



Consumer Focus

2004 ANNUAL REPORT

ACN 054 355 618



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2004 proved another difficult year in the history of Golden Circle, following the disappointment of the company's first trading loss suffered in 2003.

A further loss in 2004, which totalled \$19.46 million, prevented payment of a dividend to shareholders for the second year in succession.

The last six months trading in 2004 saw the company improve the net loss after income tax by \$7.4 million compared to the result announced for the first half year of 2004. This improvement was largely brought about by an increased focus on cost control and the benefits of sustained improvement programs in the supply chain and operations area which has resulted in marked improvements in gross margins.

The one-off occurrences which largely contributed to the loss in 2004 were:

- >> Reduction in the carrying value of future income tax benefits
- >> Write down of the Original Juice Co. (OJC) brand name
- >> Write off of some fixed assets and obsolete inventory.

If not for these major one-off items, Golden Circle would have posted a profitable result despite an ever increasing competitive environment.

The Board of Directors continued to drive changes throughout the organisation. In May 2004, experienced agri-business senior executive Steve Morrow was appointed Chief Executive and in August 2004 Stephen Riley joined the senior executive team as General Manager – Sales & Marketing with a wealth of food industry experience. The Directors are confident that along with the other members of the senior management team, they have the correct blend of skills and experience at senior management level to successfully implement the company's strategic plan and return our company to sustained profitability. The guiding light for Golden Circle remains the strength of our brand and consumer support for our products. However, we cannot be complacent and will continue to build our brand capability to further strengthen our brand for the future.

OVERALL, SALES FOR 2004 TOTALLED \$414.4 MILLION, COMPARED TO \$403.4 MILLION IN 2003, BOOSTED BY CONTINUED GROWTH IN OUR CHILLED JUICE BRANDS THROUGH OUR MILL PARK MANUFACTURING FACILITY.

OTHER POSITIVES FOR 2004 WERE:

- >> Growth of 2-7% in grocery, route and food service
- >> Grocery market share growth in cordial, infant foods and vegetables
- >> New Zealand growth of 13% boosted by the successful launch of infant foods and meeting budgeted sales in other international markets.

A major revaluation of property, plant and equipment was undertaken at the end of 2004 across all business divisions which resulted in a significant increase in net tangible assets to \$110.3 million up \$11.3 million from year end 2003.

Total assets of the company were \$293.7 million, down \$35.3 million largely due to reductions in inventories and deferred tax assets. Total liabilities reduced by \$39.5 million to \$166.3 million through reductions in interest bearing liabilities.

The company had positive net cash flows of \$4.7 million after operating, investing and financing activities. Capital expenditure was \$5.8 million and debt reduction \$28.1 million.

THE LAST SIX MONTHS TRADING IN 2004 SAW THE COMPANY IMPROVE THE NET LOSS AFTER INCOME TAX BY \$7.4 MILLION COMPARED TO THE RESULT ANNOUNCED FOR THE FIRST HALF YEAR OF 2004.



The Board continued with its objective to dispose of non core assets which resulted in the sale of the Crockford Street property at Northgate for \$4.6 million and the Summit property near Stanthorpe. Further review of surplus land being part of the 10 hectare parcel of ex Defence land purchased in 2003 and the Chipping Norton property in Sydney is currently being undertaken.

The Original Juice business recovered from a disappointing 2003 generating a significantly improved result through tight controls of costs, improvement in supply chain and operations and lower investment in inventory.

The 2003/2004 orange crop was the lowest for 40 years due to the ongoing impact of the continuing drought in major growing regions. The shortage of fruit led to increased costs but was largely off set by improved factory efficiency and focus on changing blend profiles.

Operations at the Griffith packing shed improved during 2004 as we gained a better understanding of the operation and made significant improvements to the grading and packing lines.

2004 signalled a turning point in the performance of the supply chain and operations at our Northgate facility as a result of supply chain management strategies initiated in 2003, highlighted by the following:

- >> Significantly improved overall equipment effectiveness in key assets such as the Food Hall and Cordial Line.
- >> An improving margin trend with cost improvement as the key driver.
- >> Tight cost control to standard.
- >> Detailed actions plans for quality right first time, service from grower and material suppliers and outbound customer service.
- >> Introduction of the quality based payments system for pineapples.
- >> Record low consumer complaints in Food Hall products (including baby food products)
- >> Sustained reductions in inventory levels.

It is recognised that there must be continued focus on this crucial part of our business to enable us to remain competitive.

Ongoing implementation of workplace health and safety initiatives continued to reap rewards with a record low Lost Time Injury Frequency Rate (LTIFR) achieved for the Northgate site and lowest LTIFR for Mill Park and Griffith since the acquisition of the Original Juice Company in 2002.

A reduction in injuries and greater focus on injury management means lower workers compensations costs. This continued to be the case in 2004 especially in Queensland where we self insure our workers compensation liability.

A major foundation for improved performance in the future is the achievement of 3 year enterprise bargaining agreements for the Northgate and Mill Park sites. Negotiation of the two agreements involved 1000 plus fulltime and casual employees and caused minimal disruption to normal operating activity. The outcome negotiated was considered fair and equitable and recognised the fact that Golden Circle required certainty and constraint whilst it implements its restructure plans. Management and employees alike should be commended for the responsible attitude taken in regard to negotiations and be proud of the result that was achieved.

On 10 December 2004, shareholders took a crucial step forward when they voted for important changes to the Company's Constitution which paved the way for essential capital raising to reduce debt and help fund capital expenditure to restructure core parts of our business which is a key component of our 3 year business plan.

The Constitutional changes also allow for change to the Board structure which will see a majority of independent directors and facilitate best practice in corporate governance and strengthen our strategic leadership.

The future plans of our Company are outlined in more detail in the Chief Executive's report.

As I prepare to step down as Chairman of Golden Circle, I would like to place on record my appreciation of the contribution made by everyone in what has been the most difficult period facing our Company since its inception.

GOLDEN CIRCLE REMAINS AN ICON COMPANY AND I AM CONFIDENT THAT THE ENORMOUS EFFORTS OVER RECENT TIMES HAVE HELPED RESHAPE OUR BUSINESS AND LAY THE FOUNDATION FOR MORE PROSPEROUS YEARS AHEAD.

