piquant blue Limited

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ANNUAL FINANCIAL REPORT

for the year ended 30 June 2005

CORPORATE DIRECTORY

Directors

Mr Andrew Boris Konowalous – Managing Director
Mr Robert James Hance – Non-Executive Director
Mr Donald Andrew Hancey – Non-Executive Director
Mr Anthony Ho – Non-Executive Director
Mr Paul Henry Miller – Non-Executive Director

Auditor

Stanton Partners
Level 1, 1 Havelock Street
West Perth, Western Australia 6005

Company Secretary

Mr Kimberley Arnold Hogg

Bankers

National Australia Bank
1238 Hay Street
West Perth, Western Australia 6005

Principal and Registered Office

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189 Hay Street
Subiaco, Western Australia 6008

Telephone: (61-8) 9388 8926
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Solicitors

Steinepreis Paganin
Level 4
16 Milligan Street
Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
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Perth, Western Australia 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033

Stock Exchange

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Perth, Western Australia 6000

ASX Code: PQB

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MANAGING DIRECTOR'S REVIEW

Dear Shareholder

The future looks bright for Piquant Blue. In our second year as an ASX-listed company many of the building blocks have been put into place and are ready to yield significant benefits. Before looking to the future I think it worth considering the achievements of the Group over such a short period.

- Piquant Blue launched its supermarket brand Redisland Australia into the national Australian retailers. In its early days it appears that Redisland is going to be a really successful brand. Soon it will have coverage in excess of 90% of the Australian food retail market.
- Redisland is now also sold in continental Europe, the USA and Hong Kong.
- Piquant Blue's flagship premium brand, njoi has become one of the most awarded olive oil brands and is emerging as the dominant gourmet product in its class.
- A domestic sales force is in place and the scene has been set for a significant push into the foodservice market through Piquant Blue's relationship with Bidvest, Australia's largest foodservice supplier.
- Sales increased six-fold during the last year and revenues now exceed $A2M. However, this is only the part year view of where existing accounts are likely to take sales in the year to come.
- The southern hemisphere's largest grower, Timbercorp Limited, backed Piquant Blue through an equity injection during the year. This arrangement has also enabled the Group to secure a large part of its supply requirements well into the future.
- Piquant Blue successfully raised the capital needed to establish a direct presence in the key US market. This direct approach will allow the Group to see high volumes of products into the key growth market for premium olive oil at mainstream prices.
- The Group has the production capacity to cope with significantly higher oil sales through its existing bottling facility in Perth.

Like any new business a significant amount of investment is needed to get the fundamentals right. The investment to date has been focused on getting the business model right, securing the backing of key industry participants and institutional investors, creating strong brands with significant potential, gearing up for high quality and efficient production and, importantly, hiring the right people to take the business forward. The fundamentals are now falling into place and positive cash flows and earnings are no longer very far over the horizon.

The Australian olive industry is emerging from its honeymoon phase. Virtually every major grove produced a crop this year and key industry participants are turning their attention to making every part of the olive oil value chain profitable. Piquant Blue is pleased to congratulate Australia's olive growers for showing true Australian ingenuity in overcoming early technical hurdles to pave the way for very high quality and efficient production.

This has all come at a time that coincides with yet another potentially poor European harvest. European growers have had to contend with unprecedented adverse growing conditions for several seasons now and whilst Piquant Blue sympathises with the plight of Spanish and Italian growers it also recognizes that lower production volumes in Europe are starting to set the scene for generally higher prices around the world. This issue is compounded by the fact that olive oil consumption, particularly in the premium extra virgin category, is increasing in all key markets. It is a demand-driven industry that simply does not have the capacity to rapidly increase global production. The price differential between Australian olive oil and like-for-like quality European olive oil is starting to close and this is significant for Piquant Blue.

Now to the future.

In the coming year the Group intends to establish its own logistics facility in the US and aims to secure distribution into thousands of US supermarkets. Revenues are expected to increase substantially alongside better margins through production efficiency and scale. Additional marketing activity in Australia should cement Redisland's place as the premier supermarket brand and sales activities will expand to include many new markets. The Group is properly funded to carry out these activities and the directors and management look forward to accelerating the pace of growth.

Domestic Market

The Group's supermarket olive oil brand Redisland continued to gather sales traction in the domestic market. It is now prominently on the shelves of the two largest Australian supermarket groups with a combined total of more than 1,400 stores across Australia.

In addition to the presence in key supermarket outlets, Piquant Blue has also secured agreement to the launch of Redisland into independent grocery groups with over 2,200 smaller retail food outlets in eastern Australia and 150 stores in New Zealand. By the end of 2005, it is expected that Redisland will be sold in over 3,500 supermarkets and other food outlets in Australia giving it greater than 90% market coverage.

Sales have continued to grow in key supermarket accounts. A new internal sales team structure has been implemented giving the Group extensive coverage of the domestic market.

A new 10 litre njoi food service pack was launched to complement the existing 4 litre pack. The Group has secured broad distribution into the foodservice sector of the Australian market supplying hotels, restaurants, public facilities and airlines through an association with the Bidvest group. Bidvest is Australia's largest foodservice supplier and it will provide access to some of the largest food service accounts in the country.

Discussions with independent retail grocery groups have led to agreement to sell Redisland across most east coast independent stores. Independent retailers including Richies, Foodworks and IGA will be selling Redisland before the year's end. Australia's premier department store chains David Jones and Myers also took their first deliveries of njoi during the year.

The process of signing up new accounts is well-advanced and the attention of the Group will now shift more towards increasing the size of those accounts through tightly focused promotion, joint activities with retailers and new product development.

Export Activity

Wholefoods Market, one of the largest and most prestigious specialist gourmet food chains in the United States, has confirmed that its Californian region will sell Redisland. Several other significant US gourmet chains have also indicated that they will sell Redisland and negotiations are continuing. We have found that the market is very positive about our products but that a direct presence on the ground in the USA is needed to accelerate the rate of sales growth.

The Group plans to significantly step up its US sales campaign during the coming year. Plans to target major mainstream US retailers are well advanced and discussions with major US supermarket retailers have commenced. The United States has many large retail groups and is more fragmented than the Australian market. The Group is primarily targeting non-discount retailers and will establish its own US logistics base for high volume distribution. This direct shipping capability is expected to open up many new distribution opportunities and should also enable the Group to sell its products at more of a mainstream price point which is price competitive with equivalent European offerings.

It is intended that the Group's existing US distributor will continue to service the gourmet market while Piquant Blue's own staff develop the high volume supermarket business in the US. Feedback to date indicates in order to achieve the desired high volume price points in the US direct distribution will be required to major supermarket retailers.

Market analysis indicates that the USA is the biggest market for olive oil outside traditional European countries such as Italy, Spain and Greece. The rate of growth in the consumption of olive oil in the United States is one of the highest in the world while its per capita consumption is relatively low. Median price points are favourable to Piquant Blue's products and these factors combine to make the USA the most attractive growth market for Piquant Blue.

European sales were slightly slower than anticipated during the year and this has been put down to high price points caused by supply chain inefficiency and the high European tariff on inbound olive oil. The Group intends to use the same strategy being applied in the US to counter these factors and expects to achieve significant distribution in Europe during CY06.

Some sales were made to the Hong Kong market during the year. However, the Group maintains its view that various Asian markets require an alternative marketing strategy to other western English-speaking markets in order to achieve volume. This issue will be addressed in FY06. Sales were also made to the United Arab Emirates and this market appears to offer substantial food service opportunities. Piquant Blue will nurture these opportunities as priorities dictate over the coming year.

