current biological assets | 11 | 9,133 | - |
| | | 57,597 | 46,468 |
| | | | |
| **NOTE 4: OPERATING LOSSES** | | | |
| Loss before income tax has been determined after: | | | |
| Cost of sales | | 40,741 | 39,647 |
| | | | |
| Finance costs: | | | |
| Interest expense | | 3,427 | 3,145 |
| Borrowing costs | | 1,212 | 1,073 |
| Hire purchase charges | | 91 | 111 |
| Finance lease charges | | 69 | 62 |
| | | 4,799 | 4,391 |
| Depreciation: | | | |
| Depreciation - buildings | | - | 88 |
| Depreciation/amortisation - plant and equipment | | 3,019 | 2,925 |
| Depreciation - motor vehicles | | 34 | 48 |
| Depreciation - office furniture and equipment | | 45 | 123 |
| Depreciation - furniture and fittings | | 16 | 17 |
| | | 3,114 | 3,201 |
| | | | |
| Bad debts - trade debtors | | 190 | (481) |
| | | | |
| Impairment of non-current assets: | | | |
| Investments - other corporations | 9 | 61 | - |
| Goodwill | 12 | 1,199 | - |
| | | 1,260 | - |
| | | | |
| Employee benefits: | | | |
| Share based payments | | 333 | 67 |
| Other employee benefits | | 7,062 | 7,667 |
| | | 7,395 | 7,734 |
| | | | |
| Fair value adjustments: | | | |
| Net decrease in fair value of agricultural produce | | 2,232 | 5,330 |
| | | | |
| Provision for onerous contract (water lease termination) | | 5,601 | - |
| | | | |
| Loss on revaluation of property | | 839 | - |
| | | | |
| Loss on disposal of interest in controlled entity | | - | 110 |

| | | 2012 $ | 2011 $ |
|---|---|---|---|
| **NOTE 4: OPERATING PROFIT/(LOSSES) (CONTINUED)** | | | |
| Remuneration of auditors for: | | | |
| Auditor's remuneration - audit fees | | 59,200 | 57,500 |

The auditor of Boundary Bend Ltd is Deloitte Touche Tohmatsu.

## NOTE 5: INCOME TAX

| | | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **(a) Components of tax expense** | | | |
| Current tax | | - | - |
| Deferred tax | | - | 48 |
| Under/(over) provision in prior years | 5(g) | - | (2,023) |
| | | - | (1,975) |
| **(b) Prima facie tax payable** | | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | | |
| Prima facie income tax (benefit) / payable on loss before income tax at 30% (2010: 30%) | | (2,316) | (4,189) |
| Add tax effect of: | | | |
| - Finance leases | | 136 | - |
| - Other non-allowable items | | 21 | 14 |
| - Tax losses not brought to account | | 2,624 | 2,806 |
| - Share based payments | | 100 | 20 |
| | | 2,881 | 2,840 |
| Less tax effect of: | | | |
| - Depreciation entitlement attached to fixed assets | | (340) | (509) |
| - Research and development deductions | | (225) | (113) |
| - Investment allowance | | - | (4) |
| | | (565) | (626) |
| Income tax (benefit) / expense attributable to profit | | - | (1,975) |
| **(c) Current tax** | | | |
| *Current tax liabilities/ (assets)* | | | |
| Opening balance | | - | (50) |
| Tax refunds / (payments) | | - | 2,073 |
| Under/(over) provision of prior year liability | 5(g) | - | (2,023) |
| Current tax liabilities / (assets) | | - | - |

**NOTE 5: INCOME TAX (CONTINUED)**

**(d) Deferred tax balances**

| | Opening balance $'000 | Recognised in profit or loss $'000 | Recognised directly in equity $'000 | Closing balance $'000 |
|---|---|---|---|---|
| **2011** | | | | |
| *Deferred tax asset* | | | | |
| Employee benefits | 228 | (35) | - | 193 |
| Impairment of investments | 221 | - | - | 221 |
| Impairment of goodwill | 1,709 | (986) | - | 723 |
| Future tax depreciation entitlement on plant & equipment | 2,496 | (151) | - | 2,345 |
| Future tax depreciation entitlement on biological assets | 2,535 | (267) | - | 2,268 |
| Capital raising costs | 93 | (21) | - | 72 |
| Doubtful debts | 8 | 5 | - | 13 |
| Other | 438 | 50 | - | 488 |
| Tax losses brought to account | 3,445 | 1,419 | - | 4,864 |
| | 11,173 | 14 | - | 11,187 |
| *Deferred tax liability* | | | | |
| The balance comprises: | | | | |
| Finance leases | 2 | 60 | - | 62 |
| Fair value adjustment to property, plant & equipment | 8,425 | - | - | 8,425 |
| Prepayments | 2 | 2 | - | 4 |
| Fair value adjustment to biological assets | 2,696 | - | - | 2,696 |
| | 11,125 | 62 | - | 11,187 |
| Net deferred tax assets / (liabilities) | 48 | (48) | - | - |
| **2012** | | | | |
| *Deferred tax asset* | | | | |
| Employee benefits | 193 | (4) | - | 189 |
| Impairment of investments | 221 | 18 | - | 239 |
| Impairment of goodwill | 723 | 360 | - | 1,083 |
| Future tax depreciation entitlement on plant & equipment | 2,345 | (151) | - | 2,194 |
| Future tax depreciation entitlement on biological assets | 2,268 | (267) | - | 2,001 |
| Capital raising costs | 72 | 67 | - | 139 |
| Doubtful debts | 13 | 12 | - | 25 |
| Other | 488 | 199 | - | 687 |
| Tax losses brought to account | 4,864 | 2,256 | - | 7,120 |
| | 11,187 | 2,490 | - | 13,677 |
| *Deferred tax liability* | | | | |
| The balance comprises: | | | | |
| Finance leases | 62 | 10 | - | 72 |
| Fair value adjustment to property, plant & equipment | 8,425 | (270) | - | 8,155 |
| Prepayments | 4 | 10 | - | 14 |
| Fair value adjustment to biological assets | 2,696 | 2,740 | - | 5,436 |
| | 11,187 | 2,490 | - | 13,677 |
| Net deferred tax assets / (liabilities) | - | - | - | - |

## NOTE 5: INCOME TAX (CONTINUED)

### (e) Deferred tax revenue included in income tax expense

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Decrease/(increase) in deferred tax assets | (2,490) | (1,815) |
| (Decrease)/Increase in deferred tax liabilities | 2,490 | 1,863 |
| | - | 48 |

### (f) Deferred tax assets not brought to account

Deferred tax asset not brought to account relating to:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Unclaimed building allowance deductions | 959 | 1,299 |
| Tax losses | 5,565 | 2,806 |

The benefits of the deferred tax assets not brought to account will only be realised if the conditions for deductibility set out in the accounting policies note occur.