FROM MY COMMENCEMENT WITH GOLDEN CIRCLE IN MAY 2004, THE TIME HAS BEEN BOTH CHALLENGING AND EXCITING. THE FIRST FEW MONTHS WERE FOCUSED ON CLEANING UP PROBLEM OPERATING AND BALANCE SHEET ISSUES. THIS RESULTED IN THE DISAPPOINTING HALF YEAR RESULT TO JUNE 30 OF A \$26.9 MILLION LOSS. MORE THAN 85% OF THE LOSS WAS OF A NON-RECURRING AND NON CASH NATURE.

In the second half of 2004 we set about stabilising the business operations by:

- >> further reducing working capital requirements mainly by reducing inventory levels
- >> controlling and better managing manufacturing variances
- >> suring up future fruit and vegetable supplies by increasing contract prices in some cases
- >> controlling and reducing operating expenses
- >> making further management and staff changes
- >> a focus on product profitability and improved gross margins
- >> better allocation of trade and marketing expenditure
- >> improved Supply Chain management
- >> rationalising some unprofitable product lines

The results of these actions saw a return to profitability in the second half of 2004 achieving \$7.49 million in after tax profit.

In addition, the Senior Executive and the Board developed a new strategic plan which incorporates a robust three year business plan.

The strategic platform on which we built our plans was based on the adoption of a number of core principles recognised as critical to achieving the companies objective of delivering a significant improvement in shareholder value and returns:

- >> major focus on cost reduction by capital expenditure to reposition Golden Circle as a competitive producer
- >> increased supply chain efficiency through alignment from our suppliers to the consumer to reduce costs

- >> create a performance based culture with increased employee engagement and accountability
- >> Focus on being a consumer driven organisation
- >> increased customer focus in particular through strengthening Golden Circle's relationships with major Australian retailers.

We have commenced implementation of a detailed three year business plan focused on rebuilding profitability and shareholder value, to enable the company to proceed to a public listing in 3 to 5 years time.

A listed Golden Circle will provide shareholders the ability to access the value they have in Golden Circle and it will allow the company to more easily access capital in the future to facilitate ongoing growth and enhanced efficiency.

THE BUSINESS PLAN

THE NUMBER ONE OBJECTIVE OF THE BUSINESS PLAN IS TO DELIVER ANNUAL EARNINGS BEFORE INTEREST AND TAX (EBIT) OF \$35 MILLION BY 2007.

THE KEY INITIATIVES BEING UNDERTAKEN TO ACHIEVE THIS OBJECTIVE ARE:

- >> Supply Chain improvements and the Restructure Plan
- >> The Sales and Marketing Plan
- >> Improved Financial Management



1. SUPPLY CHAIN IMPROVEMENTS AND THE RESTRUCTURE PLAN

Whilst we talk about the Restructure Plan as being a separate plan, it is only from the point of being able to measure the application of this major capital spend verses the expected savings. From an operational standpoint we have one team of committed people driving both the restructure goals and further supply chain improvements.

THE RESTRUCTURE PLAN

Golden Circle undertook an operational benchmarking exercise that was completed in October 2004. Our total cost profile (Northgate only) was benchmarked against the average cost profile of 10 comparable North American facilities. The result indicated that Golden Circle's direct cash costs of production at Northgate (excluding raw materials and packaging materials) exceeded the average of the ten US plants by around \$40 million per annum.

With the assistance of US experts in canned food processing, Golden Circle has developed a series of projects (the restructure plan) to lower direct manufacturing costs at Northgate and Mill Park (location of the Original Juice Company). The restructure plan is being implemented over 2 years and involves incremental capital expenditure of around \$24 million. The plan is forecast to deliver annualised savings (i.e. direct labour costs, raw material costs, factory overheads) of over \$20 million per annum by 2007.

>> Pictured above from left to right: Chris Line General Manager Original Juice Division, Stephen Riley General Manager Sales and Marketing, **Steve Morrow Chief Executive**, Steve Ingham General Manager Corporate Services, David Marquet General Manager Finance and Administration, John Zillmann Project Manager and Bernie Kelly General Manager Supply Chain and Operations.

■ **Shelf Stable Foods**

The plan involves a significant rationalisation of the number of canning lines, increased utilisation of the cooker and packaging capacity in the Food Hall, and the replacement of labour intensive on-line packaging with a new high speed packaging line in Canned Foods.

Other projects include beetroot pregrading for size, increased pine juice extraction and direct labelling of various products.

■ **Beverages**

The plan for beverages involves a reduction in the number of filling lines from 8 to 7, increased throughput rates on a number of lines through upgrading equipment and installation of automated variety packaging equipment, and production cost savings as a result of product rationalisation.

■ **Warehousing**

The plan is to consolidate 3 offsite warehouses in Brisbane into the Northgate site. It is likely that new warehousing capacity will be added to the ‘army’ land acquired for that purpose in 2003. Resultant savings in leasing costs, transport costs, distribution costs and labour costs are estimated to exceed \$2 million annually.

■ **Original Juice Company**

A number of capital expenditure projects are planned at Mill Park aimed at:

- >> automating post production material handling system to eliminate current manual handling
- >> upgrade existing equipment to remove production bottlenecks.

FURTHER SUPPLY CHAIN IMPROVEMENTS

Adopting the lean manufacturing philosophy of continuous improvement is already delivering efficiency gains at both our Northgate and Mill Park sites.

A system of cross functional ‘lean’ teams have been set up and are working on improvement projects in the following main areas:

- >> procurement and supplier management
- >> Quality Right First Time
- >> Increasing Overall Equipment Effectiveness (OEE) of all operating assets
- >> quality based payment system for pineapple and beetroot
- >> order to shelf project to align with customer needs
- >> people development plan to align with the Business Plan goals
- >> factory flows and bottlenecks

The whole Supply Chain focus is aimed at reducing costs by empowering our people to improve the day to day operating efficiencies by taking a team approach supporting Restructure Plan implementation and by clearly measuring progress.

2. THE SALES AND MARKETING PLAN

To achieve an increase in sales of \$55 million to \$465 million by 2007 we are undertaking the following key initiatives.

