CAMBRIDGE GULF LIMITED

ACN: 123 039 181

ANNUAL REPORT
2007

CAMBRIDGE GULF LIMITED

Registered in Western Australia
on 15th February 2007
under the Corporations Act 2001

POSTAL ADDRESS
PO Box 238
KUNUNURRA WA 6743

SHARE REGISTER
672 Weaber Plains Road
KUNUNURRA WA 6743

DIRECTORS
Robert John Boshammer
Gregory Scott Cummings
Elaine Margaret Gardiner
Lindsay Albert Innes (Chairman)
Kimberley-Anne Kohan
Paul Arthur Mock
Darryl Ward Smith

AUDITORS
KPMG
Central Park
152 St George's Terrace
PERTH WA 6000

BANKERS
Westpac Banking Corporation
BROOME WA 6725

Directors' Report

The Board is pleased to present the 1st annual report together with the financial report and the auditors report theron for Cambridge Gulf Limited (CGLtd) for the financial year ended 30 June 2007. CGLtd evolved from the conversion of Ord River District Co-operative Ltd (ORDC) to an unlisted public company in February 2007.

PRINCIPAL ACTIVITIES

The principal activities of Cambridge Gulf Limited during the 2007 financial year included the retailing of agricultural merchandise and commodities, provision of grain cleaning and grading services, crop monitoring services, importation and wholesaling of diesel fuel product through its wholly owned subsidiary company Ordco Fuel Pty Ltd, management of the Wyndham Port operation in accordance with its Operating Agreement and the provision of stevedoring and other port related services.

OVERVIEW

The Conversion

After four years or rigorous debate and analyses of several alternative ways of achieving structural reform, ORDC converted to Cambridge Gulf Ltd on 15 February 2007.

The key features of the conversion include:

- Changing from a co-operative law regime to company law regime;
- Proportional shareholder representation;
- A commitment to a new co-operative to:
  - transfer the agricultural assets valued at approximately $1.1 million to that cooperative having a shareholder base closely reflecting that of CGLtd;
  - pass stock and cash with a combined value of $1.8 million across to that cooperative;
  - pass across listed shares valued at $1.3million (or cash equivalent) to that co-operative;
  - provide a 3 year management service to that co-operative;
  - lease office space from that cooperative for 3 years; and
  - lease portion of Lot 2 Wyndham containing the sugar shed, fertilizer shed and molasses tank to the new co-operative for an initial 10 year period with a further 10 year option at the co-operative's election.

After the conversion was complete, five local farmers formed a new cooperative known as East Kimberley Co-operative Ltd (EKL) and issued a prospectus to all the shareholders in CGLtd inviting them to subscribe one cent each for the same number of shares in EKL as they held in CGLtd at conversion.

As a result 107 of the 123 shareholders in CGLtd subscribed and were issued shares in EKL commensurate with their shareholding in CGLtd.

At the 1st July 2007 the transfers and commitments outlined above were enacted and EKL commenced trading as a cooperative company on 2nd July 2007.

Cambridge Gulf Limited

Key features for 2006-07

- Total revenue for the group $120,426,367 (2006: $94,588,118)
- An after tax profit for the group of $3,777,505 (2006: $2,569,513)
- A fully franked dividend of 60.0 cents per share (2006: 23.2c/share)
- A decrease in total shareholder equity from $13,277,984 in 2006 to $13,095,119 in 2007 – largely as a result of the repurchase of preference shares and the payment of dividends thereon amounting to $2,953,693.
- Payment of $540,801 as discounts to trading shareholders in the agricultural division
- Return on Equity (economic return on capital employed) of 28.84%

Directors' Report (continued)

Ordco Agriculture

The agricultural division made substantial gains during 2007. Sales increased from $7,761,531 in 2006 to $10,931,140 in 2007 while net after tax profit increased from $324,575 in 2006 to $795,204 in 2007 (after discounts).

The new co-operative (EKL) is confronting the reality of the sugar industry closing. Continuing land pressure brought about by the inability of Government to expedite the Ord Stage 2 development combined with insatiable demand for land by managed investment schemes, limits opportunities for organic growth within the agricultural business.

Ordco Fuel

Exceptional results were achieved for the year with an increase in sales from $83,481,514 in 2006 to $106,511,032. A significant part of this increase was attributed to an unexpected shut down of the Ord Hydro power station resulting in substantially increased demand for fuel for power generation at Argyle Diamonds. Net profit after tax increased from $2,403,727 in 2006 to $2,684,353 in 2007. During the year $650,000 was spent concrete sealing the bunded area containing the two fuel storage tanks. The tank farm is now fully compliant with relevant regulations. The terminal is, in every respect, a first class facility.

Growth in the business is directly related to industry activity – principally mining – and some new mining opportunities appear to have positive prospects over the next few years.

Wyndham Port

The Port continued to provide consistently good results. Net profit after tax of $811,911 is consistent with the past two year's performance. Growth is again constrained by trade opportunities. Future mining prospects could have a positive impact on Port trading given the focus on purpose built storage and environmental containment.

PREFERENCE SHARES

During the year all the preference shares (512,017) were repurchased at a cost of $4.70 (121,150 shares on the 7th July 2006) and $6.10 (390,867 shares on the 27th April 2007) thereby reducing the financing costs of Ordco Fuel Pty Ltd. [Refer Note 18(c)]

The Company appreciates the investment participation by the preference shareholders who, along with debenture holders facilitated the acquisition and establishment of a profitable enterprise for the Group.

DIVIDENDS AND DISCOUNTS

Consistent with established policy, discounts of $540,801 were paid to trading members proportionate to business transacted (2006: $414,414). An interim discount of $231,543 was paid on the 28th February 2007 and the final discount of $309,258 on the 9th August 2007. The total value of the discounts is reflected in these financial statements [Note 4]. Given that the agricultural activities have transferred to the new co-operative, future discounts or rebates will emanate from the co-operative (EKL).