### (g) Tax Law Amendment

On 29 June 2012 legislation came into effect whereby certain prior year amounts claimed as tax deductions in relation to payments for contracted income would retrospectively be disallowed. Boundary Bend Ltd has claimed tax deductions in prior years in relation to payments for contracted income and accordingly a contingent liability exists to the extent this new legislation may retrospectively disallow such deductions. The specific application of the new legislation cannot yet be reliably determined in respect of the company's deductions claimed and accordingly the quantum of the contingent liability cannot presently be reliably estimated. The amount of company tax previously claimed was $2,007,994, this is the maximum amount of any liability which may arise as a result of this legislation.

Tax deductions previously claimed under this legislation have also resulted in additional tax losses to Boundary Bend Ltd with a future value of up to $1,005,893. The tax asset associated with these losses have not been bought to account within the financial statements of the group. These tax losses may be disallowed to the extent tax deductions giving rise to them are retrospectively disallowed.

## NOTE 6: CASH AND CASH EQUIVALENTS

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Cash at bank | | 297 | 187 |
| | | 297 | 187 |

## NOTE 7: RECEIVABLES

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Trade debtors | | 7,297 | 7,727 |
| Provision for doubtful debts | | (86) | (45) |
| | | 7,211 | 7,682 |
| Other receivables | | 1,064 | 898 |
| Amounts receivable from key management personnel | 25 | 45 | 43 |
| | | 8,320 | 8,623 |
| NON CURRENT | | | |
| Amounts receivable from key management personnel | 25 | 101 | 145 |

The standard credit period on sales of goods and rendering of services is 30-60 days. No interest is charged on the trade receivables for the first 30-60 days from when the receivable was incurred. Thereafter, the consolidated entity has the right to charge interest at a commercial rate on a case by case basis depending on management's discretion and whether the receivable is past due. A provision has been made for estimated irrecoverable trade receivable amounts arising from the sale of goods and rendering services.

New and existing customers are subject to defined credit limits, which are reviewed on a regular basis. The consolidated entity operates credit insurance where appropriate for customers to minimise the risk associated with default.

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of $0.3 million (2011: $1.4 million) which are past due at the reporting date. There has not been a significant change in credit quality and the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances.

**Reconciliation of provision for doubtful debts**

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Opening balance at 1 July | (45) | (407) |
| Doubtful debts recognised on receivables | (86) | (25) |
| Amounts recovered during the year | - | 378 |
| Amounts written off against the provision during the year | 45 | 9 |
| Closing balance at 30 June | (86) | (45) |

## NOTE 8: INVENTORY

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| CURRENT | | |
| Raw materials at cost | 1,082 | 954 |
| Olive oil | 23,958 | 29,128 |
| | 25,040 | 30,082 |

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **NOTE 9: OTHER FINANCIAL ASSETS** | | | |
| CURRENT | | | |
| *Hedging instruments* | | | |
| Foreign currency forward contract | | 25 | - |
| NON CURRENT | | | |
| *Other financial assets* | | | |
| Shares in other corporations | | 1,234 | 1,234 |
| Provision for impairment loss | | (798) | (737) |
| Total other financial assets | | 436 | 497 |
| **NOTE 10: OTHER ASSETS** | | | |
| CURRENT | | | |
| Prepayments | | 652 | 1,982 |
| Other current assets | | 255 | 168 |
| | | 907 | 2,150 |
| **NOTE 11: BIOLOGICAL ASSETS** | | | |
| CURRENT | | | |
| *At fair value* | | | |
| Biological assets for sale - nursery trees | | 496 | 733 |
| NON CURRENT | | | |
| *At fair value* | | | |
| Olive Groves | | 33,768 | 24,161 |
| **Reconciliation** | | | |
| Opening balance | | 24,161 | 23,501 |
| Net increase in fair value due to independent valuation | 3 | 9,133 | - |
| Increase due to purchases/development | | 474 | 660 |
| | | 33,768 | 24,161 |
| **NOTE 12: INTANGIBLE ASSETS** | | | |
| Goodwill at amortised cost | | 6,896 | 6,896 |
| Less accumulated impairment loss | | (6,896) | (5,697) |
| | | - | 1,199 |
| Water rights at cost | | 120 | 120 |
| Trademarks at cost | | 2,447 | 2,447 |
| Total intangible assets | | 2,567 | 3,766 |

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|

## NOTE 12: INTANGIBLE ASSETS (continued)

### (a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| *Goodwill at cost* | | | |
| Opening balance | | 1,199 | 1,199 |
| Impairment | | (1,199) | - |
| Closing balance | | - | 1,199 |
| *Water rights* | | | |
| Opening balance | | 120 | 120 |
| Closing balance | | 120 | 120 |
| *Trademarks* | | | |
| Opening balance | | 2,447 | 2,447 |
| Closing balance | | 2,447 | 2,447 |

## NOTE 13: PROPERTY, PLANT AND EQUIPMENT

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Land & buildings** | | | |
| Land & buildings at fair value | | 58,581 | 59,754 |
| **Plant & equipment** | | | |
| Plant & equipment at cost | | 27,845 | 27,857 |
| Less accumulated depreciation/amortisation | | (7,159) | (4,563) |
| | | 20,686 | 23,294 |
| Motor vehicles at cost | | 254 | 348 |
| Less accumulated depreciation | | (130) | (150) |
| | | 124 | 198 |
| Office equipment at cost | | 680 | 671 |
| Less accumulated depreciation | | (471) | (426) |
| | | 209 | 245 |
| Furniture, fixtures & fittings at cost | | 100 | 99 |
| Less accumulated depreciation | | (34) | (17) |
| | | 66 | 82 |
| Total plant and equipment | | 21,085 | 23,819 |
| Total property, plant and equipment | | 79,666 | 83,573 |