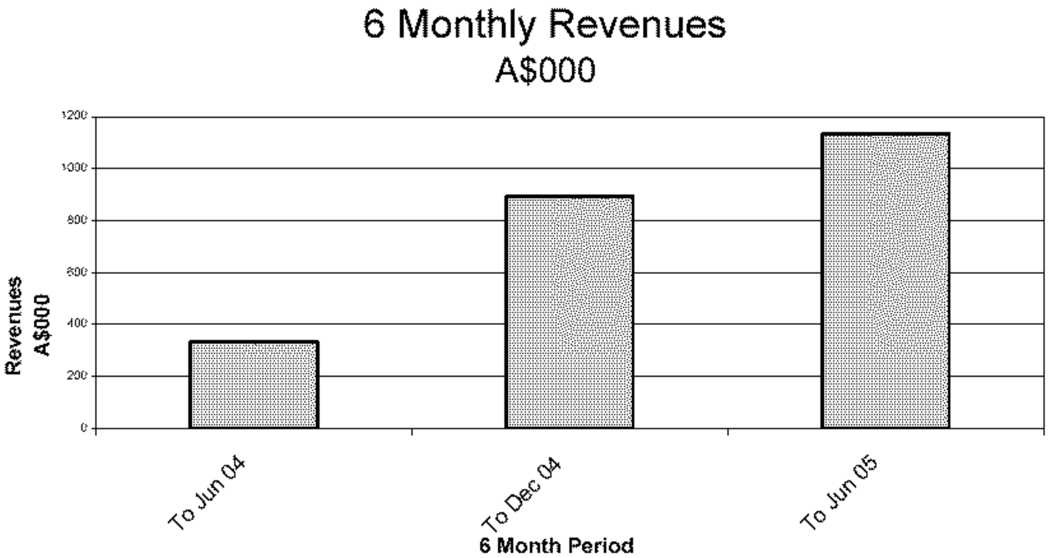
Production and Quality

The Group's bottling and logistics facility located in Malaga, Western Australia continues to operate well within its capacity and is meeting the necessary delivery schedules required by its major customers. The facility achieved HACCP certification during the year making it suitable for export to any market in the world. The facility continues to operate well within its capacity and requires little additional investment to cope with substantially higher production volumes anticipated next year.

The Group is confident that its rapidly increasing scale of production will allow for more economical purchase of both oil and other packaging materials over the coming year. The market for bulk Australian olive oil is still somewhat immature because although most groves are now in production, many large producers only produced a crop for the first time this year. The Group believes that the market for bulk oil will stabilise and become more predictable as the annual crop increases significantly from here on. In the meantime Piquant Blue's excellent relationship with the southern hemisphere's largest and most prestigious grower, Timbercorp Limited, has provided a secure source of at least a significant proportion of predicted bulk oil requirements.

During the year Piquant Blue's njoi blue product won the trophy for best commercial oil at the Australian Olive Association 8th National Extra Virgin Olive Oil Show. The Group's products have won many awards and are now recognised for their quality within the industry.

Revenue



Revenues for the full financial year were approximately $2m. This is encouraging particularly in view of the fact that the first major Australian supermarket account commenced in October 2004 and the second account commenced in May 2005. The full year effect of the coverage of the domestic retail market will be seen in FY06.

The greater part of revenues for FY05 came from strong domestic sales. It is expected that domestic sales will increase significantly next year and that they will be augmented by major new US supermarket customers and export sales to other new markets.

Working Capital

The Group is properly funded to continue its domestic program and to launch its US strategy by establishing a logistics facility in the US. During the year, the Company raised $1,400,000 and subsequent to 30 June completed a further equity raising of $2,000,000 to fund its overseas expansion. It is particularly encouraging to receive the support of industry and investment institutions in our capital raising program.

The Group has access to a revolving debtors financing facility with its bankers that will assist with the increasing level of domestic sales. The limit of this facility increases in line with the level of debtors balance. The Group also has the ability to finance all export sales through borrowings against letters of credit. In addition to these sales financing facilities, at 30 June 2005, the Group had access to a further $625,000 as undrawn loan facility.

The Group flags the potential for further capital raising in the coming year but highlights that it is currently funded to carry out its stated objectives.

Future Activities

The key fundamentals needed to launch into rapid sales growth are:

- Strong brands with a track record
- Secure supply of high quality oil at acceptable prices
- Increasing demand in key markets
- Receptiveness to Australian extra virgin olive oil
- The right management team to execute the plan
- Sufficient funding to carry out activities.

Piquant Blue scores well in all of these areas and is therefore confident that the next financial year will see significant developments.

Building on the achievements to 30 June 2005, the major focus for the coming year will include:

- **USA:** Establishment of the Group's own key accounts and logistics team in the USA. Acceptance by key US supermarkets and distribution into thousands of stores.

- **Foodservice:** Comprehensive coverage of the Australian food service market to service key public venues, the restaurant trade, facilities, major catering companies and airlines.

- **Domestic sales:** Increased promotional activities in the Australian supermarket market to ensure the momentum in sales growth is continued.

- **Production costs:** Improving costs of production through greater economies of scale and an easing of the bulk oil price for Australian extra virgin olive oil.

The Group will maintain its focus on the marketing and value-adding part of the Australian olive oil value chain. There are no current plans for vertical integration into tree growing or olive processing at this stage and it is clear that the more significant growers and processors are doing an outstanding job.

Piquant Blue now has significant accounts in the Australian retail sales channel and will aim to augment this with new and significant foodservice business in the next year. This should lead to the point where the Group has almost complete coverage of the Australian market and needs to switch its focus away from new account creation into generating higher sales from existing accounts. To this end the Group has commenced planning high profile promotional programs for the Australian market.

A key objective for the Group will be the establishment of a direct sales presence and logistical support in the USA to facilitate sales to major US supermarket chains. The US program is expected to become active in the second half of the next financial year. At the same time work on achieving supermarkets listings for Redisland across Europe will intensify.

Piquant Blue's brands are still in the early stages of their life cycles but they are showing all the right signs of success. The Group continues to open new markets, introduce product innovation wherever it sees opportunities and increase sales in existing distribution channels.

Conclusion

The underlying essence of Piquant Blue's business model includes:

- its tight focus on the marketing part of the olive oil value chain
- scalability and freedom from long term CAPEX
- underlying growth in premium olive oil consumption in all markets
- the need for Australian growers to sell their oil whilst staying focused on the growing and processing parts of the value chain.

The directors believe that Piquant Blue is still positioned correctly in the olive oil value chain and that the fundamentals now correspond with the key features of its business model.

In the consumer brands market not many companies achieve as much as Piquant Blue has in its early years, especially with relatively modest funding. The achievements to date and a positive outlook on the future of Australian olive oil lead the directors to be optimistic about the future for Piquant Blue.

On behalf of the Directors, I thank our management team and staff for their tremendous effort and dedication during this early phase of the Group's development. Piquant Blue is particularly proud of its team which has a combination of talent, skills and experience critical to its continuing success.

Finally, I record the Company's appreciation of the patience and support of its investors. This support has enabled management to get on with the key tasks at hand and has been greatly valued by both the Directors and management.

A. Konowalous

Andrew Konowalous
Managing Director

Perth, Western Australia

23 September 2005

The directors present their report together with the financial report of Piquant Blue Limited (the "Company") for the year ended 30 June 2005.

Directors

The directors of the Company at any time during the year and to the date of this report are:

Mr Andrew Konowalous
Managing Director - Appointed 30 April 2003

Mr Konowalous is an olive oil specialist who has over 15 years experience in senior management and logistics. He is a Director of the industry's peak body the Australian Olive Association and sits on the Western Australian Olive Council.

Prior to forming Piquant Blue, Mr Konowalous was the general manager of another olive oil group listed on ASX, and in the earlier part of his career, was a senior executive in one of Australia's largest privately owned retail businesses. Mr Konowalous has also spent over 4 years working in the area of finance in London and is familiar with the business environment in the United Kingdom.

Mr Robert Hance
Non- Executive Director - Appointed 2 June 2004

Mr Hance is the Managing Director and Chief Executive Officer of Timbercorp Limited. He is a co-founder of the Timbercorp Group and has extensive experience in structuring, financing and managing agri-business investments. Mr Hance led the development and marketing of Timbercorp projects since the company's foundation in 1987.

Mr Hance will be retiring by rotation and seeking re-election by shareholders at the 2005 Annual General Meeting.

Mr Don Hancey
Non-Executive Director - Appointed 30 April 2003

Mr Hancey is a food and media consultant with over 20 years experience in the management of restaurants and catering businesses. He is a regular speaker and presenter on regional and international food developments and trends.

Mr Anthony Ho
Non-Executive Director – Appointed 30 April 2003

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia. He qualified as a Chartered Accountant in 1983. Mr Ho is presently the principal of a public practice, specialising in the corporate and financial administration of companies listed on ASX.

Mr Paul Miller
Non-Executive and Independent Director – Appointed 29 March 2004

Mr Miller is a consultant horticulturalist with specialist experience in the viticulture and olive oil industries. He is the current President of the Australian Olive Association and is a regular presenter at conferences on key technical and product marketing issues facing the Australian olive industry. As President of the AOA, Mr Miller represents the Australian Olive Industry in global issues promoted by the International Olive Oil Council.