The Board has declared a final dividend of 35cents per share, making the total fully franked dividend for the year 60 cents per share – a total of $1,265,810 paid on ordinary shares (2006: $580,822 - inclusive of dividends paid on share repurchases of $87,241). [Refer Note 18(c)]

Directors' Report (continued)

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name, qualification and Independence status	Age	Experience, special responsibilities and other directorships
Mr Lindsay A Innes GAICD Chairperson Non-executive Director	53	Directorships include Founding Director of Ord Irrigation Co-operative since 1996 and Chair of Ord Irrigation Asset Mutual Co-operative since 2005. Lindsay has also served as a Director on the Perth Market Authority (2000-2002). Director since 2001, Chairman since September 2003. Ex-officio Audit Committee member.
Mr Robert J Boshammer B.Ag (Hons) Deputy Chairperson Non-executive Director	49	Robert is a director of Rural Industries Research and Development Council since 2002 and Odeum Produce since 2000 and Chairman of Ord Canegrowers Association. Director since 2002. Member of Audit Committee since 2004.
Mr Gregory S Cummings GAICD Independent Non-executive Director	39	Director since 1996
Ms Kimberley Kohan B.Bus (Accounting/Hotel and Catering Management), PGradDip(Property) GAICD, AICA (1984-98) Audit Committee Chairperson Independent Non-executive Director	51	Kimberley has served as a director of Ord Irrigation Asset Mutual and held various positions with Kimberley Group Training, Kununurra Telecentre and the WA Telecentre Advisory Council. Director and Audit Committee Chair since 2004.
Mrs Elaine M Gardiner GAICD Independent Non-executive Director	55	Directorships include Chair of Ord Irrigation Co-operative since 1996, Chair of the Ord Catchment Reference Group since 2005, board member of Rangelands Co-ordinating Group since 2005, Board member of Irrigation Australia Ltd since 2007 and was appointed the Western Australian representative to the Australian Landcare Council in 2007. Appointed as a Director and Audit Committee member December 2006.
Mr Paul A Mock B.Bus (Agric) (Hons), GAICD Independent Non-executive Director	34	Director of East Kimberley Co-operative since 2006, Chairperson of Ord River Canegrowers Pty Ltd since 2007 and Chairperson of Kununurra YouthCARE council. Director since 2004. Audit committee member since 2006
Mr Darryl W Smith Non-executive Director	43	Director of Ord Irrigation Co-operative since 2001. Appointed as a Director in 2002.
Mr Nils J Buchanan MAICD Non-executive Director	65	Director from 1985 until his retirement on 7 December 2006.
Mr Ian Oliver Alternate Director Independent Non-executive Director		Mr Oliver was appointed as alternate Director by Mr N J Buchanan. Alternate director from 28 August 2006 to 25 September 2006.

Directors' Report (continued)

The majority of the current directors each hold less than 5% of the issued capital of the company, with the exception of Lindsay Innes (7.325%), Robert Boshammer (7.381%) and Darryl Smith (7.178%). Nils Buchanan held 6.006% of the issued capital of the company whilst he was a director.

COMPANY SECRETARY

Mrs Joanne Cullimore GAICD, was appointed to the position of company secretary in May 2003. Joanne is a member of Chartered Secretaries Australia and is currently completing a certificate in corporate governance and administration.

DIRECTORS MEETINGS

The number of directors meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Mr L A Innes	11	12	3	3
Mr R J Boshammer	11	12	3	3
Mr N J Buchanan	4	5		
Mr G S Cummings	9	12		
Mrs E M Gardiner	6	7	1	2
Ms K Kohan	12	12	3	3
Mr P A Mock	12	12	2	3
Mr D W Smith	10	12		
Mr I Oliver (alternate)	1	1		

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

There are no officers of the company who have previously been partners or employed by the auditing firm.

CORPORATE GOVERNANCE STATEMENT

Board of Directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The board has delegated responsibility for operation and administration of the Company to the executive management.

Directors' Report (continued)

Board processes

To assist in the execution of its responsibilities the board has established an Audit Committee.

The full board currently holds eleven scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Audit Committee

The audit committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The appointed Chairperson may not be the Chairperson of the board.

- The audit committee reviews the performance of the external auditors on an annual basis and meets with the external auditor to discuss the external audit, identifies any significant changes in structure, operations, internal controls or accounting policies which impact the financial statements and reviews the fees proposed for the audit work to be performed.
- Review annual financial accounts, statements and reports to ensure that they give a true and fair view of the financial position and performance of the Company.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- Review the nomination and performance of the external auditor.
- Review jointly with management and the external auditors to ensure that there are no unresolved issues between the parties that could materially affect the audited financial accounts and that there is a good working relationship between management and the auditors.
- Undertake reviews of the quarterly rolling forecasts and annual budgets.
- Monitor corporation risk assessment processes.

The members of the audit committee during the year were:

- Ms K Kohan (Chairperson) appointed 2004
- Mr R J Boshammer, appointed 2004
- Mr P A Mock appointed January 2006
- Mrs E M Gardiner appointed December 2006

The chief executive officer and chief financial officer, are invited to audit committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 3.

Financial reporting

Monthly results are reported against budgets approved by the directors.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its agricultural, port and fuel activities.

The Group is committed to achieving a high standard of environmental performance.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Directors' Report (continued)

Appraisals are conducted at least annually for all employees. Training and development, appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Conflict of interest

Directors are expected to keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

SHAREHOLDER RETURNS

	2007	2006	2005	2004
Consolidated net profit of group	$3,777,505	$2,569,513	$2,232,828	($663,014)
Basic EPS	$1.79	$0.98	$0.84	($0.25)
Ordinary dividends paid	$1,265,810	* $580,822	$495,230	-
Preference dividends paid	-	$152,325	$152,325	-
Dividends per ordinary share	$0.60	* $0.28	$0.23	-
Dividends per preference share	-	$0.297	$0.297	-
Net equity based share price	$6.21	$5.06	$4.44	$3.71
Return on capital employed	28.85%	19.35%	18.92%	(6.67%)

* Inclusive of dividends paid on share repurchases of $87,241.

All dividends were fully franked.

THE FUTURE

Management is investigating new investment opportunities with a particular focus on further involvement in fuel terminals and fuel wholesaling with a view to taking advantage of the substantial increase in demand associated with mining industry growth in Western Australia.

The prospects for new mineral concentrate exports through Wyndham are being closely monitored to ensure that trade through the Port is maximized and compliant storage facilities are made available to exporters.

CGLtd is actively working with the Shire of Wyndham East Kimberley, the Department of Planning and Infrastructure and the Kimberley Development Commission to develop a Wyndham Port Infrastructure Upgrade plan with specific emphasis on the need to provide cost effective bulk loading facilities appropriate for mineral concentrates as well as agricultural commodities.

SUBSEQUENT EVENTS

In compliance with the restructure of the Company approved by members in general meeting, the agricultural assets valued at $1,102,783 (Lot 672 Weaber Plains Road, plant and equipment), combined stock and cash valued at $1,800,000 and cash equivalent for listed shares ($1,319,224) were transferred to East Kimberley Co-operative Ltd (EKL). A lease over portion of Lot 2 Wyndham was signed allowing EKL access to the sugar shed, fertilizer shed and molasses tank for an initial period of 10 years with a further 10 year option at EKL's election. A three year management agreement between EKL and the Company was formed as well as a three year office rental agreement by the Company with EKL.

Directors' Report (continued)

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

LEAD AUDITORS INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 48 and forms part of the directors' report for the financial year ended 30 June 2007.

SUMMARY

It has been a year of change and achievement for the business with our long term restructural aspirations successfully implemented. A new co-operative is now established and sufficiently resourced to independently operate into the future while the CGLtd group has produced a record profit.

Active trading in CGLtd shares is increasing as the business continues to provide wealth for its Shareholders. It is very pleasing to see members take advantage of being able to convert their paper script to cash under the new company rationalisation.