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)** | | |

**(a) Reconciliations**

Reconciliation of the carrying amounts of property, plant and equipment:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| *Land & buildings* | | |
| Opening carrying amount | 59,754 | 57,032 |
| Additions | 14 | 3,206 |
| Disposals | - | (1) |
| Depreciation expense | - | (88) |
| Net foreign currency movements | (63) | (522) |
| Devaluations | (1,124) | - |
| Reclassification/transfers between groups | - | 127 |
| Closing carrying amount | 58,581 | 59,754 |
| *Plant & equipment* | | |
| Opening carrying amount | 23,294 | 22,632 |
| Additions | 1,525 | 4,086 |
| Disposals | (1,114) | (251) |
| Depreciation/amortisation expense | (3,019) | (2,925) |
| Reclassification/transfers between groups | - | (248) |
| Closing carrying amount | 20,686 | 23,294 |
| *Motor vehicles* | | |
| Opening carrying amount | 198 | 129 |
| Disposals | (40) | (4) |
| Depreciation expense | (34) | (48) |
| Reclassification/transfers between groups | - | 121 |
| Closing carrying amount | 124 | 198 |
| *Office equipment* | | |
| Opening carrying amount | 245 | 345 |
| Additions | 9 | 23 |
| Depreciation expense | (45) | (123) |
| Closing carrying amount | 209 | 245 |
| *Furniture, fixtures & fittings* | | |
| Opening carrying amount | 82 | 51 |
| Additions | - | 48 |
| Depreciation expense | (16) | (17) |
| Closing carrying amount | 66 | 82 |
| *Total property, plant and equipment* | | |
| Carrying amount at 1 July | 83,573 | 80,189 |
| Additions | 1,548 | 7,363 |
| Disposals | (1,154) | (256) |
| Depreciation & amortisation expense | (3,114) | (3,201) |
| Net foreign currency movements | (63) | (522) |
| Revaluations | (1,124) | - |
| Carrying amount at 30 June | 79,666 | 83,573 |

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|

## NOTE 14: PAYABLES

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| CURRENT | | | |
| *Unsecured liabilities* | | | |
| Trade creditors | | 4,991 | 6,672 |

## NOTE 15: BORROWINGS

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| CURRENT | | | |
| *Secured Liabilities* | | | |
| Bank loans | | - | 56,980 |
| Finance lease liability | 22(a) | 736 | 622 |
| Hire purchase liability | 22(b) | 1,627 | 1,784 |
| | | 2,363 | 59,386 |
| NON CURRENT | | | |
| *Secured liabilities* | | | |
| Bank loans | | 56,480 | - |
| Finance lease liability | 22(a) | 2,084 | 2,682 |
| Hire purchase liability | 22(b) | 1,557 | 2,307 |
| | | 60,121 | 4,989 |

**(a) Terms and conditions and assets pledging as security relating to the above financial instruments**

The bank loans are secured by a fixed and floating charge over the assets and undertakings of Boundary Bend Limited and its subsidiaries. The bank also has mortgages over the real properties owned by the consolidated entity. All subsidiaries guarantee the bank loans.

## NOTE 16: PROVISIONS

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| CURRENT | | | |
| Employee benefits | (a) | 603 | 614 |
| Provision for onerous contract (water lease termination) | | 1,000 | - |
| | | 1,603 | 614 |
| NON CURRENT | | | |
| Employee benefits | (a) | 27 | 31 |
| Provision for onerous contract (water lease termination) | | 2,601 | - |
| | | 2,628 | 31 |
| (a) Aggregate employee benefits liability | | 630 | 645 |

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **NOTE 17: OTHER FINANCIAL LIABILITIES** | | |
| CURRENT | | |
| *Hedging instruments* | | |
| Interest rate swap | 60 | - |

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **NOTE 18: OTHER LIABILITIES** | | |
| CURRENT | | |
| Deferred income | 808 | 961 |
| Accrued expenses | 2,573 | 2,573 |
| Other current liabilities | 342 | 283 |
| | 3,723 | 3,817 |
| NON-CURRENT | | |
| Other non-current liabilities | 1,023 | 1,005 |

| | | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **NOTE 19: SHARE CAPITAL** | | | |
| Issued and paid-up capital | | | |
| 48,839,320 (2011: 44,766,986) ordinary shares | (a) | 61,237 | 55,707 |

| | 2012 Number'000 | 2012 $'000 | 2011 Number'000 | 2011 $'000 |
|---|---|---|---|---|
| **(a) Ordinary shares** | | | | |
| **Consolidated** | | | | |
| Opening balance | 44,767 | 55,707 | 44,227 | 55,005 |
| Shares issued: | | | | |
| 3 December 2010 | - | - | 540 | 702 |
| 15 February 2012 | 3,872 | 5,809 | - | - |
| 30 June 2012 | 200 | 104 | - | - |
| Transaction costs relating to shares issued | - | (383) | - | - |
| | 4,072 | 5,530 | 540 | 702 |
| At reporting date | 48,839 | 61,237 | 44,767 | 55,707 |

**(b) Rights of each type of share**

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

**(c) Share options granted under the Employees and Officers Share Option plan**

At 30 June 2012, directors, senior employees and consultants held options over 2,870,000 ordinary shares of the consolidated entity, of which 225,000 expired on 1 July 2012. None of these options were exercised on 1 July 2012 leaving 2,645,000 options. At 30 June 2011, directors and senior employees held options over 1,295,000 ordinary shares of the consolidated entity.

Share options granted under the Employees and Officers Share Option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in Note 28.

## NOTE 20: RESERVES

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Asset revaluation reserve | 20(a) | - | 286 |
| Foreign currency translation reserve | 20(b) | (795) | (740) |
| Share based payments reserve | 20(c) | 551 | 252 |
| Cash flow hedge reserve | 20(d) | (60) | - |
| | | (304) | (202) |

### (a) Asset revaluation reserve

The asset revaluation reserve is used to record revaluations of non current assets.

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| *Movements in reserve* | | |
| Opening balance | 286 | 286 |
| Fair value adjustments to non-current assets | (286) | - |
| Closing balance | - | 286 |

### (b) Foreign currency translation reserve

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| *Movements in reserve* | | |
| Opening balance | (740) | (291) |
| Exchange difference arising on translation of foreign operations | (55) | (449) |
| Closing balance | (795) | (740) |

### (c) Share based payments reserve

The share based payments reserve relates to share options granted to employees and officers under the Employee and Officers Share Option plan. Further information about share based payments to employees and officers is set out in Note 28.