■ **Brand repositioning**

Golden Circle’s positioning as a trusted Australian family brand with ‘Goodness from the Sun’ is a great platform. Whilst maintaining these attributes, Golden Circle will be repositioned as a more contemporary brand through refreshing the product range and new label designs in 2005, followed by compelling media communication.

■ **More effective trade spend**

Evaluating the return on investment for promotional trade spend will lead to improved effectiveness of promotions helping to increase sales and improve margins.

■ **Product rationalisation**

Analysis of individual product profitability has been completed and has revealed products that are either loss making or failing to meet our gross margin hurdle rates. These products will either be deleted, outsourced or re-formulated to improve overall product gross margin.

■ **Customer alignment**

The sales team is being re-aligned to build capability, skill, resource and accountability at customer level.

■ **Product extension**

We intend to introduce new variants to existing product ranges and seek to outsource production of new products by leveraging off the strength of the Golden Circle brand.

3. IMPROVED FINANCIAL MANAGEMENT

With the help of improved financial information tools we are focused on:

■ **Reducing inventory**

Inventory has been progressively reduced to free up working capital and reduce debt.

■ **Selling surplus assets**

Surplus land at Northgate has already been sold and plans are in place to sell other surplus assets and also to sell and lease back our Sydney warehouse and sales operation.

■ **Reducing overheads**

Reducing overheads is an on-going focus which is aimed at reducing operating expenses by \$1.4 million annually by 2007.

THE ENABLER

To deliver our plan to increase profitability to \$35 million EBIT by 2007 which will significantly enhance shareholder value ahead of a planned listing, Golden Circle requires an injection of capital.

Capital is required to both pay down bank debt and to enable capital expenditure for the implementation of our restructure plan.

The decision was made by the Board in 2004 to raise \$50 million of outside equity. Rather than sell straight equity in Golden Circle at a time of diminished value following losses in 2003 and 2004, a convertible note issue was chosen as the best alternative. The convertible note is performance based which can convert to shares in Golden Circle in 3 to 5 years time when value has been restored to the company.

Babcock & Brown, an Australian publicly listed investment bank have been chosen with the assistance of our advisors, Rothschild, to be the subscriber to the \$50 million convertible notes. We are confident that not only will they provide the capital required but they are also expected to add value to our plans through their corporate turn around experience and expertise.

In summary, the past two years have been forgettable ones for Golden Circle shareholders. The next three years are about returning Golden Circle to profitability, recommence dividend payments and driving value ahead of a public listing.

You have a committed management team and a committed and engaged workforce ready to accept the challenge and deliver on the plans.

My thanks to retiring Chairman, Michael Cruice for his support over the past year and also to retiring Directors Gary Pike, David Grace and Lindsay Fullerton.

WE LOOK FORWARD TO WORKING WITH THE NEW BOARD AS WE CONTINUE ON THE ROAD TO RECOVERY.

THE BOARD’S PRIMARY ROLE IS THE PROTECTION AND ENHANCEMENT OF LONG-TERM SHAREHOLDER VALUE, PARTICULARLY THE COMPANY’S BRAND NAME AND REPUTATION. THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE OVERALL CORPORATE GOVERNANCE OF THE COMPANY INCLUDING ITS STRATEGIC DIRECTION, ESTABLISHING GOALS FOR MANAGEMENT AND MONITORING THE ACHIEVEMENT OF THESE GOALS ON BEHALF OF THE SHAREHOLDERS WHO ELECT THEM AND TO WHOM THEY ARE ACCOUNTABLE.

BOARD PROCESSES

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including:

- >> Audit Committee
- >> Remuneration Committee
- >> Share Transfer Committee
- >> Contracts Transfer Committee
- >> Horticultural Committee

The Board has also established and continues to enhance a framework for the overview of management of the Company including systems of internal control, a business risk management process and the establishment of appropriate ethical standards based on the Australian Institute of Company Directors’ Code of Conduct.

Day to day management of the Company’s affairs and implementation of corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive officer.

COMPOSITION OF THE BOARD

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out on pages 16 and 17. The Board comprised six non-executive directors.

Three directors were holders of A class ordinary shares, elected by A class members; one director was a holder of B class ordinary shares, elected by B class members; one director was elected by all members of the Company. One person (not being a fruit and vegetable grower) was elected by the Board from business, industry or the professions who, in the opinion of the Board, offered such experience and skills as to be beneficial to the growth, development and operation of the Company.

Membership and meeting attendance are recorded in the Directors’ Report on page 19.

As of the General Meeting held on 10 December 2004, the Constitution provides that from the earlier of 30 June 2005 and the next General Meeting to be held following 10 December 2004, the Board of Directors shall consist of not less than four nor more than eight persons of whom two directors shall be growers of pineapples (or directors of corporate growers), elected by all members; one director shall be a grower of fruit and vegetables other than pineapple (or a director of a corporate grower), elected by all members and four directors shall be independent directors (not growers) elected by all members of the Company. Directors may appoint the person filling the position of Chief Executive to be a director.

When a vacancy exists, the directors may appoint a qualified person as a director either to fill a casual vacancy or as an additional director, but so that the total number of directors shall not at any time exceed the maximum number fixed under the Constitution.

The Company’s Constitution requires one third of the directors to retire from office at the annual general meeting each year. Retiring directors are eligible for re-election. When the Board fills a vacancy during a year, the new director may stand for election at the next annual general meeting.

RESPONSIBILITIES OF THE BOARD

The responsibilities of the Board include:

- >> overseeing the development of and approving the corporate strategic plan
- >> reviewing and approving the annual budget including major capital expenditure initiatives consistent with the strategic plan
- >> overseeing and monitoring organisational performance and the achievement of the Company’s strategic goals and objectives
- >> overseeing and monitoring progress of major capital expenditure and other significant corporate initiatives including any acquisitions, divestments, restructuring and funding and the identifying and achievement of KPI’s associated with those initiatives.
- >> appointment, performance assessment and, if necessary, removal of the Chief Executive and senior executives
- >> enhancing and protecting the reputation of the organisation
- >> ensuring the significant risks facing the Company, including those associated with its legal compliance obligations (including trade practices, workplace health and safety, taxation and the environment) have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- >> overseeing the functioning of the Licensed Stock Market operated by the Company Secretary in accordance with company law requirements.

