



ABN: 75 098 350 308

and
Controlled Entities

*Special Purpose Financial
Report*

*For the Year Ended
30 June 2009*

For personal use only

CONTENTS

<i>Corporate Directory</i>	3
<i>Directors' Report</i>	4
<i>Auditors' Independence Statement</i>	6
<i>Income Statement</i>	7
<i>Balance Sheet</i>	8
<i>Statement of Changes in Equity</i>	9
<i>Cash Flow Statement</i>	10
<i>Notes to the Financial Statements</i>	11
<i>Directors' Declaration</i>	22
<i>Independent Audit Report To The Members Of Farmworks Australia Pty Ltd</i>	23

For personal use only

CORPORATE DIRECTORY

MANAGING DIRECTOR

Kevin Gammage

PRINCIPAL & REGISTERED OFFICE

Unit 1, 46 Hasler Road,
OSBORNE PARK, WA 6017
(P) (08) 9347 0555
(F) (08) 9347 0551

AUDITORS

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street,
SUBIACO, WA 6008

FINANCIERS

GE Commercial Corporation (Australia) Pty Ltd
Level 13, 255 George Street
SYDNEY NSW 2000

BANKERS

Westpac Banking Corporation
Branch: Osborne Park South
454 Scarborough Beach Road
OSBORNE PARK, WA 6017

For personal use only

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

1. DIRECTORS

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

Mr Kevin Gammage
Mr Roy Morgan
Mr Ross Withers

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

2. PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial period was the provision of agribusiness inputs (agrochemicals, merchandise, finance, and livestock) to the Australian agricultural industry.

There were no significant changes in the nature of the economic entity's principal activities during the financial period.

3. OPERATING RESULTS

The loss of the economic entity after providing for income tax amounted to \$1,367,949 (2008: Loss \$117,627).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity that occurred during the financial period.

6. AFTER BALANCE DATE EVENTS

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

7. FUTURE DEVELOPMENTS

Farmworks Australia is using the favourable conditions as the basis for a consolidation phase in the merchandise business, following the rapid growth of the last few years. We envisage the focus will be on maintaining current wholesale business customer and bedding down the current branch network. No new branch acquisitions are planned at this stage.

8. ENVIRONMENTAL ISSUES

The economic entity is aware of its environmental obligations with regards to its activities and ensures that it complies with all regulations when carrying out any work if applicable.

9. INDEMNIFYING OFFICERS OR AUDITOR

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

10. PROCEEDINGS ON BEHALF OF COMPANY

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

The economic entity was not a party to any such proceedings during the year.

11. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and can be found on page 6 of the directors' report.

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



Kevin Gammage
Managing Director

2nd of October 2009

For personal use only



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

2 October 2009

The Directors
Farmworks Australia Pty Ltd
PO Box 1540
Osborne Park WA 6916

Dear Sirs

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF FARMWORKS AUSTRALIA PTY LTD

As lead auditor of Farmworks Australia Pty Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Farmworks Australia Pty Limited and the entities it controlled during the period.

Glyn O'Brien
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

For personal use only

**INCOME STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009**

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenues		90,428,352	88,735,678	58,810,094	66,308,146
Cost of goods sold		(83,435,053)	(78,118,128)	(53,416,408)	(57,351,235)
Employee benefits expense		(4,113,229)	(4,994,336)	(2,876,115)	(3,873,082)
Depreciation and impairment charge		(245,075)	(527,972)	(127,264)	(458,135)
Administrative expense		(178,348)	(357,034)	(149,555)	(338,634)
Advertising and promotional expenses		(148,773)	(108,547)	(104,985)	(70,823)
Consultancy expenses		(252,472)	(247,780)	(231,090)	(242,494)
Communication expenses		(152,774)	(274,871)	(112,367)	(240,315)
Occupancy expenses		(552,179)	(690,514)	(552,179)	(685,914)
Finance costs		(2,207,537)	(2,243,514)	(2,091,830)	(2,182,021)
Insurance premiums		(347,584)	(511,362)	(270,524)	(420,359)
Legal fees		(135,912)	(50,765)	(118,874)	(47,221)
Other expenses		(605,654)	(779,200)	(399,523)	(602,114)
Loss before income tax benefit		(1,946,238)	(168,345)	(1,640,620)	(204,201)
Income tax benefit	3	578,289	50,655	487,763	62,028
Loss attributable to members	11	(1,367,949)	(117,690)	(1,152,857)	(142,173)