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| *Movements in reserve* | | |
| Opening balance | 252 | 185 |
| Options exercised, transferred to equity | (104) | - |
| Share based payments | 403 | 67 |
| Closing balance | 551 | 252 |

### (d) Cash flow hedge reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| *Movements in reserve* | | |
| Opening balance | - | - |
| Loss arising on changes in fair value of hedging instruments entered into for cash flow hedges | | |
| - Interest rate swap | (60) | - |
| Closing balance | (60) | - |

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|

## NOTE 21: RETAINED EARNINGS

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Retained earnings at beginning of year | | 21,898 | 33,737 |
| Net loss | | (7,720) | (11,989) |
| Deconsolidation adjustment on loss of control of subsidiary | | - | 150 |
| | | 14,178 | 21,898 |

## NOTE 22: CAPITAL AND LEASING COMMITMENTS

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| (a) Finance leasing commitments | | | |
| Payable | | | |
| - not later than one year | | 930 | 858 |
| - later than one year and not later than five years | | 2,342 | 3,116 |
| Minimum lease payments | | 3,272 | 3,974 |
| Less future finance charges | | (452) | (670) |
| Total finance lease liability | | 2,820 | 3,304 |
| | | | |
| Represented by: | | | |
| Current liability | 15 | 736 | 622 |
| Non-current liability | 15 | 2,084 | 2,682 |
| | | 2,820 | 3,304 |
| | | | |
| (b) Hire purchase commitments | | | |
| Payable | | | |
| - not later than one year | | 1,815 | 2,021 |
| - later than one year and not later than five years | | 1,656 | 2,490 |
| Minimum hire purchase payments | | 3,471 | 4,511 |
| Less future finance charges | | (287) | (420) |
| Total hire purchase liability | | 3,184 | 4,091 |
| | | | |
| Represented by: | | | |
| Current liability | 15 | 1,627 | 1,784 |
| Non-current liability | 15 | 1,557 | 2,307 |
| | | 3,184 | 4,091 |
| | | | |
| (c) Operating lease commitments | | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: | | | |
| Payable | | | |
| - not later than one year | | 5,426 | 5,736 |
| - later than one year and not later than five years | | 4,927 | 10,185 |
| | | 10,353 | 15,921 |

*General description of operating leasing arrangements:*

Operating leases relate to farm equipment and motor vehicles with lease terms of between 3 to 5 years and warehouse equipment and office space with lease terms of between 3 to 6 years . All operating lease contracts contain market review clauses in the event that the Boundary Bend Group exercises any option to renew. The Boundary Bend Group does not have a right to purchase the leased asset at the expiry of the lease period. Each lease consists of an initial fixed term, plus multiple options to extend beyond the initial term (at the option of the consolidated entity). Therefore, only the first term of each lease is included in the above commitments.

## NOTE 23: CASH FLOW INFORMATION

**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Cash at bank | | 297 | 187 |

**(b) Reconciliation of cash flow from operations with profit after income tax**

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Loss from ordinary activities after income tax | | (7,720) | (11,989) |
| **Adjustments and non-cash items** | | | |
| Depreciation & amortisation | | 3,114 | 3,201 |
| Loss on disposal of interest in controlled entity | | - | 110 |
| Impairment loss | | 1,260 | - |
| Onerous contract (water lease termination) | | 2,000 | - |
| Profit on sale of assets | | (378) | (142) |
| Profit on sale of intangibles | | - | (188) |
| Net increase in fair value of non-current biological assets | | (9,133) | - |
| Loss on revaluation of property | | 839 | - |
| Share based payment expense | | 333 | 67 |
| Unrealised exchange gains on forward contract | | (25) | - |
| Unrealised foreign currency gain | | 111 | (132) |
| Interest accrued not paid | | - | 319 |
| **Changes in assets and liabilities** | | | |
| (Increase) / decrease in receivables | | 769 | (1,734) |
| Decrease / (increase) in prepayments and other assets | | 1,243 | 764 |
| Decrease in inventories and biological assets for sale | | 5,047 | 490 |
| Increase / (decrease) in payables | | (1,680) | 2,460 |
| Increase / (decrease) in income tax payable | | - | 50 |
| Increase / (decrease) in deferred taxes | | - | 48 |
| (Decrease) / increase in provisions | | 3,586 | (115) |
| Decrease in accrued expenses & other liabilities | | (153) | (5,792) |
| | | 6,933 | (594) |
| Cash flows used in operating activities | | (787) | (12,583) |

## NOTE 23: CASH FLOW INFORMATION (CONTINUED)

**(c) The major facilities of the consolidated entity are summarised as follows:**

(i) Core debt facility of $45,000,000 (2011: $45,000,000) which is available to 30 November 2013. The interest costs under the facility is referenced to the bank bill swap bid rate (BBSY). A margin is also paid in addition to this reference rate. At 30 June 2012 this facility was fully drawn.

(ii) Harvest facility of $17,000,000 (2011: $12,000,000) which is available to 30 November 2013. The interest costs under the facility is referenced to the bank bill swap bid rate (BBSY). A margin is also paid in addition to this reference rate. At 30 June 2012 this facility was drawn to $11,500,000.

Both the facilities are secured by a fixed and floating charge over the assets and undertakings of Boundary Bend Limited and its subsidiaries. The bank also holds mortgages over the real properties owned by the consolidated entity. All subsidiaries guarantee the above bank loans.

Finance will continue to be provided under the above facilities provided the consolidated entity has not breached any borrowing requirements and the consolidated financial entity meets the required financial ratios. The consolidated entity confirms that it has complied with all borrowing requirements and met the required financial ratios during the year.

## NOTE 24: CONTROLLED ENTITIES

| | Country of incorporation | Ownership 2012 % | 2011 % |
|---|---|---|---|
| **Parent Entity:** | | | |
| Boundary Bend Limited | | | |
| **Subsidiaries of Boundary Bend Limited:** | | | |
| Boundary Bend Estate Management Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Estate (Processors) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Estate Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Olives Pty Ltd | Australia | 100 | 100 |
| Karee Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Marketing Pty Ltd | Australia | 100 | 100 |
| Olive Management Pty Ltd | Australia | 100 | 100 |
| Cobram Estate Pty Ltd | Australia | 100 | 100 |
| Maqtec Australia Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Assets Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Estate (No. One) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Estate (No. Two) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Estate (No. Three) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Nominees (No. One) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Nominees (No. Two) Pty Ltd | Australia | 100 | 100 |
| Boundary Bend Nominees (No. Three) Pty Ltd | Australia | 100 | 100 |