DEALINGS IN GOLDEN CIRCLE SHARES BY ELIGIBLE DIRECTORS

The Board has a policy that eligible directors may not buy or sell shares except within a period of one month after any major public announcement regarding the Company’s results and trading prospects (such as the yearly and half-yearly profit announcements and the Chairman’s address to the annual general meeting).

Trading of shares by directors outside these periods can only be done with the approval of the Chairman.

As a standing item at each scheduled Board meeting, the Board considers any matter which may not be in the public domain and therefore prohibit share trading by directors.

CONFLICT OF INTEREST

Directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with that of the Company. Where a conflict exists, the director concerned is not present at the meeting while the item is considered, nor votes, unless the Board first agrees otherwise.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each director has the right of access to all relevant company information and to the Company’s executives, and subject to prior consultation with the Chairman, may seek independent professional advice at the Company’s expense.

AUDIT COMMITTEE

- The responsibilities of the Audit Committee include:
- >> reviewing the annual and half-year reports and other financial information distributed externally, including accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
 - >> monitoring the corporate risk management and internal audit program and processes, including insurance arrangements
 - >> monitoring compliance with statutory responsibilities
 - >> considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor’s independence
 - >> reviewing the nomination and performance of the external auditor
 - >> monitoring the establishment of an appropriate internal control framework, and appropriate ethical standards
 - >> addressing any matters outstanding with auditors, financial institutions and other regulatory bodies

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- >> to discuss the external audit, risk management and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements, and to review the fees proposed for the audit work to be performed
- >> prior to the announcement of results, to review the half-year and preliminary final report and any significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents
- >> to finalise half-year and annual reporting, review the results and findings of the auditor, the adequacy of accounting and financial controls, monitor the implementation of any recommendations made, and review the draft financial report and recommend Board approval
- >> as required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

All directors are members of the Audit Committee. The committee is chaired by Mr D J Grace.

The external auditors, Chief Executive, and the General Manager Finance and Administration are invited to Audit Committee meetings at the discretion of the committee.

REMUNERATION COMMITTEE

This Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Chief Executive, senior executives and directors. It evaluates the performance of the Chief Executive and monitors management succession planning.

It is also responsible for incentive performance packages, superannuation entitlements, retirement and termination entitlements, and reviewing from time to time directors' fees and any other remuneration arrangements for non-executive directors.

Remuneration levels have traditionally been competitively set to attract and retain the most qualified and experienced senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and markets.

The members of the Committee are Mr D J Grace (Chairman), Mr L Fullerton and Mr G R Pike.

SHARE TRANSFER COMMITTEE

This Committee considers all applications for transfer of shares and determines whether there is any ground for refusing to register the transfer.

The procedures are based on the rules for operation of the Licensed Stock Market in accordance with Australian Market Licence (Golden Circle Limited) 2004 granted on 17 August 2004.

The members of the Committee are Mr E N Di Pasquale and Mr P R Voight.

CONTRACTS TRANSFER COMMITTEE

This Committee operates under a set of rules approved by the Board. It considers whether purchasers of contracts are eligible to hold them.

The members of the Committee are Mr E N Di Pasquale and Mr P R Voight.

HORTICULTURAL COMMITTEE

The function of the Committee is to develop and oversee the implementation of strategic programs to ensure the sustainable and competitive supply of key grower-based inputs.

The members of the Committee are Mr G R Pike (Chairman), Mr L Fullerton, Mr E N Di Pasquale, Mr P R Voight, and a management representative of the company approved by the Board.

AUDITOR INDEPENDENCE

The Audit Committee considered the issue of auditor independence during the year and considers the position of the Company does not conflict with auditor independence and the Board supports the views formed by the Committee.

In regard to the provision by the external auditor of non-audit services, the Committee is of the view that some non-audit services are appropriate, and monitors the provision of those services on a regular basis.

LICENSED STOCK MARKET

Golden Circle Limited operates a financial market through which participants can trade shares in Golden Circle Limited. The operation of the market is governed by its Operating Rules and Market Procedures and its license.

The Australian Market Licence prohibits superannuation funds and other trust funds from dealing on the market unless there is a compensation or fidelity fund in place. Superannuation funds and family trusts are required to buy and sell shares off market.

The Audit Committee reviews the operation of the Licensed Stock Market at least twice per year.

COMPLIANCE

The Company has adopted policies requiring compliance with occupational health and safety, environmental, taxation and trade practices laws. The Board has appointed Mr S Ingham as the Company's Compliance Manager.

Occupational health and safety, trade practices and environmental risks are subject to regular internal audits. Golden Circle also has staff to monitor and advise on workplace health and safety and environmental issues and in addition, education programs and periodic updates provide training and information on regulatory issues.

A certificate regarding the compliance with statutory regulations and other compliance matters signed by the Chief Executive is received by the Board on a monthly basis.

The Board considers issues relating to occupational health and safety, taxation, the environment and trade practices at each meeting.

RISK MANAGEMENT

The Board is responsible for ensuring there are adequate policies and procedures in relation to risk management and internal control systems. These policies and procedures are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives. The Board delegates part of this role to the Audit Committee.

The corporate risk management policy is monitored by the senior executive team, chaired by the Chief Executive.

ENVIRONMENTAL REGULATION

The Company holds environmental licences in respect of its manufacturing sites. Licences require discharges, including stormwater, to air, land, or water to be below specified levels of contaminants; that noise likely to cause annoyance be prevented; and that solid wastes are to be removed under controlled conditions to appropriate disposal facilities. The Company has developed and implemented an environmental management plan to control, monitor and record all relevant matters covered by the licences. These requirements are provided for under the Environmental Protection laws and relevant local council regulations.

HUMAN RESOURCES

The directors place emphasis on Golden Circle's people and its human resources practices. There are ongoing reviews of recruitment (including graduate recruitment), training, management development and succession planning for executives.

Golden Circle has a performance management system in place for all managers and staff. The system includes processes for the setting of objectives, the annual assessment of performance against objectives, and workplace style and effectiveness.

SHAREHOLDER COMMUNICATIONS

The Board maintains direct communication with the shareholders. Shareholders receive regular updates and direct communications from time to time. Communication is also maintained through the website.

ETHICAL STANDARDS

The Board is committed to a policy of upholding the highest standards of ethical behaviour throughout the organisation. The Board has adopted the Code of Conduct issued by the Australian Institute of Company Directors.

