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BETTA FOODS (NZ) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2003

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The Directors are pleased to present the Annual Report of Betta Foods (NZ) Limited for the year ended 30 June 2003.

For and on behalf of the Directors:

Michael Stephen Hawkins Royal

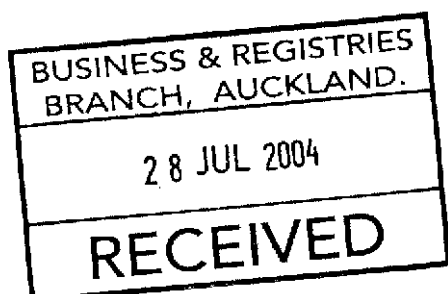
Director

Date: 19 July 2004



BETTA FOODS (NZ) LIMITED
**STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2003**

	<i>Note</i>	2003 \$	2002 \$
Total Operating Revenue		6,094,469	5,587,718
Operating Surplus/(Deficit) before Taxation	2	(1,104,046)	680,016
Tax (expense)/credit		10,844	(230,845)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1,093,202)	449,171



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
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

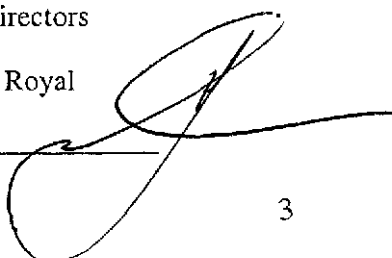
	Note	2003 \$	2002 \$
TOTAL EQUITY	10	1,800,264	787,969
NON CURRENT ASSETS			
Fixed Assets	3	2,603,801	1,889,611
Betta Foods Australia	7	-	896,406
TOTAL NON CURRENT ASSETS		2,603,801	2,786,017
CURRENT ASSETS			
Inventories	6	779,107	630,359
Accounts Receivable	4	709,672	549,463
Cash		292,274	260,903
TOTAL CURRENT ASSETS		1,781,053	1,440,725
TOTAL ASSETS		4,384,854	4,226,742
NON CURRENT LIABILITIES			
Finance Lease - Motor Vehicles	9	44,426	27,937
Loan - term	8	555,524	2,500,000
Betta Foods Australia	7	356,739	-
Deferred Tax		19,003	29,847
		975,692	2,557,784
CURRENT LIABILITIES			
Bank overdraft	8	500,000	480,000
Revolving credit facility	8	224,198	-
Loan - current	8	124,476	-
GST Payable		44,520	20,802
Accounts Payable	5	691,573	306,421
Finance Lease - Motor Vehicle	9	24,131	54,137
Provision for Income tax		-	19,629
		1,608,898	880,989
TOTAL LIABILITIES		2,584,590	3,438,773
TOTAL NET ASSETS		1,800,264	787,969

The Directors are pleased to present the financial statements of Betta Foods (NZ) Limited for the year ended 30 June 2003.

For and on behalf of the Directors

Michael Stephen Hawkins Royal

Director




Date: 19 July 2004



BETTA FOODS (NZ) LIMITED
**STATEMENT OF MOVEMENTS IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2003**

	2003	2002
	\$	\$
TOTAL EQUITY AT BEGINNING OF THE YEAR	787,969	338,798
Issued equity	2,105,497	-
Net Surplus/(Deficit)	(1,093,202)	449,171
	1,800,264	787,969
TOTAL EQUITY AT END OF YEAR		

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 2003

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.

(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 2003

(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 basis consistent with those 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 2003

NOTE 2: OPERATING SURPLUS BEFORE INCOME TAX

	2003	2002
	\$	\$
After deducting/(crediting):		
Auditors remuneration	12,000	8,000
Other fees paid to auditors	8,281	3,876
Bad debts	4,562	3,163
Depreciation – Motor vehicles	19,541	23,517
Depreciation – Office equipment	10,603	9,185
Depreciation – Plant and fittings	91,547	78,711
Depreciation – Land and buildings	14,112	14,092
Depreciation – Spare parts	16,607	8,625
Asset impairment	1,019,996	-
Donations	1,897	1,504
Interest	84,644	60,218
Loss on sale of assets	35,499	5,842
Interest income	(94,974)	-