Thanks to management and staff for their efforts and maintaining focus over a somewhat trying year. Also thanks to my fellow Directors for their input and stewardship over the last twelve months.

DIRECTORS DECLARATION

In the opinion of the directors of Cambridge Gulf Limited ('the Company'):

(a) the financial statements and notes, set out on pages 10 to 47, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as described in Note 1; and

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

Dated at KUNUNURRA this 5th day of NOVEMBER 2007

Signed in accordance with a resolution of the directors:

L A Innes
Director
Cambridge Gulf Limited

Income Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Revenue	2	120,426,367	94,588,118	14,248,071	11,110,149
Cost of sales	4	(110,074,758)	(86,205,751)	(9,062,241)	(6,369,849)
Gross Profit		**10,351,609**	**8,382,367**	**5,185,830**	**4,740,300**
Other operating income	3	551,087	717,435	1,673,305	1,152,262
Depreciation and amortisation	5	(464,014)	(510,456)	(453,839)	(502,372)
Personnel expenses	6	(3,586,135)	(3,182,567)	(3,364,307)	(2,950,427)
Equipment maintenance and running costs		(251,575)	(340,434)	(219,641)	(316,097)
Other expenses		(1,201,487)	(1,258,194)	(871,489)	(934,974)
Write back of investment in and loan to subsidiary		-	-	19,837	11,609
Results from operating activities		**5,399,485**	**3,808,151**	**1,969,696**	**1,200,301**
Financial income	7	229,077	127,491	118,715	75,104
Financial expenses	7	(298,436)	(395,292)	(5,493)	(91,238)
Net financing costs	7	(69,359)	(267,801)	113,222	(16,134)
Profit before tax		**5,330,126**	**3,540,350**	**2,082,918**	**1,184,167**
Income tax expense	8	(1,552,621)	(970,837)	(489,626)	(171,682)
Profit for the period		**3,777,505**	**2,569,513**	**1,593,292**	**1,012,485**
Dividends per ordinary share (cents/share)		0.60	0.232	0.60	0.232

The income statements are to be read in conjunction with the attached notes.

Statements of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Revaluation of listed investment	285,114	(131,411)	285,114	(131,411)
Foreign currency translation reserve	(25,981)	-	-	-
Net income recognised directly in equity	**259,133**	**(131,411)**	**285,114**	**(131,411)**
Profit for period	**3,777,505**	**2,569,513**	**1,593,292**	**1,012,485**
Total recognised income and expense for the period	**4,036,638**	**2,438,102**	**1,878,406**	**881,074**

The statements of recognised income and expense are to be read in conjunction with the attached notes.

Balance Sheets

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Current assets					
Cash and cash equivalents	10	3,194,903	3,345,090	3,120,859	1,170,045
Inventories	11	4,918,834	13,882,185	1,202,458	2,159,826
Trade and other receivables	12	6,360,579	6,274,012	1,783,517	4,778,275
Total current assets		**14,474,316**	**23,501,287**	**6,106,834**	**8,108,146**
Deferred tax assets	8(d)	188,748	117,594	165,178	96,038
Other financial assets	13	1,319,224	1,011,610	1,320,224	1,012,610
Property, plant and equipment	14	4,647,795	4,477,950	4,624,738	4,450,019
Total non-current assets		**6,155,767**	**5,607,154**	**6,110,140**	**5,558,667**
Total assets		**20,630,083**	**29,108,441**	**12,216,974**	**13,666,813**
Liabilities					
Current tax liability	8(c)	850,899	863,579	1,057,119	863,579
Interest bearing liabilities	15	2,344,577	2,120,000	-	-
Provisions	16	1,384,433	909,704	1,370,605	893,212
Trade and other payables	17	2,955,056	11,937,174	2,228,134	2,007,810
Total current liabilities		**7,534,965**	**15,830,457**	**4,655,858**	**3,764,601**
Total liabilities		**7,534,965**	**15,830,457**	**4,655,858**	**3,764,601**
Net assets		**13,095,119**	**13,277,984**	**7,561,116**	**9,902,212**
Equity					
Contributed equity	18	4,543,903	6,066,806	4,543,903	6,066,806
Reserves	18	2,544,967	2,285,834	2,570,948	2,285,834
Retained profits	18	6,006,249	4,925,344	446,265	1,549,572
Total equity		**13,095,119**	**13,277,984**	**7,561,116**	**9,902,212**

These balance sheets are to be read in conjunction with the attached notes.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Cash flows from operating activities					
Receipts in the course of operations		132,664,281	103,730,867	17,288,906	14,176,130
Payments in the course of operations		(126,853,614)	(95,178,525)	(12,810,772)	(11,219,336)
Interest received		229,077	127,491	118,715	75,104
Dividends received		66,171	60,072	66,171	60,072
Interest paid		(298,436)	(395,292)	(5,493)	(91,238)
Taxation paid		(1,641,900)	(560,901)	(1,089,100)	(560,901)
Net cash from operating activities	25(b)	4,165,579	7,783,712	3,568,427	2,439,831
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		15,166	225,864	13,636	94,759
Acquisition of property, plant and equipment		(646,406)	(68,025)	(641,106)	(54,804)
Loans to controlled entity		-	-	2,918,958	286,959
Investment in listed shares		(22,500)	-	(22,500)	-
Net cash from/(used in) investing activities		(653,740)	157,839	2,268,988	326,914
Cash flows from financing activities					
Proceeds from the issue of shares		-	2,200	-	2,200
Dividends paid		(2,094,542)	(733,146)	(2,094,542)	(733,146)
Payments for shares repurchased		(1,792,059)	(77,367)	(1,792,059)	(77,367)
Repayment of bills of exchange		(440,000)	(440,000)	-	-
Repayment of debentures		-	(1,332,999)	-	(1,332,999)
Net cash used in financing activities		(4,326,601)	(2,581,312)	(3,886,601)	(2,141,312)
Net increase/(decrease) in cash and cash equivalents		(814,764)	5,360,239	1,950,814	625,433
Cash and cash equivalents at 1 July		3,345,090	(2,015,150)	1,170,045	544,612
Cash and cash equivalents at 30 June	25(a)	2,530,326	3,345,090	3,120,859	1,170,045

The statements of cash flows are to be read in conjunction with the attached notes.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cambridge Gulf Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 672 Weaber Plains Road, Kununurra, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group').

(b) Statement of compliance

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Consolidated entity also complies with the International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosures in respect of certain disclosure requirements.

The financial statements were approved by the Board of Directors on 5th November 2007.

(c) Basis of Preparation

The financial report is presented in Australian dollars.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 8 Operating segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting.