Michael J Cruice, a director of 13 years standing and Deputy Chairman for five years, was elected Chairman in 2003. A former dairy farmer, he has been growing pineapples on his 100ha farm for more than 20 years. A former Councillor and Deputy Chairman of the Pine Rivers Shire Council, Mr Cruice was a delegate on the pineapple committee of the Queensland Fruit and Vegetable Growers and retains an interest in agripolitics. He holds 1,126,206 ordinary shares.

Gary R Pike is a third generation pineapple farmer from Glass House Mountains, where he has 150ha under pineapples and orchards. He has served on the Golden Circle Board for the past eight years, and was elected deputy chairman in 2003. He is a practising member of the Quality Society of Australia and is a registered auditor, holding an Associate Facilitatorship (food safety systems). Mr Pike is secretary of the local Water Board and has a special interest in agripolitics. He chairs the horticultural committee and is a member of the Audit and Remuneration Committees. Mr Pike holds 2,004,338 ordinary shares.

David J Grace OAM is a senior partner of Hunt & Hunt, Brisbane, having been admitted as a solicitor in 1972. He has extensive corporate and commercial law experience and has experience as a director of several public and private companies. He is a Foundation Fellow of the Australian Institute of Company Directors, is a fellow of the Australian Institute of Management, has served on the Board of Golden Circle since 1991, and is Chair of Golden Circle's Audit and Remuneration Committees. Mr Grace has no shares in the company.

Eldo N Di Pasquale is a second generation pineapple grower from Glass House Mountains, where he has approximately 60ha under pineapples. He has legal qualifications gained through the Solicitor's Board and practised in Brisbane for several years before returning to the family farm. He is currently a director of the Coochin Creek Fruit Growers Cooperative. Mr Di Pasquale is a member of the Audit, Horticultural and Shares Transfer and Contracts Transfer Committees. Mr Di Pasquale holds 1,513,836 ordinary shares.

Peter R Voight is a third generation beetroot farmer from the Lockyer Valley, where his family has supplied Golden Circle since it began processing beetroot. He has considerable experience in production and marketing combined with human resource management. Mr Voight is interested in agripolitics and landcare, and is a member of the Australian Institute of Company Directors. He has been a Golden Circle director for three years, and is a member of the Audit, Horticultural and Share Transfer and Contracts Transfer Committees. Mr Voight holds 67,600 ordinary shares.

Lindsay Fullerton grows pineapples and macadamias at Glass House Mountains, where his family has farmed since 1914. He has a Diploma in Horticulture and a Bachelor of Agricultural Science and is a director of Fullerton Farms Pty Ltd. He has an extensive background on grower representative committees at both State and Federal level. Mr Fullerton is a member of the Audit, Horticultural and Remuneration Committees and holds 5,361,525 ordinary shares.

COMPANY SECRETARY

Steven J Ingham is General Manager Corporate Services and took on the role of Company Secretary in March 2003. Since joining Golden Circle in 1990 as Human Resources Manager, Mr Ingham has held a number of roles within the company and has also chaired the Queensland Food Industry Training Council and been a director of the National Food Industry Training Council. He has a Bachelor of Business Communication and a Graduate Diploma in Organisational Change. Mr Ingham holds no shares in the company.

>> Pictured below from left to right: David Grace, Eldo Di Pasquale, Michael Cruice, Peter Voight, Gary Pike and Lindsay Fullerton.



THE DIRECTORS ARE CONFIDENT THAT THEY HAVE THE CORRECT BLEND OF SKILLS AND EXPERIENCE AT SENIOR MANAGEMENT LEVEL TO SUCCESSFULLY IMPLEMENT THE COMPANY'S STRATEGIC PLAN AND RETURN OUR COMPANY TO SUSTAINED PROFITABILITY.

In respect of the year ended 31 December 2004, the directors of Golden Circle Limited (the Company) submit the following report made out in accordance with a resolution of the directors:

DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report:
M J Cruice *Chairman*
G R Pike *Deputy Chairman*
L Fullerton
D J Grace
J R Kennedy
A A Smerdon
G R Pike
E N Di Pasquale
P R Voight.

Mr J R Kennedy and Mr A A Smerdon resigned as directors on 14 May 2004. Mr E N Di Pasquale was appointed a director on 14 May 2004.

PRINCIPAL ACTIVITIES

The principal activities during the financial year were the processing and packaging of fruit and vegetables, and baby food and the production and marketing of fruit juices, cordials, carbonated drinks and preserves. There were no significant changes to these activities during the year.

DIVIDENDS

No dividends have been declared in the year ended 31 December 2004.

REVIEW OF OPERATIONS

Under ASIC Class Order 98/2395, the Company has elected to include the review of operations in the Chairman's Overview, comprising pages 2 to 5 of this annual report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the year ended 31 December 2004, the company incurred a loss after tax of \$19.5 million.

The loss comprised a number of significant write-downs including a \$7 million write down in the value of the Original Juice brand name and a \$13.9 million write back of future income tax benefits previously brought to account, neither of which affect the cash flow of the business.

While the 2004 loss resulted in the Company being in default of certain covenants dealing with financial ratios under the terms and conditions of its banking arrangements, at no time during the year, nor since, has the Company exceeded its banking facility limits and debts were paid as and when they fell due.

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent on the Company being successful in:
>> receiving approval of the capital raising proposal from the Company's shareholders and completing the proposal as envisaged; and
>> receiving the continued support of its bankers in respect of extending existing banking facilities.

Under the capital raising proposal the Company proposes to raise \$50 million by issuing interest bearing convertible notes to an investor.

The success of the proposal is uncertain as it is subject to shareholder approval at a General Meeting to be held early April 2005.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matters or circumstances have arisen since 31 December 2004 that have significantly affected, or may significantly affect:
(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company undertook an operational benchmarking exercise that was completed in October 2004. The Company's total production cost profile was benchmarked against the average cost profile of 10 comparable North American facilities. This exercise indicated the Company's direct cash costs of production exceeded international industry benchmarks.

With the assistance of US experts in canned food processing, the Company has developed a series of projects (known as the

"Restructure Plan") to lower the Company's direct manufacturing costs. The Restructure Plan is to be implemented over 3 years and will involve incremental capital expenditure. The Plan is forecast to deliver significant on-going savings in direct labour costs, raw material costs and factory overheads.

