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BETTA FOODS (NZ) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

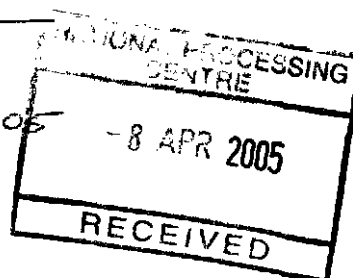
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The Director is pleased to present the Annual Report of Betta Foods (NZ) Limited for the year ended 30 June 2004.


Michael Stephen Hawkins Royal

Director

Date: 16 March 2005



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BETTA FOODS (NZ) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 \$	2003 \$
TOTAL EQUITY	10	1,668,986	1,800,264
NON CURRENT ASSETS			
Fixed Assets	3	2,293,432	2,603,801
TOTAL NON CURRENT ASSETS		2,293,432	2,603,801
CURRENT ASSETS			
Inventories	6	643,355	779,107
Accounts Receivable	4	486,563	481,703
Cash		21,190	292,274
Income Tax Refund		384,874	227,969
TOTAL CURRENT ASSETS		1,535,982	1,781,053
TOTAL ASSETS		3,829,414	4,384,854
NON CURRENT LIABILITIES			
Finance Lease - Motor Vehicles	9	39,185	44,426
Loan - term	8	422,969	555,524
Amount Owing to Related Party	7	424,050	356,739
Deferred Tax		-	19,003
		886,204	975,692
CURRENT LIABILITIES			
Bank overdraft	8	503,161	500,000
Revolving credit facility	8	10,624	224,198
Loan - current	8	129,969	124,476
GST Payable		54,127	44,520
Accounts Payable	5	547,016	691,573
Finance Lease - Motor Vehicle	9	29,327	24,131
		1,274,224	1,608,898
TOTAL LIABILITIES		2,160,428	2,584,590
TOTAL NET ASSETS		1,668,986	1,800,264

The Director is pleased to present the financial statements of Betta Foods (NZ) Limited for the year ended 30 June 2004.

Michael Stephen Hawkins Royal

Director



BETTA FOODS (NZ) LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
	\$	\$
TOTAL EQUITY AT BEGINNING OF THE YEAR	1,800,264	787,969
Issued equity	-	2,105,497
Net Surplus/(Deficit)	(131,278)	(1,093,202)
	1,668,986	1,800,264
TOTAL EQUITY AT END OF YEAR	1,668,986	1,800,264

The notes to the financial statements on pages 5 to 10 form part of these accounts and should be read in conjunction with these statements.



BETTA FOODS (NZ) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

A) REPORTING ENTITY

Betta Foods (NZ) Limited is a company registered under the Companies Act 1993. The financial statements of the company have been prepared in accordance with the Financial Reporting Act 1993.

B) GENERAL ACCOUNTING POLICIES

The general accounting policies recommended by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of earnings and financial position on an historical cost basis have been followed in the preparation of these accounts.

C) PARTICULAR ACCOUNTING POLICIES

The particular accounting policies which materially affect the measurement of profit and financial position have been applied as follows:

(i) Accounts Receivable

Accounts receivable are stated at expected realisable value.

(ii) Inventory

Inventory is stated at the lower of cost, using a first in, first out basis, and net realisable value.

(iii) Goods & Services Tax

These accounts have been prepared on a GST exclusive basis except for receivables and payables which are stated inclusive of GST.

(iv) Foreign Currencies

Foreign currency transactions are translated to New Zealand currency at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the exchange rate at balance date.

(v) Fixed Assets & Depreciation

Fixed assets are stated at cost less accumulated depreciation, and less amounts, if any, attributed to permanent impairment. Depreciation is provided to allocate the cost of the assets over their expected economic lives. The basis of allocation is as follows:

Land	Nil
Buildings	2% Straight Line
Motor Vehicles	20% Diminishing Value
Office Equipment	20% Diminishing Value
Plant & Equipment	10% Diminishing Value



BETTA FOODS (NZ) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS CONTD
FOR THE YEAR ENDED 30 JUNE 2004**

(vi) **Leased Assets**

Assets acquired under finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, are included as fixed assets in the statement of financial position. A corresponding liability is also established and each lease payment is allocated between the liability and interest expense.

(vii) **Differential Reporting**

The company qualifies for differential reporting as it is not publicly accountable and there is no separation between owners and the governing body. The company has taken advantage of all available differential reporting exemptions.

(viii) **Taxation**

Income tax expense is recognised on the operating surplus before taxation adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences is recognised in the statement of financial position as a tax benefit or a provision for deferred tax. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

(ix) **Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on a basis consistent with that of prior years.

(x) **Comparatives**

Certain comparative information has been restated in order to provide a more consistent basis for comparison.