## NOTE 25: RELATED PARTY TRANSACTIONS

### (a) Trading transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

| | Sales of goods/services | | Purchase of goods/services | |
|---|---|---|---|---|
| | 2012 $ | 2011 $ | 2012 $ | 2011 $ |
| Olivecorp Management Pty Ltd | - | - | - | 4,876,951 |
| P & F Riordan Pty Ltd | - | - | 23,850 | 26,000 |
| Riordan Property Trust | - | - | - | 61,723 |
| RD & KA McGavin Pty Ltd | - | - | 20,625 | 21,802 |
| McGavin Investments Pty Ltd | - | - | 13,112 | 27,500 |
| Poligolet Holdings Pty Ltd | 13,209 | 21,608 | - | - |
| Jubilee Park Vineyards Pty Ltd | 10,228 | 24,937 | - | - |
| Jubilee Park Power Pty Ltd | - | 17,656 | - | - |

The following balances were outstanding at the end of the reporting period:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 2012 $ | 2011 $ | 2012 $ | 2011 $ |
| P & F Riordan Pty Ltd | - | - | 12,250 | 3,600 |
| Riordan Property Trust | - | - | - | 11,518 |
| RD & KA McGavin Pty Ltd | - | - | 4,125 | - |
| McGavin Investments Pty Ltd | - | - | 2,112 | 5,500 |
| Poligolet Holdings Pty Ltd | 120 | 3,745 | - | - |
| Jubilee Park Vineyards Pty Ltd | - | 5,499 | - | - |
| Jubilee Park Power Pty Ltd | - | 17,656 | - | - |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Sale of goods and services were made at the consolidated entity's usual list prices. Purchases were made at market price.

**NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Loans to key management personnel**

The following loan balance is in respect of loans made to key management personnel of the consolidated group or to their related entities.

| | Balance at beginning $ | Interest charged $ | Balance at end $ | Highest in period $ |
|---|---|---|---|---|
| **2012** | | | | |
| Leandro Ravetti* | 187,743 | 14,644 | 145,542 | 187,743 |
| **2011** | | | | |
| Leandro Ravetti* | 228,866 | 16,936 | 187,743 | 228,866 |

*This loan provided by the group attracts interest in accordance with the Australian Taxation Office benchmark interest rate of 7.8% (2011: 7.4%).

**(c) Transactions with key management personnel compensation**

*(i) Key management personnel compensation*

Details of key management personnel compensation are disclosed in Note 32 to the financial statements.

*(ii) Key management personnel equity holdings*

Fully paid ordinary shares of Boundary Bend Limited:

| | Balance at 1 July No. | Granted as compensation No. | Received upon exercise of options No. | Net other change No. | Balance as 30 June No. |
|---|---|---|---|---|---|
| **2012** | | | | | |
| Mr T. A. Jonas | 808,204 | - | - | - | 808,204 |
| Mr C.P. Ball | 405,062 | - | - | - | 405,062 |
| Mr J. West | 100,000 | - | - | - | 100,000 |
| Mr R.D. McGavin | 9,507,396 | - | - | - | 9,507,396 |
| Mr P.C. Riordan | 6,109,118 | - | - | - | 6,109,118 |
| Mr L.M. Ravetti | 624,764 | - | - | - | 624,764 |
| Mr T.F. Smith | 111,546 | - | - | - | 111,546 |
| Mr S. J. Beaton | 10,000 | - | 200,000 | - | 210,000 |
| **2011** | | | | | |
| Mr T. A. Jonas | 808,204 | - | - | - | 808,204 |
| Mr C.P. Ball | 405,062 | - | - | - | 405,062 |
| Mr J. West | 100,000 | - | - | - | 100,000 |
| Mr D. Lipton | 37,430 | - | - | - | 37,430 |
| Mr R.D. McGavin | 9,507,396 | - | - | - | 9,507,396 |
| Mr P.C. Riordan | 6,109,118 | - | - | - | 6,109,118 |
| Mr L.M. Ravetti | 624,764 | - | - | - | 624,764 |
| Mr T.F. Smith | 111,546 | - | - | - | 111,546 |
| Mr S. J. Beaton | 10,000 | - | - | - | 10,000 |

**NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)**

Share options of Boundary Bend Limited:

| | Balance at 1 July No. | Granted as compen-sation No. | Exercised No. | Lapsed No. | Balance at 30 June No. |
|---|---|---|---|---|---|
| **2012** | | | | | |
| Mr T. A. Jonas | 75,000 | 150,000 | - | - | 225,000 |
| Mr C.P. Ball | 150,000 | 150,000 | - | - | 300,000 |
| Mr J. West | - | 150,000 | - | - | 150,000 |
| Mr R.D. McGavin | 300,000 | 1,250,000 | - | (300,000) | 1,250,000 |
| Mr P.C. Riordan | 100,000 | - | - | (100,000) | - |
| Mr L.M. Ravetti | 300,000 | 200,000 | - | (300,000) | 200,000 |
| Mr T.F. Smith | 80,000 | 50,000 | - | (50,000) | 80,000 |
| Mr S. J. Beaton | 200,000 | 200,000 | (200,000) | - | 200,000 |
| **2011** | | | | | |
| Mr T. A. Jonas | 75,000 | - | - | - | 75,000 |
| Mr C.P. Ball | 150,000 | - | - | - | 150,000 |
| Mr R.D. McGavin | 300,000 | - | - | - | 300,000 |
| Mr P.C. Riordan | 100,000 | - | - | - | 100,000 |
| Mr L.M. Ravetti | 300,000 | - | - | - | 300,000 |
| Mr T.F. Smith | 80,000 | - | - | - | 80,000 |
| Mr S. J. Beaton | 200,000 | - | - | - | 200,000 |

All share options issued to key management personnel are made in accordance with the provision of the employee share option plan.

During the financial year 200,000 options (2011: nil) were exercised by key management personnel.

Further details of the employee share option plan and of share options issued during the 2012 and 2011 financial year are contained in Note 28 to the financial statements.

## NOTE 26: FINANCIAL RISK MANAGEMENT

### Capital risk management

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19, 20 and 21 respectively.

Operating cash flows are used to maintain and expand the consolidated entity's net asset position, as well as to make the normal outflows of tax, dividend and interest obligations. The consolidated entity's policy is to borrow centrally, using a variety of borrowing facilities, to meet anticipated funding requirements.

### Gearing Ratio

The Board of Directors regularly review the capital structure of the business, based on information provided from monthly management reporting. The consolidated entity has a benchmark gearing ratio calculated as the ratio of total external debt to tangible assets. As at year end, the consolidated entity was below the said benchmark.