The Restructure Plan involves a series of projects designed to significantly improve product flows and increase utilisation of newer, more efficient processing equipment. The Plan involves the decommissioning of older, less efficient equipment currently being used.

DIRECTORS' BENEFITS

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amounts of emoluments received or due and receivable by directors shown in the accounts) by reason of a contract made by the Company with the director or with a firm of which he is a member, or with an entity in which he has a substantial interest, with the exception of payment for fruit and vegetables supplied by shareholder directors, and payment of legal fees to Hunt & Hunt of which D J Grace is a partner.

SHARES UNDER OPTION

There were no shares under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTION

There were no shares issued under the exercise of any option during the year.

INFORMATION ON DIRECTORS

The particulars of directors' interests in shares are included on page 43.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/0100 relating to the rounding off of amounts in the directors' report and financial statements, and amounts have accordingly been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

DIRECTORS' INTERESTS IN CONTRACTS

M J Cruice, G R Pike, L Fullerton, E N Di Pasquale and A A Smerdon have material interests in contracts for the supply of pineapples to the Company. Contractual terms and conditions are on the same basis as all other shareholder supply contracts.

P R Voight has a material interest in a contract for the supply of beetroot. Contractual terms and conditions are on the same basis as other contracted beetroot growers.

During the year the Company engaged the services of Hunt & Hunt Lawyers, a firm of which D J Grace is a partner. Contractual terms and conditions are on a normal commercial basis.

No other contract in which a director has a material interest has been entered into since the end of the last financial year.

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

During the financial year the Company renewed its contract for liability insurance on behalf of its directors and officers.

An officer, auditor or agent of the Company shall be indemnified out of the assets of the Company against any liability incurred by such a person as officer, auditor or agent that does not arise out of a wilful breach of duty in relation to the Company or a breach of Section 184 of the Corporations Law.

Such indemnity may extend to a liability for costs or expenses incurred by a person in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person, or in which the person is acquitted.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.


M J Cruice *Chairman*
BRISBANE 25 FEBRUARY 2005

DIRECTORS' MEETINGS

The number of directors' and Audit, Horticulture and Remuneration Committee meetings held in the period, and the number of meetings attended by each director, were:

	Board Meetings		Audit Committee Meetings		Horticultural Committee Meetings		Remuneration Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
M J Cruice	22	22	10	9	3	2	3	3
G R Pike	22	21	5	5	3	3	2	2
D J Grace	22	21	10	10			3	3
L Fullerton	22	19	5	4	3	3	3	2
P R Voight	22	19	5	5	3	3		
J R Kennedy (resigned 14/05/04)	8	6	5	5			1	1
A A Smerdon (resigned 14/05/04)	8	8	5	5	1	Nil		
E N Di Pasquale (appointed 14/05/04)	14	14	5	5	2	2		

A LISTED GOLDEN CIRCLE WILL
PROVIDE SHAREHOLDERS THE
ABILITY TO ACCESS THE VALUE
THEY HAVE IN GOLDEN CIRCLE
AND IT WILL ALLOW THE COMPANY
TO MORE EASILY ACCESS CAPITAL
IN THE FUTURE TO FACILITATE
ONGOING GROWTH AND
ENHANCED EFFICIENCY.

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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2004

	Notes	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
Revenue from sale of goods	3	414,396	403,473
Cost of sales		(302,655)	(307,262)
Gross profit		111,741	96,211
Other revenues from ordinary activities	3	5,534	269
Other expenses from ordinary activities			
Borrowing costs		(10,567)	(10,170)
Corporate and administration		(20,066)	(26,458)
Marketing and selling		(64,123)	(65,221)
Warehouse and distribution		(27,714)	(30,711)
Profit/(loss) from ordinary activities before related income tax	4	(5,195)	(36,080)
Income tax (expense)/benefit relating to ordinary activities	5	(14,267)	5,016
Net profit/(loss) from ordinary activities after related income tax and net profit or (loss) attributable to members of the parent entity	19(b)	(19,462)	(31,064)
Net Increase in asset revaluation reserve	19(a)	23,641	0
Total changes in equity attributable to members of Golden Circle Limited other than those resulting from transactions with owners as owners		4,179	(31,064)

The above statement of financial performance should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	Notes	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
Current Assets			
Cash assets	6	7,476	2,728
Receivables	7	62,385	65,838
Inventories	8	68,798	86,402
Other	9	3,318	3,048
Total Current Assets		141,977	158,016
Non-Current Assets			
Property, plant and equipment	10	134,632	126,089
Investments	11	28	28
Deferred tax assets	12	56	20,731
Intangibles	13	17,008	24,157
Total Non-Current Assets		151,724	171,005
Total Assets		293,701	329,021
Current Liabilities			
Payables	14	31,366	38,026
Interest bearing liabilities	15	104,120	120,013
Provisions	16	12,041	10,141
Total Current Liabilities		147,527	168,180
Non-Current Liabilities			
Interest bearing liabilities	15	17,048	28,686
Deferred tax liabilities	17	284	6,827
Provisions	16	1,464	2,130
Total Non-Current Liabilities		18,796	37,643
Total Liabilities		166,323	205,823
Net Assets		127,378	123,198
Equity			
Parent entity interest			
Contributed equity	18	3,272	3,271
Reserves	19(a)	79,655	56,014
Retained profits	19(b)	44,451	63,913
Total Equity		127,378	123,198

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2004

	Notes	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		435,109	412,425
Payments to suppliers & employees (inclusive of goods & services tax)		(392,356)	(404,401)
Interest received		327	45
Interest paid		(10,567)	(9,876)
Income taxes paid		(37)	0
Net cash inflow/(outflow) from operating activities	28(b)	32,476	(1,807)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,771)	(16,989)
Payments for intangibles		0	(12)
Proceeds from sale of property, plant and equipment		5,573	208
Reimbursement of breach of warranty		0	1,432
Net cash inflow/(outflow) from investing activities		(198)	(15,361)
Cash flows from financing activities			
Proceeds from borrowings		640	36,999
Repayment of borrowings		(28,171)	(11,200)
Dividends paid	20	0	(4,433)
Share capital increase		1	208
Net cash inflow/(outflow) from financing activities		(27,530)	21,574
Net increase/(decrease) in cash held		4,748	4,406
Cash/(deficit) at the beginning of the financial year		2,728	(1,678)
Cash/(deficit) at the end of the financial year	28(a)	7,476	2,728

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

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. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in Note 1(x).