Issued standards not early adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 Financial instruments: Disclosure (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Preparation (Continued)

Issued standards not early adopted (continued)

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group’s 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report. The potential effect of the Interpretation on the Company’s financial report has not yet been determined.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 207 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has yet to be determined.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments. Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to “UIG Interpretation” to interpretations. This amending standards is applicable to annual reporting periods ending on or after 28 February 2007.
- AASB 123 (revised) Borrowing costs
- AASB 2007-3 Amendments to Australian Accounting Standards (arising from AASB 8 Operating Segments)
- AASB 2007-4 Amendments to Australian Accounting Standards (arising from ED 151 Australian Additions to, and Deletions from, IFRSs)
- AASB 2007-5 Amendments to Australian Accounting Standards (related to inventories held for distribution by to-for-profit entities)
- AASB 2007-6 Amendments to Australian Accounting Standards (arising from revised AASB 123)
- AASB 2007-7 Amendments to Australian Accounting Standards (arising from AASB 2007-4)
- IAS 1 Presentation of Financial Statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Preparation (Continued)

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivatives financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, biological assets and investment property.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

The accounting policies have been applied consistently by all entities in the consolidated entity.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity’s share of losses exceeds its interest in an associate, the consolidated entity’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company’s financial statements, investments in associates are carried at fair value, with resulting revaluation gains and losses recognised in equity. The fair value of investments in listed shares of associates, is their current market value at the balance sheet date.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Basis of consolidation (Continued)

Subsidiaries

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are
eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(f) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sales of goods
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the consolidated entity. Sales revenue is recognised when control of goods passes to the customer.

Revenue from rendering of services
Revenue from the rendering of services is recognised when the fee in respect of services is receivable.

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends
Dividend revenue is recognised net of any franking credits.

Revenues from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities. Revenues from dividends from associates and other investments is recognised when dividends are received.

Sale of non-current assets
The gross proceeds of asset disposals are included as revenue of the consolidated entity. The gain or loss on disposal of assets is brought to account at the date an unconditional contract of disposal is agreed.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(g) Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and commodity (fuel price) price risks arising from operating, financing and investing activities. In accordance with its policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(h) Property, Plant & Equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, Plant & Equipment (Continued)

Leased assets

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

Residential buildings	2%
Non-residential buildings	4%
Plant and equipment – owned and leased	10% - 15%
Motor vehicles	10% - 15%
Furniture	10% – 20%

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(i) Investments

Investments in debt and equity securities

Financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(k) Inventories

Inventories comprising finished goods are carried at the lower of cost and net realisable value that is established taking into account marketing, selling and distribution expenses.

Cost includes cost of purchase and indirect costs directly attributable to bringing the stock to its present location and condition.

Net realisable value is determined on the basis of each inventory line's normal selling pattern and adjusted where appropriate for obsolescence or potential unsaleability.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Impairment

The carrying amounts of the consolidated entity's assets, other than biological assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment (Continued)

(i) Calculation of recoverable amount (continued)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Derecognition of financial assets and liabilities

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

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

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

(n) Share Capital

(i) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends arediscretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

(iii) Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an effective interest yield basis. Other dividends are recognised as a liability in the period in which they are declared.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(o) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest method.

(p) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee Benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

(r) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(s) Trade and other payables

Trade and other payables are stated at their amortised cost

Trade payables are non-interest bearing and are normally settled on 60-day terms.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Cambridge Gulf Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(v) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

(w) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
2. REVENUE				
From the sale of goods	116,244,075	90,814,612	10,065,779	7,340,298
From rendering of services	4,182,292	3,773,506	4,182,292	3,769,851
Total revenues	120,426,367	94,588,118	14,248,071	11,110,149
3. OTHER INCOME				
From operating activities				
Commissions	-	89,460	-	89,460
Dividends from subsidiaries	-	-	720,000	-
Dividends from third parties	66,171	60,072	66,171	60,072
Foreign exchange loss	(6,815)	-	-	-
Lease fuel terminal	-	-	147,600	142,454
Management fee	-	-	300,000	300,000
Property rentals	23,544	21,986	20,062	21,986
Storage income molasses	102,000	102,000	102,000	102,000
Storage income sugar	297,056	412,761	297,056	412,761
Sundry income	66,512	35,684	19,327	26,847
Net gain on disposal of property, plant and equipment				
- gross sale proceeds	15,166	225,864	13,636	94,759
- net book value on sale	(12,547)	(230,392)	(12,547)	(98,077)
Total other operating income	551,087	717,435	1,673,305	1,152,262
4. COST OF SALES				
Changes in inventory	(8,963,351)	(3,942,921)	(957,368)	(211,645)
Merchandise purchases	118,497,308	89,734,531	9,478,808	6,166,353
Member discounts	540,801	414,141	540,801	414,141
Total cost of sales	110,074,758	86,205,751	9,062,241	6,368,849

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
5. DEPRECIATION AND AMORTISATION				
Depreciation of:				
- computers	12,062	14,312	11,680	13,168
- furniture	9,771	8,887	9,402	8,834
- land	6,852	1,997	6,852	1,997
- motor vehicles	59,001	69,607	49,577	62,722
- non-residential buildings	181,677	208,594	181,677	208,594
- plant and equipment	191,476	203,884	191,476	203,882
- residential buildings	3,175	3,175	3,175	3,175
Total depreciation and amortisation	464,014	510,456	453,839	502,372
6. PERSONNEL EXPENSES				
Includes the net expense for movement in Provision for employee entitlements.	55,361	43,290	58,025	26,798
7. NET FINANCING COSTS				
Interest income	229,077	127,491	118,715	75,104
Interest expense				
- Bank overdraft	63,124	125,050	2	28
- Bills of exchange	138,050	158,047	-	-
- Debentures	-	87,357	-	87,357
- Other interest	97,262	369	5,491	369
	298,436	370,823	5,493	87,754
Financial expenses	-	24,469	-	3,484
Net financing (costs)	(69,359)	(267,801)	113,222	(16,134)

All non-company finance costs relate to the fuel division.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
8. INCOME TAX EXPENSE				
Recognised in the income statement				
(a) Current tax expense				
Current year income tax expense	1,611,534	1,085,417	1,611,534	286,214
Deferred income tax adjustment	(71,155)	(34,108)	(69,140)	(38,725)
Adjustments for prior years	12,242	(80,472)	-	(75,807)
Income tax expense in the income statement	1,552,621	970,837	489,626	171,682
(b) Numerical reconciliation between tax expense and pre-tax profit				
Profit before tax	5,330,126	3,540,350	2,082,918	1,184,167
Income tax thereon using the domestic Corporation tax rate of 30% (2006: 30%):	1,599,037	1,062,105	624,875	355,250
Increase in income tax expense due to the following:				
Gross-up imputation credits	8,508	-	8,508	-
Adjustment due to consolidation	-	-	(88,381)	(93,483)
Imputation credits on dividends, received	(28,359)	(18,022)	(28,359)	(18,022)
Write back of provision to subsidiary	(5,951)	-	(5,951)	-
Other	552	-	100	-
Deferred tax adjustment	-	7,317	-	7,226
Decrease in income tax expensed due to: tax exempt revenues	-	-	-	(3,483)
	1,573,787	1,051,400	510,792	247,488
Income tax over provided in prior year	(21,166)	(80,563)	(21,116)	(75,804)
Income tax expense on pre-tax net profit	1,552,621	970,837	489,626	171,682
(c) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	863,579	339,105	863,579	339,105
Income tax paid	(1,641,900)	(560,865)	(1,641,900)	(560,865)
Current years income tax expense	1,611,534	1,085,417	1,611,534	1,085,417
Adjustment on consolidation	-	-	206,220	-
Under provision in prior year	17,686	(78)	17,686	(78)
Provision for income tax	850,899	863,579	1,057,119	863,579