The accompanying notes form part of these financial statements

BALANCE SHEETS
AS AT
30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents	4	(468,657)	525,770	(58,718)	29,058
Trade and other receivables	5	20,595,694	18,772,994	18,473,249	16,482,335
Inventories		18,022,674	14,503,888	18,022,674	14,503,888
TOTAL CURRENT ASSETS		38,149,711	33,802,652	36,437,205	31,015,281
NON CURRENT ASSETS					
Intangible assets		20,000	-	-	-
Available for sale financial assets	6	258,511	348,270	258,511	348,270
Deferred tax asset	3	975,808	335,396	887,407	334,866
Property, plant and equipment	7	2,183,174	1,939,690	2,129,856	1,660,931
TOTAL NON CURRENT ASSETS		3,437,493	2,623,356	3,275,774	2,344,067
TOTAL ASSETS		41,587,204	36,426,008	39,712,979	33,359,348
CURRENT LIABILITIES					
Trade and other payables	8	21,195,053	16,243,727	19,475,892	13,247,356
Borrowings	9	18,603,319	16,499,751	18,242,009	16,440,763
TOTAL CURRENT LIABILITIES		39,798,372	32,743,478	37,717,901	29,688,119
NON CURRENT LIABILITIES					
Borrowings	9	3,179,900	3,767,971	3,179,900	3,767,971
Deferred tax liability	3	122,375	60,053	111,358	46,581
TOTAL NON CURRENT LIABILITIES		3,302,275	3,828,024	3,291,258	3,814,552
TOTAL LIABILITIES		43,100,647	36,571,502	41,009,159	33,502,671
NET ASSET / (DEFICIENCY)		(1,513,443)	(145,494)	(1,296,180)	(143,323)
EQUITY					
Issued capital	10	200	200	200	200
Accumulated losses	11	(1,513,643)	(145,694)	(1,296,380)	(143,523)
TOTAL EQUITY		(1,513,443)	(145,494)	(1,296,180)	(143,323)

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2009**

Economic Entity	Note	Issued Capital	Retained Profits/ Accumulated Losses	Total
		\$	\$	\$
Balance at 1 July 2007		200	(28,004)	(27,804)
Loss attributable to members		-	(117,690)	(117,690)
Balance at 30 June 2008	11	200	(145,694)	(145,494)
Balance at 1 July 2008		200	(145,694)	(145,494)
Loss attributable to members		-	(1,367,949)	(1,367,949)
Balance at 30 June 2009	11	200	(1,513,643)	(1,513,443)

Parent Entity	Note	Issued Capital	Retained Profits/ Accumulated Losses	Total
		\$	\$	\$
Balance at 1 July 2007		200	(1,350)	(1,150)
Loss attributable to members		-	(142,173)	(142,173)
Balance at 30 June 2008	11	200	(143,523)	(143,323)
Balance at 1 July 2008		200	(143,523)	(143,323)
Loss attributable to members		-	(1,152,857)	(1,152,857)
Balance at 30 June 2009	11	200	(1,296,380)	(1,296,180)