Mr Miller will be retiring by rotation and seeking re-election by shareholders at the 2005 Annual General Meeting.

Mr Darren Lipton
Alternate Director to Mr Hance- Appointed 2 June 2004

Mr Lipton is the General Manager, Horticulture of Timbercorp Limited and has over 10 years experience in corporate finance and project management.

Company Secretary

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for the past ten years, predominantly in the coordination and documentation of capital raisings and as company secretary for both listed and unlisted companies. Mr Hogg is currently the secretary of a number of companies listed on ASX.

Directorships in other listed entities

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship From	To
Mr A Konowalous	Nil	-	-
Mr D Hancey	Nil	-	-
Mr R Hance	Timbercorp Limited	2002	Present
Mr A Ho	Optima Corporation Limited	2002	Present
Mr P Miller	Coonawarra Australian Property Trust	2003	Present

Directors' Meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the year are:

Director	Board Meetings Held	Attended
Mr A Konowalous	4	4
Mr R Hance	4	4
Mr D Hancey	4	4
Mr A Ho	4	4
Mr P Miller	4	3

There is presently no audit committee, as the directors prefer all audit issues to be addressed by the full Board.

Principal Activity

The principal activity of the Group during the year was the development of an olive oil distribution and marketing business.

Operating and Financial Review

Investments for Future Performance

The consolidated entity is in the early phase of the development of its business. During the year ended 30 June 2005, significant costs were incurred in the establishment of sales and marketing infrastructure and channels in both the Australian and key overseas markets. The continuing significant costs of brand development and market research were incurred and written off during the year.

Review of Financial Condition

Liquidity and funding

The Company raised $1,400,000 as fresh equity during the year to fund its activities. Subsequent to balance date the Company raised a further $2,000,000 by way of a placement to institutional and professional investors.

During the year, the Company also secured revolving debtors and export financing facilities with its bankers which has been effective in the funding of its working capital requirements.

Impact of legislation and other external requirements

From 1 July 2005 the consolidated entity is required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies are disclosed in Note 28 of the financial report.

There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

Significant Changes in the State of Affairs

The consolidated entity's total assets increased by $257,654 to $2,091,312 (2004: $1,833,658) over the year. The net increase in total assets principally comprised:

- an increase in the carrying amount of trade debtors of $385,575, mainly due to the increase in sales activities;
- an increase in inventories of $200,044 mainly as a result of a higher level of sales and continuing revenue growth;
- an increase in property, plant and equipment of $109,370 attributable to bottling and packaging facility of the Group; and
- a decrease in cash assets of $471,875 absorbed in a higher level of working capital requirements.

Fully paid ordinary share capital increased during the year as follows:

- The issue of 5,600,000 shares at 25 cents each to provide additional working capital of $1,400,000.

Results

The Group incurred a loss of $2,138,825 (2004: $1,329,079) after income tax for the year.

Review of Operations

During the year the Group achieved significant milestones in its path to becoming Australia's dominant marketer of branded Australian premium olive oil. The most significant developments included the launch of the Group's high volume supermarket brand Redisland Australia into Woolworths and Coles. Take up of the brand by consumers has been positive and Redisland is establishing a stable and growing position in the mainstream supermarket distribution channel in Australia.

Piquant Blue now has significant accounts in the Australian retail market and is working on replicating this in the foodservice market. The Group has almost complete coverage of the Australian market and will shortly switch its focus away from new account creation into achieving increasing sales results from existing accounts.

During the year it was identified that the USA offered the best prospects for ongoing rapid sales growth. The Group set itself the goal of funding the establishment of a direct sales presence and logistical support in the USA to pave the way for a push into major US supermarket chains in the next financial year. Piquant Blue raised $1.4m during the year and subsequent to 30 June 2005, completed a further capital raising of $2m. This fresh capital is directed at the continuing development of global markets for its products.

Discussions are underway with several major US supermarket chains and Piquant Blue aim to have a presence in a significant number of stores with its Redisland brand in the next financial year. The Group's market research indicates that market conditions in the USA should be favourable for the timing of this program.

In Europe progress has been somewhat slower and the Group intends to achieve a major supermarket listing in northern Europe for the Redisland brand in the next year. Redisland is currently sold in Europe through Dutch-based specialty retailer Oil & Vinegar which has approximately 100 stores across several countries.

Virtually every major olive grove in Australia in the 2005 season went into production and it is anticipated that next year's crush will be larger again. This growth in production is set to continue for the next three to five years as the major groves reach maturity. Piquant Blue is well positioned with its key growing partner and shareholder Timbercorp Limited to sell an increasing amount of this production as branded product.

The Group's packing facility achieved HACCP certification during the year and is now fully compliant with global food safety standards. This facility already has the capacity to handle significantly larger volumes of oil than the level currently being processed.

Dividends

No dividend has been declared or paid by the Company to the date of this Report.

State of Affairs

Other than the matters noted in the accompanying financial statements, there were no significant changes in the state of affairs of the Group during the year.

Events Subsequent to Balance Date

Other than any matters described in these financial statements, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments

The Group will continue to develop its olive oil distribution and marketing business. The Operating and Financial Review above and the Managing Director's Review set out more details about likely developments in the operations of the Group in future financial years.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

Directors' Interests

The relevant interest of each director in the shares and options issued by the companies within the consolidated entity at the date of this report is as follows:

Director	Ordinary shares	Unlisted Options	Class A Options	Class B Options	Class C Options
Mr A Konowalous [(1)]	9,400,000	5,025,000	-	-	-
Mr R Hance [(2)]	7,000,000	-	2,250,000	2,250,000	2,500,000
Mr D Hancey	1,587,500	-	-	-	-
Mr A Ho	2,000,001	1,000,000	-	-	-
Mr P Miller	-	-	-	-	-

1. includes 3,400,000 shares and 3,025,000 options held indirectly by A & L Konowalous as trustees for The Darlington Family Trust, of which Mr Konowalous is a beneficiary.
2. 7,000,000 shares and 2,250,000 Class A options, 2,250,000 Class B options and 2,500,000 Class C options held indirectly by Timbercorp Limited, of which Mr Hance is a director and substantial shareholder.

Options granted to directors' and senior executives

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Piquant Blue Limited to the following directors and executive officers as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Executive officers			
Mr M Konowalous	50,000	42 cents	19 May 2010
Mr P Slaughter	600,000	42 cents	19 May 2010

No options have been granted to directors and executives since the end of the year. Further details of options granted are included under the Remuneration Report.

Options

At the date of this report, unissued ordinary shares of the Company under option are:

Class	Expiry Date	Exercise Price	Number of Options
Class A	30 April 2006	25 cents	2,250,000
Class B	30 April 2007	30 cents	2,250,000
Unlisted	31 December 2007	20 cents	9,775,000
Class C	30 April 2008	35 cents	2,500,000
Employee Option Scheme	19 May 2010	42 cents	1,175,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

Options (cont'd)

None of these options were exercised during the year and all remain outstanding at 30 June 2005.

Further details of the options issued under the Piquant Blue Limited Employee Option Scheme are included under the Remuneration Report.

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

As at the date of this report no insurance policies have been entered into.

Non-audit services

During the year, Stanton Partners, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the audit independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included with the Independent Audit Report.

Details of the amounts paid to the auditor of the Company, Stanton Partners, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated 2005 $	Consolidated 2004 $
Statutory audit:		
- audit and review of financial reports	25,866	-
Services other than statutory audit:		
Other services		
- taxation compliance services	750	-

Remuneration Report

The remuneration report is set out on pages 10 to 13 and forms part of the Directors Report.

Dated at Perth, Western Australia this 23rd day of September 2005.

Signed in accordance with a resolution of the directors:

A. Konowalous

Andrew Konowalous
Managing Director

REMUNERATION REPORT

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Group. Broadly, the Group's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive.

Directors

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 General Meeting, is not to exceed $100,000 per annum.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Senior executives

Certain senior executives are entitled to performance linked remuneration designed to reward meeting or exceeding of Group financial objectives. Such remuneration includes sales commission, an annual bonus and entitlement to options to subscribe for fully paid ordinary shares. Each of these performance linked incentives are based on the achievement of sales at or above a targeted price range.

Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and the named officers of the Company and the consolidated entity for the year are:

		PRIMARY		POST-EMPLOYMENT	EQUITY COMPENSATION	
		Salary & fees $	Non-monetary benefits $	Superannuation benefits $	Valuation of Options [a] $	Total [b] $
Directors						
Non-executive						
Mr R Hance	2005	12,000	-	-	-	12,000
	2004	1,000	-	-	-	1,000
Mr D Hancey	2005	45,490	6,090	4,381	-	55,961
	2004	33,333	2,760	3,000	-	39,093
Mr A Ho	2005	12,000	-	-	-	12,000
	2004	29,250	-	-	-	29,250
Mr D Lipton	2005	-	-	-	-	-
	2004	-	-	-	-	-
Mr P Miller	2005	12,000	-	-	-	12,000
	2004	13,000	-	-	-	13,000
Executive						
Mr A Konowalous	2005	75,086	15,000	7,545	-	97,631
	2004	73,098	11,125	7,294	-	91,517
Total, all specified directors	2005	156,576	21,090	11,926	-	189,592
	2004	149,681	13,885	10,294	-	173,860

		PRIMARY		POST-EMPLOYMENT	EQUITY COMPENSATION	
		Salary & fees $	Non-monetary benefits $	Superannuation benefits $	Valuation of Options [a] $	Total $
Executives						
Consolidated						
Current						
Mr M Konowalous	2005	50,000	-	4,500	1,250	55,750
	2004	11,340	-	-	-	11,340
Mr P Slaughter, Global Sales Manager	2005	137,581	10,002	11,200	15,000	173,783
	2004	-	-	-	-	-
Total, all specified executives	2005	187,581	10,002	15,700	16,250	229,533
	2004	11,340	-	-	-	11,340

(a) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
19 May 2005	19 May 2010	$0.10	$0.42	$0.38	21.40%	5.37%	0.00%

Analysis of share-based payments granted as remuneration

Details of vesting profile of the options granted to each Director of the Company and the named officers of the Company and the consolidated entity are detailed below:

	Options granted		% vested in	Forfeited in	Value yet to vest [a]	
	Number	Date	year	year	Min	Max
Executive officers						
Mr M Konowalous	50,000	19 May 2005	25%	-	-	3,750
Mr P Slaughter	600,000	19 May 2005	25%	-	-	45,000

(a) The vesting terms of the options are as follows:

Options may be exercised in the proportions listed in Column A below at any time between the corresponding period listed in Column B below and 19 May 2010:

Column A	Column B
25%	Immediately (19 May 2005)
25%	6 months (19 November 2005)
25%	12 months (19 May 2006)
25%	24 months (19 May 2007)

Analysis of movements in options

The movement during the reporting period, by value of options over ordinary shares in Piquant Blue Limited held by each director and each of the named officers of the Company and the consolidated entity are detailed below:

	Granted in year $	Exercised in year $	Forfeited in year $	Total option value in year $
Executive officers				
Mr M Konowalous	5,000	-	-	5,000
Mr P Slaughter	60,000	-	-	60,000
	65,000	-	-	65,000

This statement summarises the corporate governance practices adopted by the Board. Piquant Blue's objective is to achieve best practice in corporate governance, and the Company's officers and employees are committed to achieving this objective.

In addition to the information contained in this statement, the Company's website at www.piquantblue.com.au contains details of its corporate governance procedures and practices.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting year. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the latter part of this statement.

Board of Directors

Role of the Board

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders by:

- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- overseeing the financial position and monitoring the business and affairs of the Company;
- establishing corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed; and
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors.

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

The Board comprises five Directors including one as Managing Director.

The Directors are subject to election by shareholders. All Directors, apart from the Managing Director, are subject to reelection by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM. The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The Directors have a broad range of qualifications, experience and expertise in the olive oil and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the date of their appointment, their status as non-executive, executive or independent Directors, whether they are retiring by rotation and seeking re-election by shareholders at the 2005 AGM, are set out in the Directors' Report.

Independence of non-executive directors

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr Paul Miller meets these criteria. He has no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent.

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense, subject to the prior approval of the Chairman. Advice so obtained is to be made available to all Directors.

Meetings

The Board held 4 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

Board committees

The Board has not formally constituted an audit committee. The entire board currently undertakes the duties of an audit committee which includes:

- supervising the engagement of the external auditor and monitoring their performance;
- reviewing the effectiveness of management information and other systems of internal control;
- reviewing all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- reviewing significant transactions that are not a normal part of the Company's business;
- reviewing the year-end and interim financial information and ASX reporting statements;
- monitoring the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- reviewing the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

Evaluation of Board performance

During the reporting year an evaluation of the Board and key executive was carried out on an informal basis. As the activities of the Company develop, it will establish more formal evaluation procedures, including quantitative measures of performance.

Remuneration policies

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are capped at $100,000 per annum.

Attendance at Board and Committee meetings

The attendance of Directors at Board meetings during the year is detailed in the Directors' Report.

Managing business risks and internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following:

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.

- The Managing Director and the Company Secretary are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
- The Company has written policies covering health, safety and the environment.

Ethical standards

The Board is committed to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.

Trading in the Company's securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities whilst in possession of price sensitive information. The Board must be notified of any proposed transaction and must give clearance for the transaction to proceed.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Piquant Blue Limited.

Information disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to shareholders and the market on the Company's website.

Analysts and press briefings may be conducted following the release of half-year results, full-year results and major announcements and, from time to time, briefings with major shareholders may be conducted in order to promote a better understanding of the Company. In conducting briefings, the Company takes care to ensure that any price sensitive information included in the content of briefings has already been made available to all shareholders and the market.

Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- continuous disclosure in the form of public announcements on ASX;
- annual and quarterly reports to shareholders;
- investor briefings;
- the Chairman's address delivered at the Annual General Meeting; and
- notices of all meetings of shareholders and explanatory notes of proposed resolutions.

In addition, information for shareholders is available on Piquant Blue's website: www.piquantblue.com.au, including recent announcements, presentations, past and current reports to shareholders, biographical information on Directors and information relating to operations.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance.

Retirement benefits for non-executive directors

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

ASX Guidelines on Corporate Governance

Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have been not been followed in the reporting year. The Company sets out below an explanation of the areas where Piquant Blue does not presently comply with ASX best practice recommendations.

Composition of the Board

A majority of the Board of directors is not comprised of independent directors under the ASX definition of independence, as set out in the ASX Corporate Governance Council Best Practice Recommendations. The Company is in its early stages of development and does not consider it appropriate nor cost effective to adopt this recommendation.

Each individual member of the Board is satisfied that whilst the Company may not comply with best practice recommendations 2.1, 2.2 and 2.3, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

Website

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

Board committees

The Company does not presently have a separate audit, nomination or remuneration committee as required by best practice recommendations 4.2, 2.4 and 9.2, respectively. The Company is in its early stages of development and as such, the entire Board conducts the function of such committees. The duties of such committees have been considered and adopted by the Board. The board invites persons with relevant industry and financial experience when required to carry out the functions of such committees.

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

	Note	Consolidated 12 month period ended 30 June 2005 $	Consolidated 14 month period ended 30 June 2004 $	Company 12 month period ended 30 June 2005 $	Company 14 month period ended 30 June 2004 $
Sales revenue	2	1,886,324	279,946	-	-
Cost of sales		(1,522,970)	(257,169)	-	-
Gross Profit		363,354	22,777	-	-
Other revenue from ordinary activities	2	138,733	51,034	2,160	34,049
Operational expenses		(780,934)	(316,418)	-	-
Marketing and distribution expenses		(1,269,412)	(835,293)	-	-
Corporate and administrative expenses		(279,011)	(171,632)	(281,199)	(41,073)
Occupancy expenses		(123,910)	(27,716)	(34,037)	-
Borrowing expenses		(31,544)	(180)	-	-
Provision for diminution in value of investments		-	-	(55,000)	(125,000)
Provision against recovery of loans to controlled entities		-	-	(1,799,844)	(1,112,261)
Other expenses from ordinary activities		(209,794)	(77,954)	-	-
Loss from ordinary activities before related income tax benefit	3	(2,192,517)	(1,355,382)	(2,167,920)	(1,244,285)
Income tax	5	-	-	-	-
Loss from ordinary activities after related income tax benefit		(2,192,517)	(1,355,382)	(2,167,920)	(1,244,285)
Net loss attributable to outside equity interests	17	53,692	26,303	-	-
Net loss attributable to members of the parent entity	18	(2,138,825)	(1,329,079)	(2,167,920)	(1,244,285)
Basic loss per share					
Ordinary shares (cents)	21	(3.50)	(3.70)		