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Total External Debt | 62,484 | 64,375 |
| Less: Cash and Cash Equivalents | (297) | (187) |
| Net External Debt | 62,187 | 64,188 |
| | | |
| Total Assets | 151,623 | 153,917 |
| Less: Intangible Assets | (2,567) | (3,766) |
| Tangible Assets | 149,056 | 150,151 |
| | | |
| Gearing Ratio | 41.72% | 42.75% |

The consolidated entity monitors and manages the financial risks relating to the operations of the consolidated entity throughout the year at meetings of the Board of Directors and key management personnel.

An annual risk review involving all areas of the business is conducted with a report and recommendations
(a) Foreign currency risk
(b) Interest rate risk
(c) Credit risk
(d) Liquidity risk
(e) Fair values

The Board of Directors have overall responsibility for identifying and managing operational and financial

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposing the consolidated entity to the risk of exchange rate fluctuations. The consolidated entity's policy is to deal in stable currencies which are actively traded in local and world markets to reduce the risk of strongly adverse movements in exchange rates.

## NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Currency risk

It is the policy of the consolidated entity to continually monitor its currency risk, which may include entering into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates to reduce this risk. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

At reporting date the carrying amount in AUD of the consolidated entities monetary assets denominated in foreign currencies were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2012<br>$'000 | 2011<br>$'000 | 2012<br>$'000 | 2011<br>$'000 |
| European Euros | 393 | 752 | 1,493 | 1,356 |
| US dollars | 185 | 17 | 64 | 68 |

On 7 March 2012, the consolidated entity entered into a foreign exchange contract to sell 2,000,000 EUR and purchase AUD on 27 February 2015 at an exchange rate of 0.7322 AUD/EUR. The deal can be closed out at any time prior to 27 February 2015 at the net fair value. As at 30 June 2012, the contract has a net fair value of $24,975 (Refer Note 9).

***Sensitivity***

The consolidated entity is mainly exposed to European Euros (EUR), US dollars (USD) and Argentinean pesos (ARS). Contracts for sale of olive oil to the international market are generally denominated in EUR. Some contracts for the sale of olive oil are also entered into in USD when selling to the US market and markets around the world where the local currency is not considered appropriate for the transaction. The exposure to ARS is as a result of the consolidated entity's investment in land suitable for the establishment of an olive grove in Argentina. A subsidiary of the consolidated entity, Boundary Bend Estate Pty Ltd, that owns this land, has been determined to have a functional currency of ARS at balance date. Exposure to all other foreign currencies is incidental to the trading of the consolidated entity and the effect of movements in the exchange rates with these foreign currencies is considered immaterial.

The table set out below shows the impact that a 10% increase or decrease in the Australian dollar against the relevant foreign currency would have on the financial statements at reporting date. A positive number indicates an increase in profit or other equity where the Australian dollar strengthens against the foreign currency. A weakening of the Australian dollar against the respective foreign currencies would result in an equal and opposite impact on the financial statements. The stipulated movement for the sensitivity analysis of 10% has been chosen as it represents what may occur in any financial year.

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| **+ / - 10% United States dollars** | | |
| Impact on profit after tax | 12 | 2 |
| Impact on equity | - | - |
| **+ / - 10% Argentinean pesos** | | |
| Impact on profit after tax | - | 0 |
| Impact on equity | 108 | 120 |
| **+ / - 10% European Euros** | | |
| Impact on profit after tax | 110 | 136 |
| Impact on equity | - | - |

## NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Interest rate risk

The consolidated entity is exposured 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, because the consolidated entity borrows funds at both fixed and floating interest rates.

The consolidated entity manages its interest costs using a mix of fixed and floating rate debt. The consolidated entity has fixed a certain amount of debt with the remaining balance financed via a variable interest rate.

The consolidated entity's exposures to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

On 18 November 2011, the consolidated entity entered into an interest rate hedge to fix the rate at 3.70%. The face value of the hedge is $40,000,000 and the contract matures on 30 November 2012.

***Sensitivity***

The following sensitivity analysis has been determined based on the consolidated entity’s exposure to long term debt obligations. Changes in interest rates would also have an effect on the interest received by the consolidated entity, however, this effect is considered immaterial for the purpose of the sensitivity analysis.

The analysis has been conducted based on a 100 basis point change (1.00%), either up or down, in the prevailing interest rate at the end of the financial year applied to outstanding debt obligations at reporting date. A 100 basis point sensitivity has been used for the analysis as this is deemed a reflective basis point variance given recent market conditions.

Taking into consideration the variable interest rate instruments at reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the consolidated entity’s net profit would decrease/increase:

| | **2012** | **2011** |
|---|---|---|
| + / - 1% interest rate | **$'000** | **$'000** |
| Impact on profit before tax | 115 | 520 |

### (c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial

Credit risk for derivative financial instruments arises from the potential failure by counterparts to the contract to meet their obligations. The credit risk exposure of forward exchange contracts is the net fair value of these contracts.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

**NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements. The Consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The tables below include the weighted average effective interest rate.

| **Year ended 30 June 2012** | **Weighted average effective interest rate** | **< 6 months** | **6-12 months** | **1-5 years** | **Total** |
|---|---|---|---|---|---|
| | **%** | **$'000** | **$'000** | **$'000** | **$'000** |
| *Financial assets:* | | | | | |
| Non interest bearing assets | - | 8,274 | - | - | 8,274 |
| Variable interest rate instruments | | | | | |
| - Cash | 1.33 | 297 | - | - | 297 |
| - Amounts receivable from directors and key management personnel | 3.12 | - | 45 | 301 | 346 |
| *Financial liabilities:* | | | | | |
| Non interest bearing liabilities | - | 4,991 | - | - | 4,991 |
| Variable interest rate instruments | | | | | |
| - Bank loans | 5.55 | - | - | 11,500 | 11,500 |
| Fixed interest rate instruments | | | | | |
| - Bank loans | 7.67 | - | - | 5,000 | 5,000 |
| - Bank loans | 3.70 | - | - | 39,980 | 39,980 |
| - Finance lease liability | 8.00 | 372 | 364 | 2,084 | 2,820 |
| - Hire Purchase liability | 7.41 | 518 | 1,109 | 1,557 | 3,184 |
| **Year ended 30 June 2011** | | | | | |
| *Financial assets:* | | | | | |
| Non interest bearing assets | - | 8,581 | - | - | 8,581 |
| Variable interest rate instruments | | | | | |
| - Cash | 1.74 | 187 | - | - | 187 |
| - Amounts receivable from directors | 7.40 | - | 43 | 145 | 188 |
| *Financial liabilities:* | | | | | |
| Non interest bearing liabilities | - | 6,672 | - | - | 6,672 |
| Variable interest rate instruments | | | | | |
| - Bank loans | 6.52 | 51,980 | - | - | 51,980 |
| Fixed interest rate instruments | | | | | |
| - Bank loans | 7.67 | 5,000 | - | - | 5,000 |
| - Finance lease liability | 8.21 | 326 | 296 | 2,682 | 3,304 |
| - Hire Purchase liability | 7.68 | 1,193 | 591 | 2,307 | 4,091 |

## NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

## NOTE 27: CONSOLIDATED ENTITY DETAILS

The registered office of the consolidated entity is:

151 Broderick Road
LARA VICTORIA 3212

## NOTE 28: SHARE BASED PAYMENTS

### (a) Employee option plan

The consolidated entity has an ownership-based compensation scheme for employees and officers. The Employees and Officers Share Option Plan provides that shares issued to any relevant person pursuant to this plan during the previous five years will be limited to a maximum of 5% of the issued ordinary capital of Boundary Bend Limited. Eligibility for the plan and exercise price for options issued under the plan are determined at the discretion of the Board.

Each employee option converts into one ordinary share of Boundary Bend Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

## NOTE 28: SHARE BASED PAYMENTS (CONTINUED)

Details of the options granted are provided below:

| Grant date | Expiry date | Exercise price | Fair value at grant date | Balance at beginning of the year | Granted during the year | Exercised during the year | Lapsed during the year | Balance at the end of the year | Exercisable at end of the year |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | |
| 01-Jul-07 | 01-Jul-11 | $1.60 | $1.11 | 825,000 | - | - | (825,000) | - | - |
| 05-Aug-09 | 30-Jun-12 | $1.00 | $1.30 | 200,000 | - | (200,000) | - | - | - |
| 13-Nov-09 | 01-Jul-12 | $1.30 | $1.30 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Jun-10 | 01-Jul-13 | $1.40 | $1.40 | 45,000 | - | - | - | 45,000 | - |
| 31-Oct-11 | 31-Oct-14 | $1.60 | $1.50 | - | 200,000 | - | - | 200,000 | 200,000 |
| 15-Feb-12 | 15-Feb-17 | $1.50 | $1.50 | - | 150,000 | - | - | 150,000 | 150,000 |
| 30-Jun-12 | 30-Jun-15 | $1.85 | $1.30 | - | 100,000 | - | - | 100,000 | 100,000 |
| 30-Jun-12 | 30-Jun-15 | $1.60 | $1.30 | - | 2,150,000 | - | - | 2,150,000 | 1,600,000 |
| | | | | 1,295,000 | 2,600,000 | (200,000) | (825,000) | 2,870,000 | 2,275,000 |
| Weighted average exercise price: | | | | $1.45 | $1.60 | $1.00 | $1.60 | $1.58 | $1.57 |
| **2011** | | | | | | | | | |
| 01-Jul-07 | 01-Jul-11 | $1.60 | $1.11 | 825,000 | - | - | - | 825,000 | 825,000 |
| 05-Aug-09 | 30-Jun-12 | $1.00 | $1.30 | 200,000 | - | - | - | 200,000 | - |
| 13-Nov-09 | 01-Jul-12 | $1.30 | $1.30 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Jun-10 | 01-Jul-13 | $1.40 | $1.40 | 45,000 | - | - | - | 45,000 | - |
| | | | | 1,295,000 | - | - | - | 1,295,000 | 1,050,000 |
| Weighted average exercise price: | | | | $1.45 | $0.00 | $0.00 | $0.00 | $1.45 | $1.54 |

### (b) Fair value of share options granted in the year

There were 2,600,000 options granted during the year (2011: nil). Options were priced using the Black-Scholes option pricing model. Expected volatility is based on industry average, as the consolidated entity does not have an reasonable measure of volatility.

| | Options series | | | |
|---|---|---|---|---|
| Inputs into the model | 31-Oct-11 | 15-Feb-12 | 30-Jun-12 | 30-Jun-12 |
| Number of options issued | 200,000 | 150,000 | 100,000 | 2,150,000 |
| Grant date share price | $1.50 | $1.50 | $1.30 | $1.30 |
| Exercise price | $1.60 | $1.50 | $1.85 | $1.60 |
| Expected volatility | 27% | 27% | 27% | 27% |
| Option life | 3 years | 3 years | 3 years | 3 years |
| Dividend yield | 0% | 0% | 0% | 0% |
| Risk-free interest rate | 3.92% | 3.58% | 2.42% | 2.42% |

### (c) Share options exercised during the year

200,000 options granted on 5 August 2009 were exercised on 30 June 2012.

### (d) Options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $1.58 (2011: $1.45), and a weighted average remaining contractual life of 1,012 days (2011: 146 days).

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **NOTE 29: DIVIDENDS** | | |
| Dividends declared and payable at $0 per share (2011: $0) fully franked at 30% | - | - |
| Balance of franking account on a tax paid basis at financial year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years: | 2,232 | 2,232 |

**NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 ‘Financial Instruments’, AASB 200911 ‘Amendments to Australian Accounting Standards arising from AASB 9’ and AASB 2010-7 ‘Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)’ | 1 January 2015 | 30 June 2016 |
| AASB 10 ‘Consolidated Financial Statements’ | 1 January 2013 | 30 June 2014 |
| AASB 11 ‘Joint Arrangements’ | 1 January 2013 | 30 June 2014 |
| AASB 12 ‘Disclosure of Interests in Other Entities’ | 1 January 2013 | 30 June 2014 |
| AASB 127 ‘Separate Financial Statements’ (2011) | 1 January 2013 | 30 June 2014 |
| AASB 128 ‘Investments in Associates and Joint Ventures’ (2011) | 1 January 2013 | 30 June 2014 |
| AASB 13 ‘Fair Value Measurement’ and AASB 2011-8 ‘Amendments to Australian Accounting Standards arising from AASB 13’ | 1 January 2013 | 30 June 2014 |
| AASB 119 ‘Employee Benefits’ (2011) and AASB 2011-10 ‘Amendments to Australian Accounting Standards arising from AASB 119 (2011)’ | 1 January 2013 | 30 June 2014 |
| AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’ | 1 July 2013 | 30 June 2014 |
| AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards’ | 1 January 2013 | 30 June 2014 |
| AASB 2011-9 ‘Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income’ | 1 July 2012 | 30 June 2013 |