The accompanying notes form part of these financial statements

For personal use only

**CASH FLOW STATEMENT
FOR THE YEAR ENDED
30 JUNE 2009**

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash Flows from Operating Activities					
- Payments to suppliers and employees		(89,313,689)	(90,913,172)	(55,566,043)	(69,147,456)
- Receipts from customers		88,309,449	92,325,558	55,860,673	70,347,972
- Financing costs		(2,019,497)	(2,399,233)	(1,910,407)	(2,342,075)
- Other revenue		966,850	838,844	854,365	676,666
<i>Net cash outflow from operating activities</i>	13	<u>(2,056,887)</u>	<u>(148,003)</u>	<u>(761,411)</u>	<u>(464,893)</u>
Cash Flows From Investing Activities					
- Purchase of fixed assets / development costs		(612,615)	(942,974)	(718,153)	(786,190)
- Proceeds on sale of fixed assets		121,964	172,136	121,964	144,227
- Receipts / (payments) to financing institutions		203,880	365,251	188,150	511,953
- Receipts / (purchases) of available for sale financial assets		69,759	(236,670)	89,759	(236,670)
- Bonds/deposits (paid)/received		(24,427)	10,632	(24,427)	200
<i>Net cash inflow/(outflow) from investing activities</i>		<u>(241,439)</u>	<u>(631,625)</u>	<u>(342,707)</u>	<u>(366,480)</u>
Cash Flows from Financing Activities					
- Proceeds from shareholder loans		(300)	-	(300)	-
- Collections paid to GE Commercial		(102,892,830)	(95,797,746)	(67,099,421)	(70,664,989)
- Proceeds from GE Commercial		104,204,746	96,670,000	68,124,746	71,345,000
<i>Net cash inflow from financing activities</i>		<u>1,311,616</u>	<u>872,254</u>	<u>1,025,025</u>	<u>680,011</u>
Net increase/(decrease) in cash held		(986,710)	92,626	(79,093)	(151,361)
Cash and cash equivalents at beginning of the financial year		518,053	425,427	20,378	172,100
Cash and cash equivalents at end of the financial year	4	<u>(468,657)</u>	<u>518,053</u>	<u>(58,715)</u>	<u>20,739</u>

The accompanying notes form part of these financial statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a special purpose financial report prepared to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

Farmworks Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The report has been prepared in accordance with the recognition and measurement requirements of all applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group interpretations.

The disclosure requirements of the following standards have been adopted in full:

AASB 101: Presentation of Financial Statements;
AASB 107: Cash Flow Statements;
AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors;
AASB 110: Events after the Balance Sheet Date; and
AASB 1031: Materiality

The disclosure requirements of any other Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have not been applied.

Reporting Basis and Conventions

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

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

a) Income Tax

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and direct labour. Costs are assigned on a weighted average basis.

c) Plant and Equipment

Each class of plant and equipment is carried at historical cost, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use as follows:

Asset Category	Straight Line Value %
Office Equipment	20
Computer Equipment & Software	20
Warehouse Equipment	10
Furniture & Fittings	10
Motor Vehicles	15
Lower Value Pool	20

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**d) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e) Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets comprise unlisted securities traded in inactive markets and are held at cost. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

f) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value. Less any impairment loss on that financial asset previously recognised in the profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**g) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

h) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Bad debts are written off when identified.

i) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

j) Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Economic Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

l) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

m) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**n) Employee Benefits**

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

o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, are recognised and expensed in the income statement as incurred.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

p) Contributed Equity

Ordinary shares are classified as equity.

q) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 3 Business Combinations*
- (ii) *AASB 127 Consolidated and Separate Financial Statements*
- (iii) *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

The Entity has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Entity's financial instruments.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**r) Intangible Assets***(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t) Going Concern Basis

The entity incurred a loss for the year of \$1,367,949 (2008: Loss \$117,690). For the year ended 30 June 2009 the entity had a net cash outflow from operating activities of \$2,056,887 (30 June 2008: \$148,003).

At 30 June 2009 the entity had a working capital deficiency of (\$1,348,661) (30 June 2008: \$1,359,160). At 30 June 2009 the entity has a net asset deficiency of (\$1,513,443) (30 June 2008: (\$145,494).

The special purpose financial report has been prepared on the going concern basis. The Group's ability to continue as a going concern is dependent upon the continued financial support from its financiers and shareholders.