(a) GOING CONCERN

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependant on the Company being successful in:

- >> receiving approval of the capital raising proposal from the Company's shareholders and completing the proposal as envisaged; and
- >> receiving the continued support of its bankers in respect of extending existing banking facilities

Under the capital raising proposal the Company proposes to raise \$50 million by issuing interest bearing convertible notes to an investor. The success of the proposal is uncertain as it is subject to shareholder approval at a general meeting to be held early April 2005.

The Company has bank borrowings which mature on 21 April 2005 which are subject to certain covenants. The Company has been in default of certain covenants dealing with financial ratios under the terms and conditions of its banking arrangements. As a result the bank is entitled to demand repayment of the facility. The bank has not done so to date. At no time during the year nor since has the Company exceeded its banking limits. All principal and interest payments and all trading debts have been met as and when they fell due. Our bankers have provided indicative terms for extension of existing facilities for a further 3 years. A condition precedent to their commitment is the success of the capital raising. Part of the capital raised will be used to repay bank borrowings.

If the capital raising proposal is not approved by shareholders, and in the absence of re-negotiated terms and conditions of its existing borrowings or financial support from other sources, it is uncertain whether the Company will be able to repay the borrowings.

As a result of these matters, there is significant uncertainty whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

However the directors believe that the Company will be successful in the above matters and accordingly have prepared the financial report on a going concern basis.

The directors have made this assumption based on the following:

- >> the capital raising proposal, if approved by shareholders, will provide the Company with additional funds of \$50 million
- >> additional funds will enable the Group to repay part of its borrowings to its bankers; and
- >> additional funds will enable a restructure plan to be implemented and provide working capital.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2004. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Golden Circle Limited as at 31 December 2004 and the results of all controlled entities for the year then ended. Golden Circle Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(c) FOREIGN CURRENCY TRANSLATION

Transactions denominated in a foreign currency are converted at the exchange rate on the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change.

In circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any previously deferred gains and losses are recognised in the statement of financial performance on the date of termination.

The assets, liabilities and equity of the New Zealand operations are translated using the temporal method of translation whereby non-monetary assets and liabilities and equity terms, including revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange current at balance date. Any resultant exchange differences are recorded as revenue or expense.

(d) INVENTORIES

Finished goods, raw materials and stores are stated at the lower of cost or net realisable value. Costs have been assigned to inventory quantities on hand at balance date using a standard cost. Cost comprises materials, labour and an appropriate proportion of fixed and variable overheads.

(e) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is generally calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	3 to 20 years
Motor vehicles	5 years

Assets of the New Zealand operations are depreciated using the reducing balance method.

(f) RECEIVABLES

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the end of month of invoice. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(h) INTEREST BEARING LIABILITIES AND BORROWING COSTS

Loans are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Commercial Bills are recognised when the proceeds are received and carried at the gross amount payable. Interest is recognised as borrowing costs over the term of the commercial bill.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Borrowing costs include:

- >> interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps
- >> amortisation of discounts or premiums relating to borrowings
- >> amortisation of ancillary costs in connection with the arrangement of borrowings
- >> finance lease charges

(i) EMPLOYEE BENEFITS

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees’ services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave, sick leave and long service leave

Liabilities for annual leave, accumulating sick leave and long service leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee entitlements and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(j) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

(k) REVALUATIONS OF NON-CURRENT ASSETS

Subsequent to initial recognition as assets, land, buildings, plant and equipment are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm’s length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of property, plant and equipment does not materially differ from its fair value at the reporting date. Annual assessments are made by directors, supplemented by independent assessments at least every three years. Motor vehicles are measured at cost.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in the net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(l) INCOME TAX

Tax effect accounting procedures are followed by which the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates that are expected to apply when those timing differences reverse.

The Company is taxed as a cooperative company under section 117 of the Income Tax Assessment Act 1936.

The consolidated entity has not implemented tax consolidation.

(m) REVENUE RECOGNITION

Sales revenue represents revenue earned from the sale of products and services, net of returns, trade allowances and duties and taxes paid. Sales are recorded when goods have been despatched to the customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(n) CASH

For the purpose of the statement of cash flows, cash includes cash at bank and on hand, net of any overdraft.

(o) INTANGIBLE ASSETS

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value, including any liability for restructuring costs, is brought to account as goodwill. Goodwill is amortised on a straight line basis over the period of expected benefit. This was previously assessed as 20 years from the date of gaining control. The carrying value of goodwill is nil and is reviewed annually by the directors and adjusted where it is considered necessary.

(ii) Brand names, patents and trademarks

Brand names, patents and trademarks included those acquired during the acquisition of the Original Juice Co. business. These are disclosed in the accounts at cost. The Golden Circle brand value is not included. The directors are satisfied that the carrying value does not exceed the recoverable amount or their fair value. The fair values of these brand names, patents and trademarks are reassessed annually. No amortisation is provided against the carrying value of these brand names, patents and trademarks on the basis that the lives of these assets are considered unlimited at this point in time. The directors believe the carrying value of the Original Juice Co. brand name to be \$15.5 million and hence wrote down the balance by \$7 million in 2004.

Other brand names are amortised on a straight line basis over the period of the expected benefit. This period has been assessed as 20 years from the date of acquisition and is reassessed annually.

(iii) Research and development

Costs incurred on research and development projects are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. No research and development costs will be carried forward into 2005.

(p) LEASED NON-CURRENT ASSETS

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods from 5 to 10 years.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(q) WEBSITE COSTS

Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from two to five years.

(r) DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(s) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity enters into forward foreign exchange contracts, interest rate swap agreements and forward commodity agreements.

The accounting for forward foreign exchange contracts is in accordance with Note 1(c).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and is included in other debtors or other creditors at each reporting date.

The net amount receivable or payable under forward commodity agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to inventory during the period and is included in other debtors or other creditors at each reporting date.