The directors anticipate that the adoption of these Standards and Interpretations will have no material financial impact on the financial statements of the Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

## NOTE 31: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Boundary Bend Limited and controlled entities, financial statements:

### (a) Summarised consolidated statement of financial position

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 519 | 302 |
| Non-current assets | 107,094 | 102,264 |
| Total assets | 107,613 | 102,566 |
| **Liabilities** | | |
| Current liabilities | 226 | 57,552 |
| Non-current liabilities | 56,480 | - |
| Total liabilities | 56,706 | 57,552 |
| Net assets | 50,907 | 45,014 |
| **Equity** | | |
| Share capital | 61,237 | 55,707 |
| Retained earnings | (10,925) | (10,945) |
| Reserves | | |
| Share based payments reserve | 655 | 252 |
| Cash flow hedge reserve | (60) | - |
| Total equity | 50,907 | 45,014 |

### (b) Summarised consolidated statement of comprehensive income

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Profit/(loss) for the year | (20) | (98) |
| Other comprehensive income for the year | (60) | - |
| Total comprehensive income for the year | (80) | (98) |

### (c) Parent entity guarantees

The bank loans are secured by a registered fixed and floating charge over the assets and undertakings of Boundary Bend Limited and its subsidiaries. The bank also has mortgages over the real properties owned by the consolidated entity. All subsidiaries guarantee the bank loans.

### (d) Parent entity contingent liabilities

There are no contingent liabilities as at 30 June 2012, other than the contingent liability in Note 5(g).

### (e) Parent entity contractual commitments

The parent entity has no contractual commitments for the acquisition of property, plant or equipment.

## NOTE 32: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2012, other than the contingent liability in Note 5(g).

## NOTE 33: KEY MANAGEMENT PERSONNEL COMPENSATION

**Details of key management personnel**
The directors and other members of key management personnel of the consolidated entity during the year were:

R.D. McGavin (Executive Chairman)
P.C. Riordan (Operations Director)
L.M. Ravetti (Technical Director)
T.A. Jonas (Non-executive Director)
C.P. Ball (Non-executive Director)
J. West (Non-executive Director)
T.F. Smith (Sales and Marketing Director)
S.J. Beaton (Company Secretary, Chief Financial Officer)

**Key management personnel compensation**
The aggregate compensation made to key management personnel of the consolidated entity is set out below:

| | 2012 $ | 2011 $ |
|---|---|---|
| Compensation received by key management personnel of the consolidated entity: | | |
| - short-term employee benfits | 1,122,832 | 1,322,655 |
| - post-employment benefits | 91,104 | 95,565 |
| - share based payments | 256,126 | 62,285 |
| | 1,470,062 | 1,480,505 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The compensation for each member of the key management personnel of the consolidated entity is set out below:

| | Short-term employee benefits | | | | Post-employment benefits | Share-based Payments | |
|---|---|---|---|---|---|---|---|
| | Salary & fees $ | Bonus $ | Non-monetary $ | Other $ | Super-annuation $ | Options & rights $ | Total $ |
| **2012** | | | | | | | |
| T.A. Jonas | - | - | - | - | - | 27,000 | 27,000 |
| C.P. Ball | - | - | - | - | - | 27,000 | 27,000 |
| J. West | - | - | - | - | - | 27,000 | 27,000 |
| R.D. McGavin | 87,156 | - | - | - | 7,844 | 135,106 | 230,106 |
| P.C. Riordan | 174,311 | - | - | - | 15,688 | 8 | 190,007 |
| L.M. Ravetti | 368,753 | 20,000 | 2,055 | - | 26,571 | 58 | 417,437 |
| T.F. Smith | 204,762 | 10,000 | - | - | 19,329 | 4,012 | 238,103 |
| S.J. Beaton | 215,795 | 40,000 | - | - | 21,672 | 35,942 | 313,409 |
| Total | 1,050,777 | 70,000 | 2,055 | - | 91,104 | 256,126 | 1,470,062 |
| **2011** | | | | | | | |
| T.A. Jonas | 50,000 | - | - | - | - | - | 50,000 |
| C.P. Ball | 50,000 | - | - | - | - | - | 50,000 |
| J. West | 50,000 | - | - | - | - | - | 50,000 |
| D. Lipton | 30,462 | - | - | - | 2,742 | - | 33,204 |
| R.D. McGavin | 174,311 | - | - | - | 15,688 | 8,994 | 198,993 |
| P.C. Riordan | 158,272 | - | 16,040 | - | 15,688 | 2,998 | 192,998 |
| L.M. Ravetti | 371,713 | - | 18,608 | - | 26,504 | 8,994 | 425,819 |
| T.F. Smith | 190,986 | - | 13,777 | - | 18,429 | 5,488 | 228,680 |
| S.J. Beaton | 198,486 | - | - | - | 16,514 | 35,811 | 250,811 |
| | 1,274,230 | - | 48,425 | - | 95,565 | 62,285 | 1,480,505 |

Share options have been granted to the following key management personnel on the following dates:

| | |
|---|---|
| 1-Jul-07 | R.D. McGavin, P.C. Riordan, L.M. Ravetti and T.F. Smith |
| 5-Aug-09 | S.J. Beaton |
| 30-Jun-10 | T.F. Smith |
| 30-Jun-12 | T.A. Jonas, C.P. Ball, J. West, R.D. McGavin, L.M. Ravetti, T.F. Smith, S.J. Beaton |

Further details of the options granted are contained in Note 25 and 28.

## DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 23 - 62, are in accordance with the *Corporations Act 2001*:

   (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) as stated in Note 1, the financial statements also comply with International Financial Reporting Standards; and

   (c) give a true and fair view of the financial position as at 30 June 2012 and performance for the year ended on that date of the consolidated entity.

2. In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: Robert McGavin

Director: Tim Jonas

Dated this 20th day of September 2012

Deloitte.

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# Independent Auditor's Report to the Members of Boundary Bend Limited

## Report on the Financial Report

We have audited the accompanying financial report of Boundary Bend Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 63.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

*Auditor's Independence Declaration*

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

*Opinion*

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2012. 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.

*Opinion*

In our opinion the Remuneration Report of Boundary Bend Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 20 September 2012