The 'Debtor Finance' facility with GE Commercial Corporation (Australia) Pty Ltd expires on the 6th of October 2009. At the date of these financial statements, the Group is currently in the process of negotiating new principal and terms of payment with financiers in addition to negotiating a group structure which will re-capitalise the Group.

As at the date of these financial statements, the directors are confident in successfully negotiating the above, and accordingly the financial report has been prepared on a going concern basis.

It must be noted that the 'A\$ Facility Agreement' entered into by Farmworks with GE Commercial Finance has a number of covenants attached to it which must be adhered to so that compliance is maintained. Throughout the 2008-09 financial year Farmworks at different times failed to meet some of these covenants and was therefore in breach of the agreement. No breach notices were issued to Farmworks by GE Commercial Finance and the facility continues to operate within the agreements parameters.

	Economic Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
2. AUDITORS' REMUNERATION				
Remuneration of the auditor for: - Auditing the financial report	30,000	20,000	30,000	20,000
3. INCOME TAX EXPENSE				
The components of the tax expense/(income) comprise:				
Current tax	275,144	224,688	288,284	226,217
Deferred tax	(853,433)	(275,343)	(776,049)	(288,285)
	<u>(578,289)</u>	<u>(50,655)</u>	<u>(487,763)</u>	<u>(62,028)</u>
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2008: 30%)	(583,926)	(50,484)	(492,186)	(61,241)
Add:				
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Sundry items	5,638	(171)	4,422	(787)
	<u>5,638</u>	<u>(171)</u>	<u>4,423</u>	<u>(787)</u>
Income tax (expense)/benefit	<u>(578,288)</u>	<u>50,655</u>	<u>(487,764)</u>	<u>62,028</u>
(b) Deferred tax assets at 30% (2008: 30%) comprise the following				
Carry forward revenue losses	496,522	141,871	408,121	141,823
Provisions and accruals	479,286	193,525	479,286	193,043
	<u>975,808</u>	<u>335,396</u>	<u>887,407</u>	<u>334,866</u>
Deferred tax liabilities at 30% (2008: 30%) comprise the following				
Accrued income	11,017	60,053	-	46,581
Depreciation – tax v accounting rates	111,358	-	111,358	-
	<u>122,375</u>	<u>60,053</u>	<u>111,358</u>	<u>46,581</u>

It is the directors' opinion that the group will achieve profitable operations results for the 2009-10 financial year and therefore the realisation of the deferred tax asset from the tax loss position of the group is highly probable of realisation.

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
4. CASH AND CASH EQUIVALENTS	\$	\$	\$	\$
Trading accounts	(474,652)	520,375	(63,613)	24,163
Petty cash	5,145	4,545	4,045	4,045
Till floats	850	850	850	850
	<u>(468,657)</u>	<u>525,770</u>	<u>(58,718)</u>	<u>29,058</u>

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
5. TRADE AND OTHER RECEIVABLES	\$	\$	\$	\$
Current				
Trade debtors	20,134,895	18,498,787	18,013,770	16,209,048
Loans to other entities	400	1,179	400	1,179
Other receivables	460,399	273,028	459,079	272,108
	<u>20,595,694</u>	<u>18,772,994</u>	<u>18,473,249</u>	<u>16,482,335</u>

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
6. FINANCIAL ASSETS	\$	\$	\$	\$
Non Current				
Shares in unlisted corporations, at cost	258,511	348,270	258,511	348,270

	Economic Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
9. BORROWINGS				
Current				
Debtor Finance	16,968,767	15,656,850	16,623,187	15,597,862
Finance lease	1,334,552	542,901	1,318,822	542,901
Other Loans	300,000	300,000	300,000	300,000
	<u>18,603,319</u>	<u>16,499,751</u>	<u>18,242,009</u>	<u>16,440,763</u>
Non current				
Finance lease	-	587,771	-	587,771
Shareholder loans	3,179,900	3,180,200	3,179,900	3,180,200
	<u>3,179,900</u>	<u>3,767,971</u>	<u>3,179,900</u>	<u>3,767,971</u>

The 'Debtor Finance' facility with GE Commercial Corporation (Australia) Pty Ltd is secured against the economic entity's stock and debtors as per the 'A\$ Facility Agreement' that was signed and actioned during October 2006. The renewal date for the 'facility' is the 6th of October 2009 at which such time the Group is working toward rolling into a new agreement for a similar term to the original agreement.