These statements of financial performance are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 30 June 2005

		Consolidated		Company	
		2005	2004	2005	2004
	Note	$	$	$	$
CURRENT ASSETS					
Cash assets	6	435,780	907,655	225,208	790,327
Receivables	7	460,810	75,235	-	1,400
Inventories	8	716,438	516,394	-	-
Other	9	52,201	17,661	-	-
Total Current Assets		1,665,229	1,516,945	225,208	791,727
NON CURRENT ASSETS					
Receivables	7	-	-	954,330	453,060
Property, plant & equipment	10	426,083	316,713	-	-
Investments	11	-	-	20,000	75,000
Total Non Current Assets		426,083	316,713	974,330	528,060
TOTAL ASSETS		2,091,312	1,833,658	1,199,538	1,319,787
CURRENT LIABILITIES					
Payables	12	545,763	523,474	63,171	10,500
Provisions	13	51,761	11,840	-	-
Interest-bearing liabilities	14	806,063	-	375,000	-
Total Current Liabilities		1,403,587	535,314	438,171	10,500
NON CURRENT LIABILITIES					
Payables	12	-	-	220,000	-
Interest-bearing liabilities	14	181,898	-	-	-
Total Non Current Liabilities		181,898	-	220,000	-
TOTAL LIABILITIES		1,585,485	535,314	658,171	10,500
NET ASSETS		**505,827**	**1,298,344**	**541,367**	**1,309,287**
EQUITY					
Contributed equity	15	3,953,572	2,553,572	3,953,572	2,553,572
Accumulated losses	16	(3,467,904)	(1,329,079)	(3,412,205)	(1,244,285)
Total Parent Entity Interest		485,668	1,224,493	541,367	1,309,287
Outside equity interests	17	20,159	73,851	-	-
TOTAL EQUITY	18	**505,827**	**1,298,344**	**541,367**	**1,309,287**

These statements of financial position are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 30 June 2005

	Note	Consolidated 12 month period ended 30 June 2005 $	Consolidated 14 month period ended 30 June 2004 $	Company 12 month period ended 30 June 2005 $	Company 14 month period ended 30 June 2004 $
Cash flows from operating activities					
Cash receipts in the course of operations		1,665,086	214,816	-	-
Cash payments in the course of operations		(4,344,345)	(1,612,137)	(261,165)	(31,973)
Interest received		8,609	40,929	2,160	34,049
Net cash (used in)/from operating activities	26	(2,670,650)	(1,356,392)	(259,005)	2,076
Cash flows from investing activities					
Payments for investments in controlled entities		-	-	-	(200,000)
Net cash acquired in controlled entity		-	54,395	-	-
Payments for loans to controlled entities		-	-	(2,081,114)	(1,565,321)
Payments for property, plant and equipment		(183,939)	(326,151)	-	-
Payments for intangible assets		-	(17,769)	-	-
Net cash used in investing activities		(183,939)	(289,525)	(2,081,114)	(1,765,321)
Cash flows from financing activities					
Proceeds from issue of shares	15	1,400,000	2,712,845	1,400,000	2,712,845
Transaction costs from issue of shares		-	(159,273)	-	(159,273)
Proceeds from borrowings		1,141,276	-	375,000	-
Repayment of borrowings		(158,562)	-	-	-
Net cash provided by financing activities		2,382,714	2,553,572	1,775,000	2,553,572
Net (decrease)/increase in cash held		(471,875)	907,655	(565,119)	790,327
Cash at the beginning of the year		907,655	-	790,327	-
CASH AT THE END OF THE YEAR	6	**435,780**	**907,655**	**225,208**	**790,327**

These statements of cash flows are to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(i) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

(ii) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(iii) 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. Exchange of goods of services of the same nature with any cash consideration is not recognised as revenue.

Sale of goods

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

Interest income

Interest income is recognised as it accrues.

(iv) Income tax

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(v) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(vi) Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation. All assets are depreciated over their estimated useful lives on a reducing balance basis.

The expected useful lives are as follows:

Computer equipment	1 to 3 years
Furniture and fittings	5 to 10 years
Leasehold improvements	3 to 5 years

(vii) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(viii) Goods and Services Tax

Revenues, 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 Australian Tax Office (ATO). 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 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 statement of financial position.

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.

(ix) Inventories

Inventories held for resale are stated at the lower of cost and net realisable value. Cost comprises all cost of raw materials, costs and conversion to finished goods and other costs incurred to bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as a cost of sale in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs.

(x) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative bases is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

(xi) Recoverable Amount of Non Current Assets

The carrying amount of non-current assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

(xii) Interest bearing liabilities

Loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Note 12 Payables "Other creditors and accruals".

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(xiii) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay. The provision for long service leave is measured as at present value of the estimated future cash flows.

(xiv) Comparatives

The Company was incorporated on 30 April 2003. Consequently, the comparative amounts disclosed in these financial statements relate to the 14-month period from incorporation to 30 June 2004.

	Consolidated		Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
2. REVENUE FROM ORDINARY ACTIVITIES				
Sales revenue	1,886,324	279,946	-	-
Interest income	9,639	40,929	2,160	34,049
Other income	129,094	10,105	-	-
Total revenue from ordinary activities	2,025,057	330,980	2,160	34,049
3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT				
The operating loss before income tax has been determined after charging the following items:				
Amortisation of:				
- Leasehold improvements	989	512	-	-
Depreciation of:				
- Plant and equipment	61,550	8,926	-	-
- Motor vehicles	2,779	-	-	-
Total depreciation and amortisation expense	65,318	9,438	-	-
4. AUDITOR'S REMUNERATION				
Audit services:				
Stanton Partners				
- audit and review of financial reports	25,866	11,556	25,866	11,556
Other services:				
Stanton Partners				
- taxation compliance services	750	-	750	-
	26,616	11,556	26,616	11,556

	Consolidated		Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
5. TAXATION				
Income tax benefit				
Prima facie income tax benefit calculated at 30% on the operating loss from ordinary activities	(641,648)	(398,724)	(650,379)	(373,286)
Decrease in income tax benefit due to:				
- non deductible expenses	410	1,164	228	-
Future income tax benefit not brought to account	641,238	397,560	650,151	373,286
Income tax benefit attributable to loss	-	-	-	-

The estimated income tax benefit attributable to tax losses carried forward amounts to $1,038,000 (2004: $397,000) for the Group and $1,023,000 (2004: $373,000) for the Company.

The potential future income tax benefit will only be obtained if:

(i) The Group and the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in accordance with the Income Tax Assessment Act 1997;

(ii) the Group and the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Group and the Company in realising the benefit.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
6. CASH ASSETS				
Cash at bank and on deposit	435,780	907,655	225,208	790,327
7. RECEIVABLES				
Current				
Trade debtors	454,747	49,049	-	-
Less: Provision for doubtful debts	(16,400)	-	-	-
	438,347	49,049	-	-
Other debtors	22,463	26,186	-	1,400
	460,810	75,235	-	1,400
Non-current				
Unsecured loan – controlled entities	-	-	3,866,435	1,565,321
Less: Provision for non-recovery	-	-	(2,912,105)	(1,112,261)
	-	-	954,330	453,060
8. INVENTORIES				
Finished goods	338,383	157,225	-	-
Raw materials	378,055	359,169	-	-
	716,438	516,394	-	-
9. OTHER CURRENT ASSETS				
Prepayments	44,739	14,724	-	-
Other	7,462	2,937	-	-
	52,201	17,661	-	-

	Consolidated		Company	
	2005	2004	2005	2004
10. PROPERTY, PLANT & EQUIPMENT	$	$	$	$
Plant and equipment, at cost	310,390	242,915	-	-
Less: Accumulated depreciation	(34,192)	(687)	-	-
	276,198	242,228	-	-
Motor vehicles, at cost	50,793	-	-	-
Less: Accumulated depreciation	(2,779)	-	-	-
	48,014	-	-	-
Office furniture and equipment, at cost	121,960	76,441	-	-
Less: Accumulated depreciation	(36,283)	(8,239)	-	-
	85,677	68,202	-	-
Leasehold improvements, at cost	17,695	6,795	-	-
Less: Accumulated amortisation	(1,501)	(512)	-	-
	16,194	6,283	-	-
Total Property, Plant and Equipment	426,083	316,713	-	-