BETTA FOODS (NZ) LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 2: OPERATING SURPLUS BEFORE INCOME TAX

	2004	2003
	\$	\$
After deducting/(crediting):		
Auditors remuneration	17,000	12,000
Other fees paid to auditors	19,188	8,281
Bad debts	2,151	4,562
Depreciation – Motor vehicles	14,753	19,541
Depreciation – Office equipment	11,084	10,603
Depreciation – Plant and fittings	182,475	91,547
Depreciation – Land and buildings	14,748	14,112
Depreciation – Spare parts	-	16,607
Asset impairment	-	1,019,996
Donations	2,038	1,897
Interest	138,124	84,644
Loss on sale of assets	6,161	35,499
Interest income	-	(94,974)

NOTE 3: FIXED ASSETS

	<i>2004 Cost</i>	<i>Accum Depn/ Impairment</i>	<i>2004 Book Value</i>	<i>2003 Cost</i>	<i>Accum Depn/ Impairment</i>	<i>2003 Book Value</i>
	\$	\$	\$	\$	\$	\$
Land	68,000	-	68,000	68,000	-	68,000
Buildings	715,403	184,565	530,838	705,092	169,817	535,275
Motor Vehicles	123,821	59,335	64,486	123,415	58,155	65,260
Office Equipment	152,870	117,910	34,960	147,462	106,822	40,640
Plant & Machinery	3,536,233	1,941,085	1,595,148	3,515,634	1,758,611	1,757,023
Spare Parts	-	-	-	163,978	26,375	137,603
	<u>4,596,327</u>	<u>2,302,895</u>	<u>2,293,432</u>	<u>4,723,581</u>	<u>2,119,780</u>	<u>2,603,801</u>

NOTE 4: ACCOUNTS RECEIVABLE

	2004	2003
	\$	\$
Trade Receivables	477,772	481,703
Prepayments	8,791	-
	<u>486,563</u>	<u>481,703</u>



BETTA FOODS (NZ) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2004**

NOTE 5: ACCOUNTS PAYABLE

	2004	2003
	\$	\$
Trade Payables	376,599	573,288
Other Payables	170,417	118,285
	547,016	691,573
	547,016	691,573

NOTE 6: INVENTORIES

	2004	2003
	\$	\$
Finished Goods	450,598	543,197
Raw Materials	192,757	235,910
	643,355	779,107
	643,355	779,107

NOTE 7: AMOUNT OWING TO RELATED PARTY

	2004	2003
	\$	\$
Betta Foods Australia Pty Ltd	424,050	356,739
	424,050	356,739
	424,050	356,739

The account with Betta Foods Australia Pty Limited is interest bearing and unsecured. Movements in the balance relate to trading payments/ receipts, management fees and interest charges. As at the date of signing these accounts, no amount is owing to Betta Foods Australia Pty Limited.



BETTA FOODS (NZ) LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 8: LOANS

	2004	2003
	\$	\$
Equipment loan – current	129,969	124,476
Equipment loan – non-current	422,969	555,524
Total equipment loan	<u>552,938</u>	<u>680,000</u>
Bank loan		-
Bank overdraft	503,161	500,000
Revolving credit facility	10,624	224,198

The equipment loan relates to the purchase of a rolled cone baking machine. The loan is secured by a chattel mortgage and a guarantee provided by the company to the bank. Interest is incurred at 8.9% per annum and the loan is repayable in monthly instalments over five years. (\$129,969 is classified as a current liability). The related equipment was the subject of an impairment write down in 2003.

The Bank overdraft is secured by way of a mortgage over the company's land and buildings and a debenture over the assets of the company and a letter of undertaking relating to shareholders funds.

The revolving credit facility is secured by way of a fixed and floating charge over all present and future assets and undertaking of Betta Foods (Australia) Pty Ltd as trustee of the Betta Foods Unit Trust and by a general security agreement over all present and future assets and undertaking of Betta Foods (NZ) Limited.

BETTA FOODS (NZ) LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 9: FINANCE LEASE - MOTOR VEHICLES

The company has three finance leases to purchase motor vehicles. The finance lease liabilities carry interest rates of 12.41%, 10.60% and 11.17%.

	2004	2003
	\$	\$
(a) Finance lease payments payable	79,729	78,724
Less future lease finance charges	11,217	10,167
	<hr/>	<hr/>
Net finance lease liability	68,512	68,557
	<hr/>	<hr/>
Classified as:		
Long term	39,185	44,426
Current	29,327	24,131
	<hr/>	<hr/>
	68,512	68,557
	<hr/>	<hr/>

NOTE 10: PAID IN CAPITAL

Paid in Capital includes 100 shares which are fully paid up. The shares carry equal voting rights upon winding up, shareholders rank equally with regard to the Company's residual assets.

NOTE 11: COMMITMENTS

The company has the following operating lease commitments:

	2004	2003
	\$	\$
Current	53,445	53,445
Non current	62,353	115,798
	<hr/>	<hr/>
	115,798	169,243
	<hr/>	<hr/>

There were no capital commitments at year end (2003:Nil).

NOTE 12: CONTINGENCIES

The company is currently negotiating final payment to one of its former employees. The Director believes that adequate provision has been made for the expected costs and no further liabilities will arise relating to this contingency (2003:Nil).

Audit report

To the shareholder of Betta Foods (NZ) Limited

We have audited the financial statements on pages 2 to 10. The financial statements provide information about the past financial performance of the company and its financial position as at 30 June 2004. This information is stated in accordance with the accounting policies set out on pages 5 and 6.

Directors' responsibilities

The Director is responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 30 June 2004 and the results of its operations for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Director and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Director in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company in relation to taxation services. This matter has not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Fundamental Uncertainty

The carrying value of the TRO machine included in fixed assets is supported by a calculation of discounted future cashflows. If these future cashflows are not realised, adjustments may have to be made to the TRO machine's carrying value in the Statement of Financial Position.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 2 to 10:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company as at 30 June 2004 and the results of its operations for the year ended on that date.

Our audit was completed on 23 March 2005 and our unqualified opinion is expressed as at that date.

KPMG

Hamilton