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

8. INCOME TAX EXPENSE (Continued)

(d) Deferred tax asset

Future income tax benefit

Future income tax benefits comprises The estimate future benefit (at the Current applicable tax rate of 30%) on the following:

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Property, plant and equipment	83,198	72,032	83,198	72,032
Trade debtors	21,000	21,000	21,000	21,000
Prepayments	3,453	(4,015)	-	(458)
Deductions for borrowing costs and restructure costs	68,040	64,495	59,657	51,628
Listed shares	(116,542)	(150,000)	(116,542)	(150,000)
Employment benefits	101,069	84,510	96,920	79,513
Sundry creditors and accruals	28,530	29,572	20,946	22,323
Tax (assets)/liabilities	188,749	117,594	165,178	96,038

9. AUDITOR'S REMUNERATION

Audit services

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Audit and review of financial reports	67,612	60,175	41,512	37,175

Other services

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Other assurance services	2,000	18,000	2,000	18,000
Taxation services	46,395	85,952	46,395	74,238
	48,395	113,952	48,395	92,238

10. CASH AND CASH EQUIVALANTS

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Bank balances	1,394,503	1,044,690	1,320,459	369,645
Call deposits	1,800,000	2,300,000	1,800,000	800,000
Cash on hand	400	400	400	400
Cash and cash equivalents in the statement of cash flows	3,194,903	3,345,090	3,120,859	1,170,045

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
11. INVENTORIES				
Finished Goods				
Agriculture products	1,178,427	2,159,826	1,178,427	2,159,826
Diesel fuel	3,740,407	11,722,359	24,031	-
	4,918,834	13,882,185	1,202,458	2,159,826
12. TRADE AND OTHER RECEIVABLES				
Trade debtors	6,231,189	6,256,431	1,663,690	1,861,637
Less: Provision for doubtful debts	(70,000)	(70,000)	(70,000)	(70,000)
Prepayments	11,511	13,385	-	1,533
Sundry debtors	187,879	74,196	187,878	84,035
Total debtors	6,360,579	6,274,012	1,781,568	1,877,205
Loans to controlled entities				
Loan to Lake Argyle Industries Pty Limited -	-	-	910,279	949,874
Less: Provision for diminution	-	-	(908,330)	(928,167)
Net loan to Lake Argyle Industries Pty Ltd			1,949	21,707
Loan to Ordco Fuel Pty Ltd	-	-	-	2,879,363
Total loans to controlled entities	-	-	1949	2,901,070
Total trade and other receivables	6,360,579	6,274,012	1,783,517	4,778,275
13. OTHER FINANCIAL ASSETS				
Other entities listed shares at market value	1,319,224	1,011,610	1,319,224	1,011,610
Unlisted shares in subsidiaries				
Ordco Fuel Pty Ltd	-	-	1,000	1,000
Lake Argyle Industries Pty Ltd				
- shares at cost	-	-	1,176,930	1,176,930
- provision for diminution in value	-	-	(1,176,930)	(1,176,930)
	1,319,224	1,011,610	1,320,224	1,012,610

Lake Argyle Industries ceased operating in 2005. The sole activity in 2007 was the realisation of the remaining assets in this subsidiary. During the current year income was $52,194 (2006:$4,082) and the net profit before tax was $33,850 (2006 loss: $(35,936)).

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated				Company			
	Freehold land and buildings		Plant and equipment	Total	Freehold land and buildings		Plant and equipment	Total
	Residential	Non-residential			Residential	Non-residential		
Cost								
Balance at 1 July 2005	110,263	4,495,743	4,625,103	9,231,109	110,263	4,495,743	4,338,240	8,944,246
Acquisitions	-	28,486	39,539	68,025	-	28,486	26,318	54,804
Disposals	-	-	(458,941)	(458,941)	-	-	(201,034)	(201,034)
Balance at 30 June 2006	110,263	4,524,229	4,205,701	8,840,193	110,263	4,524,229	4,163,524	8,798,016
Acquisitions	-	485,551	160,855	646,406	-	485,551	155,555	641,106
Disposals	-	-	(39,492)	(39,492)	-	-	(39,492)	(39,492)
Balance at 30 June 2007	110,263	5,009,780	4,327,064	9,447,107	110,263	5,009,780	4,279,587	9,399,630
Accumulated depreciation								
Balance at 1 July 2005	11,683	2,060,686	2,007,965	4,080,334	11,683	2,060,686	1,876,213	3,948,582
Depreciation charge for the year	3,176	210,591	296,689	510,456	3,176	210,591	288,606	502,373
Depreciation written back on disposals	-	-	(228,546)	(228,546)	-	-	(102,957)	(102,957)
Balance at 30 June 2006	14,859	2,271,277	2,076,108	4,362,244	14,859	2,271,277	2,061,862	4,347,998
Depreciation charge for the year	3,175	188,529	272,310	464,014	3,175	188,529	262,135	453,839
Depreciation written back on disposals	-	-	(26,945)	(26,945)	-	-	(26,945)	(26,945)
Balance at 30 June 2007	18,034	2,459,806	2,321,473	4,799,313	18,034	2,459,806	2,297,052	4,774,892
Carrying amount reconciliation								
Balance at 01 July 2005	98,580	2,435,057	2,617,138	5,150,775	98,580	2,435,057	2,462,027	4,995,664
Acquisitions at cost	-	28,486	39,539	68,025	-	28,486	26,318	54,804
Disposals at cost	-	-	(458,941)	(458,941)	-	-	(201,034)	(201,034)
Depreciation charge for the year	(3,176)	(210,591)	(296,689)	(510,456)	(3,176)	(210,591)	(288,608)	(502,372)
Depreciation written back on disposals	-	-	228,546	228,547	-	-	102,958	102,957
Balance at 30 June 2006	95,404	2,252,952	2,129,593	4,477,950	95,404	2,252,952	2,101,663	4,450,019
Acquisitions at cost	-	485,551	160,855	646,406	-	485,551	155,555	641,106
Disposals at cost	-	-	(39,492)	(39,492)	-	-	(39,492)	(39,492)
Depreciation charge for the year	(3,175)	(188,529)	(272,310)	(464,014)	(3,175)	(188,529)	(262,135)	(453,839)
Depreciation written back on disposals	-	-	26,945	26,945	-	-	26,945	26,945
Balance at 30 June 2007	92,229	2,549,974	2,005,591	4,647,795	92,229	2,549,974	1,982,535	4,624,738

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

15. INTEREST BEARING LIABILITIES

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Bank overdraft	664,577	-	-	-
Bill of exchange	1,680,000	2,120,000	-	-
	2,344,577	2,120,000	-	-

Financing arrangements

The consolidated group has negotiated a flexible options finance facility of $8,500,000 (exclusive of the bills of exchange facility) with its' bankers which may be utilised by way of bank overdraft and other financing instruments at the option of the group. The facilities are subject to annual review but are repayable on demand. The group has utilised the available finance by way of bank overdraft facilities and letters of credit in the current financial year.