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
Plant and equipment				
Balance at beginning of the year	242,228	-	-	-
Additions	67,476	242,915	-	-
Depreciation	(33,506)	(687)	-	-
Balance at end of year	276,198	242,228	-	-
Motor vehicles				
Balance at beginning of the year	-	-	-	-
Additions	50,793	-	-	-
Depreciation	(2,779)	-	-	-
Balance at end of year	48,014	-	-	-
Office furniture and equipment				
Balance at beginning of the year	68,202	-	-	-
Additions	45,519	76,441	-	-
Depreciation	(28,044)	(8,239)	-	-
Balance at end of year	85,677	68,202	-	-
Leasehold improvements				
Balance at beginning of the year	6,283	-	-	-
Additions	10,900	6,795	-	-
Amortisation	(989)	(512)	-	-
Balance at end of year	16,194	6,283	-	-

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
11. INVESTMENTS					
Shares in EVOO Australia Pty Ltd (100% owned) – at cost		-	-	-	-
Shares in AOX Pty Ltd (100% owned) – at cost		-	-	30,000	30,000
Shares in Njoi Australian Foods Pty Ltd (100% owned) – at cost		-	-	20,000	20,000
Shares in Oilpack Australia Pty Ltd (51% owned) – at cost		-	-	150,000	150,000
		-	-	200,000	200,000
Less: Provision for diminution in value of investment		-	-	(180,000)	(125,000)
		-	-	20,000	75,000
12. PAYABLES					
Current					
Trade creditors		277,863	442,672	11,506	-
Other creditors and accruals		267,900	80,802	51,665	10,500
		545,763	523,474	63,171	10,500
Non- current					
Unsecured loan owing to controlled entity		-	-	220,000	-
13. PROVISIONS					
Provision for employee benefits	23	51,761	11,840	-	-
14. INTEREST BEARING LIABILITIES					
Current					
Lease liabilities	20	54,845	-	-	-
Bank facilities		376,218	-	-	-
Unsecured loan facility		375,000	-	375,000	-
		806,063	-	375,000	-
Non-current					
Lease liabilities	20	181,898	-	-	-

The carrying amounts of non-current assets pledged as security are:

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Plant and equipment	206,463	-	-	-
Motor vehicles	48,015	-	-	-
Office furniture and equipment	1,563	-	-	-
	256,041	-	-	-

14. INTEREST BEARING LIABILITIES (cont'd)

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
Financing arrangements				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank facilities	450,000	-	-	-
Unsecured loan facility	1,000,000	-	1,000,000	-
	1,450,000	-	1,000,000	-
Facilities utilised at reporting date:				
Bank facilities	376,218	-	-	-
Unsecured loan facility	375,000	-	375,000	-
	751,218	-	375,000	-
Facilities not utilised at reporting date:				
Bank facilities	73,782	-	73,782	-
Unsecured loan facility	625,000	-	625,000	-
	698,782	-	698,782	-

Bank facilities

These facilities include a revolving debtors financing facility. The limit of this facility increases in line with the level of debtors balance. In addition to this facility, the Group has facilities to finance export sales by the use of letters of credit. The bank facilities are secured by a guarantee from the Company and a mortgage debenture over EVOO Australia Pty Ltd.

Unsecured loan facility

This unsecured facility bears interest at 8.0% pa.

Finance lease facility

The finance lease liabilities are secured by the leased assets, as in the event of default, the assets revert to the lessor. The finance lease facility is secured by a guarantee from the Company.

15. CONTRIBUTED EQUITY

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
Issued and paid-up capital 63,850,001 [2004: 58,250,001] fully paid ordinary shares	3,953,572	2,553,572	3,953,572	2,553,572

The following movements in contributed equity occurred during the year:

	Number of Shares 2005	Number of Shares 2004	2005 $	2004 $
Balance at 1 July 2004	58,250,001	58,250,001	2,553,572	2,553,572
Issue of Shares at $0.25 each	5,600,000	-	1,400,000	-
	63,850,001	58,250,001	3,953,572	2,553,572

Subsequent to balance date, 6,666,667 fully paid ordinary shares were issued at $0.30 per share to raise $2,000,000 (Refer Note 27 for further details).

15. CONTRIBUTED EQUITY (cont'd)

Options

During the financial year, 1,175,000 options exercisable at 42 cents each on or before 19 May 2010 were granted pursuant to the terms of the Piquant Blue Limited Employee Option Scheme. Further details of these options are included under the Remuneration Report.

The following options to subscribe for ordinary fully paid shares were outstanding at balance date:

Class	Expiry Date	Exercise Price	Number of Options
Class A	30 April 2006	25 cents	2,250,000
Class B	30 April 2007	30 cents	2,250,000
Unlisted	31 December 2007	20 cents	9,775,000
Class C	30 April 2008	35 cents	2,500,000
Employee Option Scheme	19 May 2010	42 cents	1,175,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

None of these options were exercised during the year and all remain outstanding at 30 June 2005.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
16. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	(1,329,079)	-	(1,244,285)	-
Loss for the year	(2,138,825)	(1,329,079)	(2,167,920)	(1,244,285)
Accumulated losses at the end of the year	(3,467,904)	(1,329,079)	(3,412,205)	(1,244,285)

	Consolidated 2005	Consolidated 2004
	$	$
17. OUTSIDE EQUITY INTEREST		
Outside equity interest in controlled entities comprise:		
Interest in share capital	100,154	100,154
Share of accumulated losses at the beginning of the year	(26,303)	-
Share of loss from ordinary activities after income tax	(53,692)	(26,303)
Total outside equity interests	20,159	73,851

		Consolidated		Company	
		2005	2004	2005	2004
	Note	$	$	$	$
18. TOTAL EQUITY RECONCILIATION					
Total equity at the beginning of the year		1,298,344	-	1,309,287	-
Total changes in parent entity interest in equity recognised in statement of financial performance		(2,138,825)	(1,329,079)	(2,167,920)	(1,244,285)
Contributions of equity	15	1,400,000	2,553,572	1,400,000	2,553,572
Total changes in outside equity interest	17	(53,692)	73,851	-	-
Total equity at the end of the year		505,827	1,298,344	541,367	1,309,287

19. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk exposure

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 4.55%, depending on account balances.

The following annual interest rates apply to the Group's credit facilities:

Bank debtors financing facilities	14.10%
Unsecured loan facility	8.00%
Lease liabilities	7.48% to 7.81%

All other financial assets and liabilities are non-interest bearing.

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

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

(c) Net fair values of financial assets and liabilities

The financial assets and liabilities included in current assets and liabilities in the statement of financial position are carried at amounts that approximate net fair values.

The carrying amounts and net fair value of financial assets and liabilities as at the reporting date are as follows:

	Consolidated 2005		Consolidated 2004	
	Carrying amount $	Net fair Value $	Carrying amount $	Net fair Value $
Financial assets				
Cash assets	435,780	435,780	907,655	907,655
Receivables	460,810	460,810	75,235	75,235
Total financial assets	896,590	896,590	982,890	982,890
Financial liabilities				
Payables	545,763	545,763	523,474	523,474
Interest bearing liabilities	987,961	987,961	-	-
Total financial liabilities	1,533,724	1,533,724	523,474	523,474
Net financial assets/ (liabilities)	(637,134)	(637,134)	459,416	459,416

	Consolidated 2005 $	Consolidated 2004 $
Reconciliation of net financial assets/(liabilities) to net assets		
Net financial assets/ (liabilities)	(637,134)	459,416
Inventories	716,438	516,394
Other assets	52,201	17,661
Property, plant and equipment	426,083	316,713
Provisions	(51,761)	(11,840)
Net assets	505,827	1,298,344

20. COMMITMENTS

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Operating lease commitments					
Future operating lease rentals not provided for in the financial statements and payable:					
Not later than one year		121,280	77,000	44,280	-
Later than one year but not later than five years		151,697	129,275	100,491	-
		272,977	206,275	144,771	-

The consolidated entity leases property under non-cancellable operating leases expiring from three to four years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Finance lease payment commitments					
Finance lease commitments are payable:					
Not later than one year		66,329	-	-	-
Later than one year but not later than five years		219,023	-	-	-
		285,352	-	-	-
Less: Future lease finance charges		(48,609)	-	-	-
		236,743	-	-	-
Lease liabilities provided for in the financial statements:					
Current	14	54,845	-	-	-
Non-current	14	181,898	-	-	-
Total lease liability		236,743	-	-	-

21. EARNINGS PER SHARE

	Number 2005	Number 2004
Weighted average number of shares used as the denominator		
Ordinary shares	61,168,906	35,918,268

Diluted earnings per share do not show an inferior view of the earnings performance of the Company than is shown by earnings per share and is not disclosed for this reason.

22. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Entity interest 2005	Entity interest 2004
Parent entity		
Piquant Blue Limited		
Controlled entities		
AOX Pty Ltd	100%	100%
EVOO Australia Pty Ltd	100%	100%
Njoi Australian Food Pty Ltd	100%	100%
Oilpack Australia Pty Ltd	51%	51%

All controlled entities were incorporated in Western Australia.

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
23. EMPLOYEE BENEFITS					
Aggregate liability for employee benefits, including on-costs					
Current					
Provision for employee benefits	13	51,761	11,840	-	-
Number of employees					
Number of employees at the end of the year		12	9	-	-

Equity-based plans

Employee Share Option Scheme

The Company operates an incentive scheme known as the Piquant Blue Employee Option Scheme ("Scheme") approved at the general meeting on 30 May 2003.

The maximum number of options that can be granted under the Scheme is restricted to 5% of the total issued shares as at the date of the grant of options. There is no issue price for any options granted under the Scheme.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the terms of the plan, is the highest of:

(a) 110% of the market price of the Company's shares on the date on which the options are issued;
(b) 20 cents; or
(c) any greater price determined by the Directors.

All options expire on the earlier of their expiry date or termination of the employee's employment. The vesting terms of the options are as follows:

Options may be exercised in the proportions listed in Column A below at any time between the corresponding period listed in Column B below and 19 May 2010:

Column A	Column B
25%	Immediately (19 May 2005)
25%	6 months (19 November 2005)
25%	12 months (19 May 2006)
25%	24 months (19 May 2007)

There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

23. EMPLOYEE BENEFITS (cont'd)

Summary of options over unissued shares

Details of options over unissued shares as at the beginning and ending of the reporting date and movements during the year are set out below:

Grant date	Expiry Date	Exercise price	Fair value per option	Number of options at beginning of year	Options granted	Options lapsed	Options exercised	Number of options at end of year: On issue	Number of options at end of year: Vested	Proceeds received	Date issued	Number of shares issued	Fair value per share	Fair value aggregate
Consolidated and the Company														
2005														
19 May 2005	19 May 2010	$0.42	$0.10	-	1,175,000	-	-	1,175,000	293,750	-	N/A	-	N/A	N/A
Consolidated and the Company														
2004														
N/A	N/A	N/A	N/A	-	-	-	-	-	-	-	N/A	-	N/A	N/A

None of the options were exercised during the year and all remain outstanding at 30 June 2005.

24. DIRECTOR AND EXECUTIVE DISCLOSURES

Remuneration of specified directors and specified executives by the consolidated entity

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Group. Broadly, the Group's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive.

Directors

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 General Meeting, is not to exceed $100,000 per annum.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Senior executives

Certain senior executives are entitled to performance linked remuneration designed to reward meeting or exceeding of Group financial objectives. Such remuneration includes sales commission, an annual bonus and entitlement to options to subscribe for fully paid ordinary shares. Each of these performance linked incentives are based on the achievement of sales at or above a targeted price range.

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

The following table provides the details of all directors of the Company ("specified directors") and the executives of consolidated entity with the greatest authority ("specified executives") and the nature and amount of the elements of their remuneration for the year.

		PRIMARY		POST-EMPLOYMENT	EQUITY COMPENSATION	
		Salary & fees $	Non-monetary benefits $	Superannuation benefits $	Valuation of Options [a] $	Total [b] $
Directors						
Non-executive						
Mr R Hance	2005	12,000	-	-	-	12,000
	2004	1,000	-	-	-	1,000
Mr D Hancey	2005	45,490	6,090	4,381	-	55,961
	2004	33,333	2,760	3,000	-	39,093
Mr A Ho	2005	12,000	-	-	-	12,000
	2004	29,250	-	-	-	29,250
Mr D Lipton	2005	-	-	-	-	-
	2004	-	-	-	-	-
Mr P Miller	2005	12,000	-	-	-	12,000
	2004	13,000	-	-	-	13,000
Executive						
Mr A Konowalous	2005	75,086	15,000	7,545	-	97,631
	2004	73,098	11,125	7,294	-	91,517
Total, all specified directors	2005	156,576	21,090	11,926	-	189,592
	2004	149,681	13,885	10,294	-	173,860

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

		PRIMARY		POST-EMPLOYMENT	EQUITY COMPENSATION	
		Salary & fees $	Non-monetary benefits $	Superannuation benefits $	Valuation of Options [(a)] $	Total $
Executives						
Consolidated						
Current						
Mr M Konowalous	2005	50,000	-	4,500	1,250	55,750
	2004	11,340	-	-	-	11,340
Mr P Slaughter, Global Sales Manager	2005	137,581	10,002	11,200	15,000	173,783
	2004	-	-	-	-	-
Total, all specified executives	2005	187,581	10,002	15,700	16,250	229,533
	2004	11,340	-	-	-	11,340

(a) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
19 May 2005	19 May 2010	$0.10	$0.42	$0.38	21.40%	5.37%	0.00%

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Other transactions with the Company or its controlled entities

A number of specified directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified directors, or their personally-related entities were total expense of $392,446 (2004: $25,250). Details of the transactions are as follows:

	Transaction	Note	2005 $
Specified directors			
Mr A Ho	Secretarial and accounting fees	(i)	36,000
Mr P Miller	Consultancy fees	(ii)	-
Specified executives			
Mr M Konowalous	Sales revenue	(iii)	356,446
			392,446

(i) A company associated with Mr Ho, provides company secretarial services in connection with the operations of the Group. Terms for such services are based on market rates, and amounts are payable on a monthly basis.
(ii) A company associated with Mr Miller, provided consultancy services in the previous financial period in connection with the operations of the Group. Terms for such services are based on market rates, and amounts are payable on a monthly basis.
(iii) Oilpack Australia Pty Ltd, a company of which Mr M Konowalous is a director and holds 49% indirect interest, has provided bottling and warehousing services to EVOO Australia Pty Ltd, a wholly owned subsidiary of Piquant Blue Limited.

Liabilities at 30 June 2005 arising from the above transaction	30 June 2005 $
Current liabilities	
Other creditors and accruals	9,740

Equity instruments

Option holdings

Unlisted Options

The movement during the reporting year in the number of options over ordinary shares exercisable at $0.20 on or before 31 December 2007 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Granted as remuneration	Exercised	Other changes	Held at 30 June 2005
Specified directors					
Mr A Konowalous	5,025,000	-	-	-	5,025,000
Mr R Hance	-	-	-	-	-
Mr D Hancey	-	-	-	-	-
Mr A Ho	1,000,000	-	-	-	1,000,000
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	1,000,000	-	-	-	1,000,000
Mr P Slaughter	-	-	-	-	-
Mr R Turner	-	-	-	-	-

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Class A Options

The movement during the reporting year in the number of options over ordinary shares exercisable at $0.25 on or before 30 April 2006 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Granted as remuneration	Exercised	Other changes	Held at 30 June 2005
Specified directors					
Mr A Konowalous	-	-	-	-	-
Mr R Hance	450,000	-	-	1,800,000	2,250,000
Mr D Hancey	-	-	-	-	-
Mr A Ho	-	-	-	-	-
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	-	-	-	-	-
Mr P Slaughter	-	-	-	-	-
Mr R Turner	-	-	-	-	-

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

Class B Options

The movement during the reporting year in the number of options over ordinary shares exercisable at $0.30 on or before 30 April 2007 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Granted as remuneration	Exercised	Other changes	Held at 30 June 2005
Specified directors					
Mr A Konowalous	-	-	-	-	-
Mr R Hance	450,000	-	-	1,800,000	2,250,000
Mr D Hancey	-	-	-	-	-
Mr A Ho	-	-	-	-	-
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	-	-	-	-	-
Mr P Slaughter	-	-	-	-	-
Mr R Turner	-	-	-	-	-

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Class C Options

The movement during the year in the number of options over ordinary shares exercisable at $0.35 on or before 31 August 2007 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Granted as remuneration	Exercised	Other changes	Held at 30 June 2005
Specified directors					
Mr A Konowalous	-	-	-	-	-
Mr R Hance	500,000	-	-	2,000,000	2,500,000
Mr D Hancey	-	-	-	-	-
Mr A Ho	-	-	-	-	-
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	-	-	-	-	-
Mr P Slaughter	-	-	-	-	-
Mr R Turner	-	-	-	-	-

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

Employee Option Scheme Options

The movement during the reporting year in the number of options over ordinary shares exercisable at $0.42 on or before 19 May 2010 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Granted as remuneration	Exercised	Other changes	Held at 30 June 2005
Specified directors					
Mr A Konowalous	-	-	-	-	-
Mr R Hance	-	-	-	-	-
Mr D Hancey	-	-	-	-	-
Mr A Ho	-	-	-	-	-
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	-	50,000	-	-	50,000
Mr P Slaughter	-	600,000	-	-	600,000
Mr R Turner	-	-	-	-	-

Only 25% of options vested on the date of issue. The remaining 75% will be vested according to the table disclosed in note 23.

24. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Equity holdings and transactions

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 30 June 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified directors					
Mr A Konowalous	9,400,000	-	-	-	9,400,000
Mr R Hance	1,400,000	5,600,000	-	-	7,000,000
Mr D Hancey	1,587,500	-	-	-	1,587,500
Mr A Ho	2,000,001	-	-	-	2,000,001
Mr P Miller	-	-	-	-	-
Mr D Lipton	-	-	-	-	-
Specified executives					
Mr M Konowalous	3,470,000	566,560	-	(33,500)	4,003,000
Mr P Slaughter	-	-	-	-	-
Mr R Turner	-	-	-	-	-

25. SEGMENT INFORMATION

Primary reporting: Geographical segments	Australia 2005 $	Australia 2004 $	Europe 2005 $	Europe 2004 $	USA 2005 $	USA 2004 $	Consolidated 2005 $	Consolidated 2004 $
Revenue								
Segment revenue	1,739,889	230,068	48,324	59,983	227,205	-	2,015,418	290,051
Unallocated interest revenue							9,639	40,929
							2,025,057	330,980
Result								
Segment result	(2,046,574)	(1,237,986)	(103,463)	(117,396)	(42,480)	-	(2,192,517)	(1,355,382)
Unallocated revenues and expenses							-	-
							(2,192,517)	(1,355,382)
Depreciation and amortisation	(65,318)	(9,438)	-	-	-	-	(65,318)	(9,438)
Assets								
Segment assets	2,086,121	1,757,616	5,191	76,042	-	-	2,091,312	1,833,658
Unallocated corporate assets							-	-
Consolidated total assets							2,091,312	1,833,658
Liabilities								
Segment liabilities	1,568,075	535,314	17,410	-	-	-	1,585,485	535,314
Unallocated corporate liabilities							-	-
Consolidated total liabilities							1,585,485	535,314

Secondary reporting

Business segments

The principal activity of the consolidated entity is olive oil distribution and marketing. More than 90% of segment revenue and segment profits/(losses) from ordinary activities, and more than 90% of segment assets, relate to these operations.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
26. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash assets (refer Note 6)	435,780	907,655	225,208	790,327
(b) Reconciliation of net cash flows from operating activities to loss after income tax				
Loss after income tax	(2,192,517)	(1,355,382)	(2,167,920)	(1,244,285)
Add non-cash items:				
Amortisation	989	512	-	-
Amounts set aside to provisions	105,939	11,840	1,854,844	1,237,261
Depreciation	64,329	8,926	-	-
Intangibles written off	-	17,769	-	-
Goodwill written off	-	45,759	-	-
Net cash used in operating activities before changes in assets and liabilities	(2,021,260)	(1,270,576)	(313,076)	(7,024)
Changes in assets and liabilities during the year:				
(Increase) in receivables	(401,976)	(75,235)	-	(1,400)
(Increase) in inventories	(200,044)	(516,394)	-	-
(Increase)/ decrease in other assets	(34,540)	(17,661)	1,400	-
(Decrease)/ increase in payables	(12,830)	523,474	52,671	10,500
Net cash from/(used in) operating activities	(2,670,650)	(1,356,392)	(259,005)	2,076

27. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date, the Company issued 6,666,667 Shares at $0.30 each to institutional and professional investors to raise $2,000,000.

28. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. The consolidated entity must therefore prepare an opening statement of financial position in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when Piquant Blue prepares its first fully AIFRS-compliant financial reports for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS, and the Company's best estimate of the quantitative impact on the financial statements. The figures disclosed are management's best estimates as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (i) ongoing work being undertaken to assess AIFRS standards; (ii) potential amendments to AIFRS and interpretations thereof being issued by the standard-setters; and (iii) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Taxation

On transition to AIFRS the income tax balances will be calculated based on the "balance sheet approach", replacing the "income statement approach" applied under the current accounting policy. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability for accounting purposes and its tax base. No impact has been identified on the consolidated or parent entity's statement of financial position or performance as a result of this change in approach.

Share based Payments

Under AASB 2 *Share Based Payments*, Piquant Blue is required to recognise an expense for all equity-based remuneration, including options issued to employees under the Employee Option Scheme that had not vested by 1 January 2005. The expense is determined by reference to the fair value of the equity instruments issued.

The fair value of options granted to employees is recognised as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Intangible Assets

Under AASB 138 *Intangible Assets*, intangibles acquired which have finite useful lives must be amortised over their useful lives. Internally generated goodwill, brands and costs related to research activities and items similar in substance may not be recognised as assets. All expenditure on research must be expensed when it is incurred. This will result in a change in the Company's current accounting policy which allows for the capitalisation of costs incurred in the research phase of an internally generated intangible asset where future benefits are expected beyond a reasonable doubt. No impact has been identified on the consolidated or parent entity's statement of financial position or performance as a result of this change in approach.

Impairment of Assets

Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net disposal value and its value in use, determined by the present value of the future cash flows it is expected to generate. This will result in a change in the Company's current accounting policy, which determines recoverable amount of an asset on the basis of undiscounted cash flows. No impact has been identified on the consolidated or parent entity's statement of financial position or performance as a result of the change in policy.

Reconciliation of equity as presented under AGAAP to that under AIFRS

	Consolidated		Company	
	30 June 2005	1 July 2004	30 June 2005	1 July 2004
	$	$	$	$
Total equity under AGAAP	505,827	1,298,344	541,367	1,309,287
Adjustments to Accumulated Losses				
Recognition of share-based payment expense	(29,375)	-	(29,375)	-
Adjustments to reserves				
Recognition of share-based payment expense	29,375	-	29,375	-
Total equity under AIFRS	505,827	1,298,344	541,367	1,309,287

Reconciliation of net loss as presented under AGAAP to that under AIFRS

	Consolidated	Company
	30 June 2005	30 June 2005
	$	$
Net loss for the year ended 30 June 2005 under AGAAP	(2,138,825)	(2,167,920)
Recognition of share-based payment expense	(29,375)	(29,375)
Net loss for the year ended 30 June 2005 under AIFRS	(2,168,200)	(2,197,295)

DIRECTORS' DECLARATION

In the opinion of the directors of Piquant Blue Limited:

(a) the financial statements and notes, set out on pages 18 to 41, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the consolidated entity and of the Company as at 30 June 2005 and their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Act 2001; and

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Dated at Perth, Western Australia this 23rd day of September 2005.

Signed in accordance with a resolution of the directors:

Andrew Konowalous
Managing Director

STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

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INDEPENDENT AUDIT REPORT

**TO THE MEMBERS OF
PIQUANT BLUE LIMITED**

SCOPE

The financial report and directors' responsibility
The financial report comprises the statements of financial position, statements of financial performance, statements of cashflows, accompanying notes to the financial statements, and the director's declaration for Piquant Blue Limited (the Company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Piquant Blue Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS

Stanton Partners

J P Van Dieren

J P Van Dieren
Partner

Perth, Western Australia
23 September 2005

STANTON PARTNERS

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23 September 2005

The Directors
Piquant Blue Limited
Level 1, 189 Hay Street
SUBIACO WA 6008

Dear Sirs

RE: PIQUANT BLUE LIMITED

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

As Audit Partner for the audit of the financial statements of Piquant Blue Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully
STANTON PARTNERS

Stanton Partners

John Van Dieren
Partner