NOTE 3: FIXED ASSETS

	2003 Cost	Accum Depn/ Impairment	2003 Book Value	2002 Cost	Accum Depn	2002 Book Value
	\$	\$	\$	\$	\$	\$
Land	68,000	-	68,000	68,000	-	68,000
Buildings	705,092	169,817	535,275	705,092	155,705	549,387
Motor Vehicles	123,415	58,155	65,260	169,827	75,185	94,642
Office Equipment	147,462	106,822	40,640	144,793	99,593	45,200
Plant & Machinery	3,515,634	1,758,611	1,757,023	1,683,863	754,572	929,291
Spare Parts	163,978	26,375	137,603	238,091	35,000	203,091
	<u>4,723,581</u>	<u>2,119,780</u>	<u>2,603,801</u>	<u>3,009,666</u>	<u>1,120,055</u>	<u>1,889,611</u>

Impairment write down - Plant and machinery includes a recently acquired rolled cone baking machine the ownership of which is unclear (refer Note 8). As part of these concerns an independent valuation of the machine has been obtained resulting in a write down of \$1,019,996.

NOTE 4: ACCOUNTS RECEIVABLE

	2003	2002
	\$	\$
Trade Receivables	481,703	357,204
Intercompany Receivable	-	192,259
Income tax refund due	227,969	-



709,672 549,463

BETTA FOODS (NZ) LIMITED
NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 5: ACCOUNTS PAYABLE

	2003	2002
	\$	\$
Trade Payables	573,288	174,512
Other Payables	118,285	131,909
	<hr/>	<hr/>
	691,573	306,421
	<hr/>	<hr/>

NOTE 6: INVENTORIES

	2003	2002
	\$	\$
Finished Goods	543,197	465,642
Raw Materials	235,910	164,717
	<hr/>	<hr/>
	779,107	630,359
	<hr/>	<hr/>

NOTE 7: BETTA FOODS AUSTRALIA PTY LIMITED

	2003	2002
	\$	\$
Betta Foods Australia Pty Ltd	(356,739)	896,406
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	(356,739)	896,406
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The loan account to Betta Foods Australia Pty Limited is interest bearing and unsecured.

Movements in the balance relate to a management fee, interest charges, and trading payments/receipts from Betta Foods Australia Pty Ltd.



BETTA FOODS (NZ) LIMITED
NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 8: LOANS

	2003	2002
	\$	\$
Equipment loan – current	124,476	-
Equipment loan – non-current	555,524	-
Total equipment loan	680,000	-
Bank loan	-	500,000
Newton Securities (1991) Limited	-	2,000,000
Bank overdraft	500,000	480,000
Revolving credit facility	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. (\$124,476 is classified as a current liability). The related equipment is the subject of an impairment write down as referred to in Note 3, and is also the subject of a dispute as to its priority ranking amongst the company's financiers. Upon completion of the investigation legal action against the vendor will be considered to address any potential loss to the company or its financiers.

The Bank loan of \$500,000 was repayable on an interest only basis at a rate of 7.1%.

The loan (which was repaid during the current year) and Bank overdraft are 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 Newton Securities loan of \$2,000,000 was non-interest bearing, unsecured and was extinguished during the year.

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 2003

NOTE 9: FINANCE LEASE - MOTOR VEHICLES

The company has three finance leases to purchase motor vehicles. The finance lease liabilities carry interest rates of 12.49%, 9.99% and 10.54%.

	2003 \$	2002 \$
(a) Finance lease payments payable	78,724	87,940
Less future lease finance charges	10,167	5,866
	<hr/>	<hr/>
Net finance lease liability	68,557	82,074
	<hr/>	<hr/>
Classified as:		
Long term	44,426	27,937
Current	24,131	54,137
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	68,557	82,074
	<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.

During the year the company became a wholly owned subsidiary of Betta Foods Group Pty Ltd, a company incorporated in Australia. Coinciding with the change of ownership shareholder loans were capitalised and additional equity capital of \$2,105,497 was issued.

NOTE 11: COMMITMENTS

There were no capital or operating lease commitments as at year end (2002:Nil).

NOTE 12: CONTINGENCIES

There were no contingencies at year end (2002:Nil).





Audit report

To the shareholder of Betta Foods (NZ) Limited

We have audited the financial statements on pages 2 to 11. The financial statements provide information about the past financial performance of the company and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 6 and 7.

Directors' responsibilities

The Directors are 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 2003 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 Directors 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 Directors 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 and general accounting services. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.



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 11:
 - 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 2003 and the results of its operations for the year ended on that date.

Our audit was completed on 19 July 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature of the KPMG firm, written in a cursive style.

Hamilton