	Economic Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
10. ISSUED CAPITAL				
200 Fully paid ordinary shares (2007: 200) – (a)	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

(a) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Economic Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
11. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial period	(145,694)	(28,004)	(143,523)	(1,350)
Loss attributable to members	<u>(1,367,949)</u>	<u>(117,690)</u>	<u>(1,152,857)</u>	<u>(142,173)</u>
Accumulated losses at the end of the financial period	<u>(1,513,643)</u>	<u>(145,694)</u>	<u>(1,296,380)</u>	<u>(143,523)</u>

12. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Consolidated Entity Interest	
		2009	2008
Farmworks Australia Pty Ltd	Australia		
Controlled Entities			
Farmworks Australia Financial Services Pty Ltd	Australia	100%	100%
Farmworks Australia Livestock Pty Ltd	Australia	100%	100%
Farmworks Esperance Pty Ltd	Australia	100%	100%
Farmworks Narrogin Pty Ltd	Australia	100%	100%
Farmworks - Hyden Pty Ltd	Australia	100%	100%
Farmworks Carnamah Pty Ltd	Australia	100%	100%
Farmworks-Corrigin Pty Ltd	Australia	100%	100%

13. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss for the year	(1,367,949)	(117,690)	(1,152,857)	(142,173)
Depreciation and amortisation	144,119	528,351	86,090	462,362
Net (gain)/loss on sale of fixed asset	63,937	4,573	41,174	(4,227)
Other expenses	-	1,145,982	-	-
(Increase)/decrease in trade debtors	(1,420,393)	(2,357,607)	(1,804,320)	(1,346,244)
(Increase)/decrease in inventories	(3,518,787)	2,421,499	(3,518,787)	2,421,499
(Increase)/decrease in deferred tax assets	(640,612)	(54,424)	(552,541)	(64,798)
(Increase)/decrease in other operating assets	5,237,321	4,058,500	5,793,568	4,765,584
(Decrease)/increase in trade creditors	(644,682)	1,948,411	(12,289)	723,372
(Decrease)/increase in other operating liabilities	(101,623)	(247,646)	(50,996)	(23,043)
(Decrease)/increase in provision for income taxes payable	-	-	-	-
(Decrease)/increase in deferred tax liabilities	62,322	3,831	64,777	2,833
(Decrease)/increase in other provisions	129,460	(263,083)	344,770	(259,757)
Net cash outflow from operating activities	(2,056,887)	(148,003)	(761,411)	(464,892)

14. EVENTS SUBSEQUENT TO REPORTING DATE

There were no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

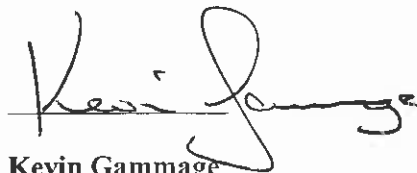
DIRECTORS' DECLARATION

The directors have determined that the company and its controlled entities is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 21, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company and economic entity's financial position as at 30 June 2009 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, on the basis of the matter disclosed in Note 1(t), there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Kevin Gammage
Managing Director

Perth,
2nd of October, 2009



INDEPENDENT AUDITOR'S REPORT

To the members of Farmworks Australia Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report of Farmworks Australia Pty Ltd, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 controls 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.

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

Independence

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

For personal use only

Auditor's Opinion


In our opinion the financial report of Farmworks Australia Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 (t) in the financial report which indicates that the company incurred a net loss of \$1,367,949 during the year and had a deficiency of net assets of \$1,513,443 as at the year ended 30 June 2009. These conditions, along with other matters as set forth in Note 1 (t), indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern and therefore whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Glyn O'Brien
Perth, Western Australia
Dated this 2nd day of October 2009

For personal use only