The consolidated entity has access to the following lines of credit:

Bank overdraft facility

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Approved limit	8,500,000	8,500,000	-	-
Less: Utilised as at year end	(664,577)	-	-	-
Unutilised balance at year end	7,835,423	8,500,000	-	-

The bank overdraft facilities are secured by registered mortgages over the assets of all companies in the consolidated group. The bank overdrafts are repayable on demand and subject to annual review. Interest is payable on the basis of a variable base rate plus a margin of 0.75%. The interest rate applicable at the year end was 9.45% (2006: 8.95%). Interest is payable monthly.

Bills of exchange facility

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Approved limit	1,680,000	2,120,000	-	-
Less: Utilised as at year end	(1,680,000)	(2,120,000)	-	-
Unutilised balance at year end	-	-	-	-

15. INTEREST BEARING LIABILITIES (Continued)

The bill facility is denominated in Australian dollars and is secured over all the assets of the consolidated group. The yield rate on the commercial bill facility at the year end was 6.68% (2006: 6.05%). Interest on the bills is payable monthly. The bills are rolled over quarterly at which time repayments of $110,000 are made in reduction of the liability.

Letters of credit

Documentary letters of credit have been used in the current financial year in respect of the importation of fuel. This facility does not attract an interest charge but there is a fixed document fee of $10,000 for each document.

Forward exchange contracts

The flexible options facility incorporates Forward Exchange Contract facilities that may be used in conjunction with underlying commercial transactions, specifically the importation of fuel. The currency chosen is that of the underlying commercial transaction (US dollars in the current financial year). There were no open contracts at year end.

16. PROVISIONS

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Discounts	309,148	222,682	309,148	222,682
Dividends	738,389	405,487	738,389	405,487
Employee entitlements	336,896	281,535	323,068	265,043
	1,384,433	909,704	1,370,605	893,212
Non-Current				
Employee entitlements	-	-	-	-
Total	1,384,433	909,704	1,370,605	893,212

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

16. PROVISIONS (Continued)

Reconciliation for each class of provision

	Consolidated		The Company	
	Dividends 2007 $	Dividends 2006 $	Dividends 2007 $	Dividends 2006 $
Carrying amount at 1st July	405,487	399,184	405,487	399,184
Prior year dividends paid in current year	(405,487)	(399,184)	(405,487)	(399,184)
Dividends declared but not paid	738,389	405,487	738,389	405,487
Carrying amount at 30 June	738,389	405,487	738,389	405,487

	Consolidated		The Company	
	Discounts 2007 $	Discounts 2006 $	Discounts 2007 $	Discounts 2006 $
Carrying amount at 1st July	222,682	205,326	222,682	205,326
Prior year discounts paid in current year	(222,682)	(205,326)	(222,682)	(205,326)
Discounts declared but not paid	309,148	222,682	309,148	222,682
Carrying value at 30 June	309,148	222,682	309,148	222,682

17. TRADE AND OTHER PAYABLES

Trade payables	1,797,106	10,997,935	1,040,242	1,667,847
Non trade payables and accruals	1,157,950	939,239	388,754	339,963
Total payables and accruals	2,955,056	11,937,174	1,428,996	2,007,810
Loans to controlled entities				
Loans to Ordco Fuel	-	-	799,138	-
Total trade and other payables	2,955,056	11,937,174	2,228,134	2,007,810

18. CAPITAL AND RESERVES

Attributable to equity holders

(a) Contributed equity				
Issued and paid up ordinary capital				
Number of shares	2,109,683	2,109,683	2,109,683	2,109,683
Amount	4,543,903	4,274,747	4,543,903	4,274,747
Issued and paid up preference capital				
Number of shares	-	512,017	-	512,017
Amount	-	1,792,059	-	1,792,059
Issued and paid capital	4,543,903	6,066,806	4,543,903	6,066,806

Within the terms of its Articles of Association board policy provides for the repurchase of ordinary shares from applicant members that have ceased trading with the co-operative and from those members that do not meet the qualifying criteria to be regarded as active members of the co-operative. The repurchase of shares is at the discretion of the board. No ordinary shares were repurchased in the current financial year (2006: $4.40 to $4.70).

The redeemable preference shares were issued at $3.50 (this being the value per ordinary share at the time of issue as determined by the board) with a five year term in 2004. The terms of these shares were revised in 2005 by way of a special resolution to specify that they may be redeemed or bought back at the option of the company and that any shares not redeemed or bought back prior to maturity must be converted to ordinary shares on maturity.

The value for redemption or conversion of the preference shares was determined by dividing total equity by total shareholding at maturity date as determined by the Chief Financial Officer or $3.50, whichever is greater.

The terms of issue of the preference shares provided for a cumulative, preferent fully franked dividend of 8.50% or such maximum rate as does not exceed one percentage point above the percentage dividend paid to ordinary shareholders in any financial year.

The company bought back all the preference shares (512,017 shares) on July 7, 2006 and 27th April 2007. The buy back represented a return of capital of $1,792,059 (at the issue price of $3.50 per share) and fully franked dividends of $1,161,634 ($2.27 per share).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

18. CAPITAL AND RESERVES (Continued)

(b) Reconciliation of movement in capital and reserves

Consolidated

	Share capital			Reserves					Total equity
	Ordinary	Preference	Total	Asset revaluation	Capital profit	Capital redemption	Retained income	Total	
Balance at 1st July 2005	4,349,914	1,792,059	6,141,973	794,155	1,723,393	112,700	3,025,974	5,656,222	11,798,195
Dividends paid									
Ordinary shares							(580,821)	(580,821)	(580,821)
Preference shares							(152,325)	(152,325)	(152,325)
Net profit for the current year							2,569,513	2,569,513	2,569,513
Revaluation adjustment on listed shares				(131,411)				(131,411)	(131,411)
Revaluation of plant and equipment				(63,003)			63,003	-	-
Shares bought back								-	-
Number : 37411 (2005:19585)	(77,367)		(77,367)					-	(77,367)
Shares issued for cash								-	-
Number : 500 (2005:500)	2,200		2,200					-	2,200
Deferred tax on listed shares				(150,000)				(150,000)	(150,000)
Balance at 30 June 2006	**4,274,747**	**1,792,059**	**6,066,806**	**449,741**	**1,723,393**	**112,700**	**4,925,344**	**7,211,178**	**13,277,984**
Dividends paid									
Ordinary shares			-				(1,265,809)	(1,265,809)	(1,265,809)
Ordinary shares – adjustment to share capital	269,156		269,156				(269,156)	(269,156)	0
Preference shares			-				(1,161,634)	(1,161,634)	(1,161,634)
Foreign currency translation reserve			-	(25,981)				(25,981)	(25,981)
Net profit for the current year			-				3,777,505	3,777,505	3,777,505
Revaluation adjustment on listed shares			-	285,114				285,114	285,114
Shares bought back			-					-	-
Number of shares - Ordinary: Nil (2006:37,411)			-					-	-
Number of shares - Preference: 512,017 (2006: Nil)		(1,792,059)	(1,792,059)					-	(1,792,059)
Shares issued for cash			-					-	-
Number : Nil (2006:500)			-					-	-
Balance at 30 June 2007	**4,543,903**	**-**	**4,543,903**	**708,874**	**1,723,393**	**112,700**	**6,006,249**	**8,551,217**	**13,095,119**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

18. CAPITAL AND RESERVES (Continued)

(b) Reconciliation of movement in capital and reserves

	Share capital			Reserves					Total equity
Company	Ordinary	Preference	Total	Asset revaluation	Capital profit	Capital redemption	Retained income	Total	
Balance at 1st July 2005	4,349,914	1,792,059	6,141,973	731,152	1,723,393	112,700	1,270,233	3,837,478	9,979,451
Dividends paid								-	-
Ordinary shares							(580,821)	(580,821)	(580,821)
Preference shares							(152,325)	(152,325)	(152,325)
Net profit for the current year							1,012,485	1,012,485	1,012,485
Revaluation adjustment on listed shares				(131,411)			-	(131,411)	(131,411)
Shares bought back								-	-
Number : 37411 (2005:19585)	(77,367)		(77,367)					-	(77,367)
Shares issued for cash								-	-
Number : 500 (2005:500)	2,200		2,200					-	2,200
Deferred tax on listed shares				(150,000)				(150,000)	(150,000)
Balance at 30th June 2006	**4,274,747**	**1,792,059**	**6,066,806**	**449,741**	**1,723,393**	**112,700**	**1,549,572**	**3,835,406**	**9,902,212**
Dividends paid									
Ordinary shares			-				(1,265,809)	(1,265,809)	(1,265,809)
Ordinary shares – adjustment to share capital	269,156		269,156				(269,156)	(269,156)	0
Preference shares			-				(1,161,634)	(1,161,634)	(1,161,634)
Foreign currency translation reserve			-					-	-
Net profit for the current year			-				1,593,292	1,593,292	1,593,292
Revaluation adjustment on listed shares			-	285,114				285,114	285,114
Shares bought back			-					-	-
Number of shares - Ordinary: Nil (2006:37,411)			-					-	-
Number of shares - Preference: 512,017 (2006: Nil)		(1,792,059)	(1,792,059)					-	(1,792,059)
Shares issued for cash			-					-	-
Number : Nil (2006:500)			-					-	-
Balance as at 30th June 2007	**4,543,903**	**-**	**4,543,903**	**734,855**	**1,723,393**	**112,700**	**446,265**	**3,017,213**	**7,561,116**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

18. CAPITAL AND RESERVES (Continued)

(c) Dividends

	Ordinary shares				Preference shares				Total dividends
	Cents per share	Total amount	Franking percentage	Payment date	Cents per share	Total amount	Franking percentage	Payment date	
The following dividends were paid and provided:									
2007									
On shares repurchased	-								
Interim dividend	25.00	527,421	100.00%	1-Mar-2007	120.00	145,380	100.00%	7-July-2006	672,801
Final dividend	35.00	738,389	100.00%	13-Aug-2007	260.00	1,016,254	100.00%	27-April-2007	1,754,643
Total dividend		1,265,810				1,161,634			2,427,444
2006									
On shares repurchased		87,241	100.00%	9-Feb-2006					87,241
Interim dividend	11.20	240,419	100.00%	1-Mar-2006					240,419
Final dividend	12.00	253,162	100.00%	30-Aug-2006	29.75	152,325	100.00%	16-Aug-2006	405,487
Total dividend		580,822				152,325			733,147

Dividend franking account	The Company 2007	The Company 2006
Franking credits available to shareholders of the Company for subsequent financial years		
At 30% (2006: 30%)	2,158,083	1,986,181

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liability.

(b) Franking debits that will arise from the payment of dividends recognised as a liability at year end.

(c) Franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at year end.

(d) Franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

	The Company	
	2007	2006
	$	$

19. RELATED PARTIES

Key management personnel compensation		
Short-term employee benefits	494,306	416,999
Post-employment benefits	37,181	25,031
	531,487	442,030

Directors

The names of persons who were Directors of Cambridge Gulf Limited and its controlled entities at any time during the financial period are as follows:

Messrs R J Boshammer, N J Buchanan, G S Cummings, E M Gardiner, N J Hughes, L A Innes, K Kohan, P A Mock and D W Smith.

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Directors' remuneration				
Directors' income				
Total income paid or payable, or otherwise made available, to all Directors of the Company and its controlled entities from the Company or any related party	440,249	400,000	150,000	150,000
Amounts receivable from Directors				
Included in trade debtors (see note 13) are amounts owed by Directors, or entities in which Directors have a significant interest. The amounts relate to transactions made with the Co-operative on normal trading terms and conditions and have an aggregate amount of:	138,390	121,506	138,390	121,506
Shares held by Directors				
Shares held by Directors or entities in which they have a significant interest amounted to:				
Ordinary	-	-	661,475	683,890
Preference	-	-	-	252,001

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
19. RELATED PARTIES (Continued)				
Directors of the company and their immediate relatives own the following percentage interest in the shares of the Company:				
Ordinary			31.35%	32.42%
Preference			0%	49.22%
Directors of the Company and their immediate relatives control the following percentage voting rights in the Company (Ordinary shares only):			17.07%	16.80%

(e) *Transactions with Directors*

The terms and conditions of the transactions with Directors or entities in which they have a significant interest were no more favourable than those available to non–Director related entities on an arms-length basis.

Directors received the following amounts during the financial year (excluding directors remuneration):

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Debenture interest	-	45,088	0	45,088
Ordinary shares dividends	405,453	150,329	405,453	150,329
Preference shares dividends	548,602	74,970	548,602	74,970
Trade discounts	127,534	103,126	127,534	103,126

The following percentage share of these distributions was attributable to Directors:

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Debenture interest	-	-	-	51.61%
Ordinary shares dividends	-	-	32.03%	25.88%
Preference shares dividends	-	-	47.23%	49.22%
Trade discounts	-	-	23.59%	24.88%

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

19. RELATED PARTIES (Continued)

(g) **Director related parties**

No Director has entered into a material contract with the Company or any of its controlled entities in the current financial year and there were no such contracts involving Directors' interest at year end.

20. INVESTMENTS

Transactions and balances relating to wholly owned controlled entities, Lake Argyle Industries Pty Ltd and Ordco Fuel Pty Ltd, are disclosed in the notes to the financial statements. All such transactions are on normal terms and conditions.

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Loans between The Company and its subsidiaries are:				
Lake Argyle Industries Pty Ltd	-	-	910,279	950,033
Ordco Fuel Pty Ltd	-	-	(799,138)	2,846,029
	-	-	111,141	3,796,062

The loan to Lake Argyle Industries Pty Ltd is irrecoverable and has been fully provided for in these financial statements.

21. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlements, including on-costs are as follows:

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Current portion				
Employee entitlements provision	336,896	281,535	323,068	265,043
	336,896	281,535	323,068	265,043
Number of employees	16	18	14	16

Superannuation contributions

Contributions are made by the Company and its controlled entities to various managed accumulation funds in compliance with legal requirements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

22. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for the various classes of financial assets and liabilities is set out below:

	Weighted average interest rate	Floating Interest rate $	Fixed interest maturing in: 6 months or less $	More than 6 months $	Non-interest bearing $	Total $
2007						
Financial assets						
Cash	3.86%	3,194,503	-	-	400	3,194,903
Other financial assets		-	-	-	1,319,224	1,319,224
Prepayments		-	-	-	11,511	11,511
Receivables	10.53%	-	6,231,189	-	117,879	6,349,068
		3,194,503	6,231,189	-	1,449,014	10,874,706
Financial liabilities						
Bank overdraft	9.33%	664,577	-	-	-	664,577
Bills of exchange	7.34%	-	1,680,000	-	-	1,680,000
Employee entitlements		-	-	-	336,896	336,896
Payables and accruals		-	-	-	4,002,593	4,002,593
		664,577	1,680,000	-	4,339,489	6,684,066
2006						
Financial assets						
Cash	1.24%	3,344,690	-	-	400	3,345,090
Other financial assets	-	-	-	-	1,011,610	1,011,610
Prepayments	-	-	-	-	13,385	13,385
Receivables	0.50%	-	6,256,424	-	4,196	6,260,620
		3,344,690	6,256,424	-	1,029,591	10,630,705
Financial liabilities						
Bank overdraft	8.70%	-	-	-	-	-
Bills of exchange	6.80%	-	2,120,000	-	-	2,120,000
Employee entitlements	5.00%	-	281,535	-	-	281,535
Payables and accruals	-	-	-	-	12,743,497	12,743,497
		-	2,401,535	-	12,743,497	15,145,032

22. FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange risk

The economic entity periodically enters into forward exchange contracts to hedge certain anticipated purchase and sale commitments in foreign currencies (principally US dollars). Contracts of this nature are regularly entered into in respect of the importation of fuel by Ordco Fuel Pty Ltd. The contract terms do not exceed one year.

(b) Credit risk exposures

Credit risk represents the loss that would be incurred if counterparties failed to perform as contracted.

The credit risk on the financial assets other than investments of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount of those assets net of any provision for doubtful debts.

The consolidated entity minimises credit risk by undertaking transactions with a large number of customer and counterparties. The consolidated entity is not materially exposed to any individual customer.

(c) Net fair values

Net fair values approximate the carrying values as disclosed in the statements of financial position.

(d) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows for all such loans / borrowings that are regarded as non-current. All such loans and borrowings at the year end are classified as current and valued at their notional amount.

Trade and other receivables / payables

The fair value of receivables/payables with a remaining life of less than one year is deemed to be the notional amount. All other receivables / payables are discounted to determine fair value (at year end there were no such receivables or payables).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

23. CONSOLIDATED ENTITIES

Cambridge Gulf Limited is the parent entity that controls the following entities:

	Ordinary share Consolidated entity Interest	
	2007	2006
	%	%
Lake Argyle Industries Pty Ltd	100	100
Ordco Fuel Pty Ltd	100	100

The controlled entities are incorporated in Australia.

Lake Argyle Industries has ceased trading.

24. SUBSEQUENT EVENTS

On 2nd July 2007 in compliance with the restructure of the Company approved by members in general meeting, the agricultural assets (Lot 672 Weaber Plains Road, plant and equipment) , combined stock and cash valued at $1,800,00 and cash equivalent for listed shares were transferred to East Kimberley Co-operative Ltd (EKL). A lease over portion of Lot 2 Wyndham was signed allowing EKL access to the sugar shed, fertilizer shed and molasses tank for an initial period of 10 years with a further 10 year option at EKL's election. A three year management agreement between EKL and the Company was formed as well as a three year office rental agreement by the Company with EKL.

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Reconciliation of cash

For the purpose of the statements of cash flows, cash includes cash on hand and bank overdraft. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Cash assets	3,194,903	3,345,090	3,120,859	1,170,045
Bank overdraft	(664,577)	-	-	-
	2,530,326	3,345,090	3,120,859	1,170,045
Increase / (decrease) in cash in period	(814,764)	5,360,240	1,950,814	625,433

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (Continued)

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
(b) Reconciliation of operating profit /(loss) after income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	3,561,504	2,569,513	1,593,292	1,012,485
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale of non-current asset				
- property, plant and equipment	(2,619)	4,528	(1,089)	3,318
Add/(less) non-cash items:				
Depreciation & amortisation	464,014	510,456	453,839	502,372
Increase / (decrease) in provision for staff benefits	55,361	43,290	58,027	26,798
Increase / (decrease) in other provisions	86,466	23,659	86,466	23,659
Amounts set aside / (utilised) for deferred tax	(71,154)	(35,468)	(69,140)	(35,468)
Foreign currency loss	(25,981)	-	-	-
Provision for diminution in investments	-	-	(19,837)	(11,609)
Net cash provided by operating activities before changes in assets and liabilities	4,067,591	3,115,978	2,101,558	1,521,555
Change in assets and liabilities adjusted for effects of purchase of controlled entities during the year:				
(Increase)/decrease in:				
Trade debtors	25,242	(1,099,665)	197,947	737,399
Other debtors	(113,683)	577,152	(103,843)	565,903
Prepayments	1,874	121,363	1,533	(1,533)
Inventories	8,963,351	(3,942,921)	957,368	(211,627)
Trade and other creditors	(8,982,116)	8,566,443	220,324	(613,776)
Income tax payable/refundable	203,320	445,362	193,540	441,910
Net cash provided by operating activities	4,165,579	7,783,712	3,568,427	2,439,831

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Cambridge Gulf Ltd

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

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Smout
Partner

Perth

5 November 2007

KPMG

Independent auditor's report to the members of Cambridge Gulf Ltd

Report on the financial report

We have audited the accompanying financial report of Cambridge Gulf Ltd (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Auditor's opinion

In our opinion:

(a) the financial report of Cambridge Gulf Ltd is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Kevin Smout
Partner

Perth

5 November 2007