When an interest rate swap or forward commodity agreement is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

(t) ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up and liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Goodwill is brought to account on the basis described in Note 1(o)(i).

(u) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(v) INVESTMENTS

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

(w) MAINTENANCE AND REPAIRS

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(e). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(x) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting 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. The adoption of Australian equivalents to IFRS will be first reflected in the Company’s financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made retrospectively against retained earnings as at 1 January 2005.

The Company has appointed a project accountant to manage the transition to Australian equivalents to IFRS. This transition will include training of accounting staff and review of system and internal control changes necessary to comply with the new standards. The project accountant has prepared a timetable to manage the transition and is in the process of preparing Impact Assessments for each standard specific to Golden Circle Limited. An opening Australian equivalent to IFRS balance sheet, restated 2004 comparatives and internal control procedures will arise from these impact assessments and will be due for completion in the 2nd quarter of 2005. The company’s accountants have been trained internally by the Australian Society of CPAs on IFRS. To date the Company has analysed all the Australian equivalents to IFRS and has identified the standards that will materially impact the Company’s financial position and/or accounting methodologies and controls going forward.

In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Company.

Major changes identified to date that will be required to the Company’s existing accounting policies include the following:

(i) Income tax

Under the new AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an Company’s assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Intangible – goodwill

Under the new AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years. The Company wrote down goodwill to nil in 2003. There is no financial impact on the Company at this time.

(iii) Intangible assets

Under the new AASB 138 *Intangible Assets* non-monetary assets without physical substance may be classified as intangible subject to identification and recognition tests. The asset must be separable and/or transferable or have resulted from a contractual or legal right. Most internally generated intangibles must be derecognised under the new standard. An entity shall assess whether the useful life of an intangible is finite or indefinite. Intangibles with indefinite useful lives must not be amortised but tested for impairment annually. Under AASB138 the Company will be required to cease the amortisation of brand names and perform impairment testing annually. Savings of \$142 500 per annum in amortisation are anticipated assuming no impairment write downs.

(iv) Financial Instruments

Under the new AASB 132 *Financial Instruments: Disclosure and Presentation* the current classification of financial instruments issued by the Company will not change.

- Under the new AASB 139 *Financial Instruments: Recognition and Measurement* there may be major impacts as a result of:
- >> financial assets held by the Company being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.
 - >> foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.
 - >> interest rate and commodity swaps fall under the definition of a derivative and therefore must be recognised on 1 January, 2005 at their fair value. If they are designated as effective hedging instruments the movement in fair value can be recognised through equity until maturity. This effectiveness must be thoroughly documented, designated at inception and tested at each reporting date.
 - >> embedded derivatives must also be recognised on 1 January 2005. The embedded derivative must have the characteristics of a derivative whose value changes due to changes in another variable such as interest rate or commodity price. The embedded derivative’s economic characteristics and risks are not closely related to those of the host contract in which the derivative is embedded. The embedded derivative is separated from its host contract and is treated as a separate derivative.

In addition, liabilities subject to an in-substance defeasance will not qualify for derecognition. Under the transitional provisions of AASB 1, liabilities derecognised under previous Australian generally accepted accounting principles are not allowed to be recognised unless recognition is required as a result of a transaction or event occurring after transition.

The impact on the Company will be in hedge accounting. The Company hedges its position through interest rate swaps, commodity swaps and foreign exchange contracts. The preference will be to account for the hedge as a cash flow hedge with changes in the value recognised directly in equity until the hedged transactions take place. The timing of interest rate swaps, however, differ to the hedged instrument (ie commercial bill) and will be considered ineffective under the standard. These types of hedges will be fair valued with changes in value recognised in the Statement of Financial Performance. The transition date for this standard is 1 January 2005. Hence the Company is not required to restate its 2004 comparatives.

(v) Impairment of Assets

Under the new AASB 136 *Impairment of Assets* the recoverable amount of an asset should be assessed whenever there is an indication that the asset may be impaired. The recoverable amount of an asset is determined as the higher of net selling price and value in use. Value in use is the net present value of future cash flows the asset can generate. Future cash flows must be discounted using an asset specific risk-adjusted rate. This may result in write downs of property, plant & equipment which are currently revalued using undiscounted cash flows. The recoverable amounts should be assessed for individual assets. However, if this is not possible then AASB 136 permits the entity to determine the recoverable amount for the cash-generating unit to which the asset belongs. At this stage, the determination of the Company’s cash generating units has not been finalised.

(vi) Non Current Assets Held For Sale

Under the new AASB 5 *Non-current Assets Held For Sale and Discontinuing Operations* a non-current asset or a disposal group shall be reclassified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale. The asset is to be measured at the lower of its carrying amount and fair value less costs to sell and cannot be depreciated. This treatment differs to the current standard AASB 1042 *Discontinuing Operations* and AASB 1021 *Depreciation* whereby the asset is not to be remeasured and depreciation continues to be charged over the remainder of its useful life. Under the new standard assets held for sale are classified as a current asset in the balance sheet.

A parcel of land held by the Company may qualify for inclusion under AASB 5.

(vii) Employee Benefits

Under the new AASB 119 *Employee Benefits* when wages, salaries, sick leave, annual leave and long service leave are long-term benefits, the associated liabilities are required to be measured at present value. Long-term benefits are those that are due in more than 12 months after reporting date. This differs to the current standard AASB 1028 *Employee Benefits* which requires only long service leave due in greater than 12 months to be discounted to present value and all other benefits to be measured at their nominal amounts.

The Company does not have long-term benefits whereby the employee cannot demand payment/take leave within a 12 month period other than long service leave. Thus this change in the new standard will not impact the Company in 2004.

(viii) Government Grants

Under the new AASB 120 *Government Grants* once the entity has complied with the conditions attaching to a government grant, the grant shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants relating to assets shall be recognised as deferred income. This deferred income is subsequently recognised as income on a systematic basis over the useful life of the asset.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS , as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the Company’s financial position and reported results.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

2. SEGMENT INFORMATION

Business segments
The company operates in the food industry and is divided into the following product sales:
Beverage
Includes sales of cordial, soft drinks, tetra juices.
Fresh
Includes sales of fresh fruit.
Industrial
Includes sales to industrial customers.
Shelf stable
Includes sales of canned fruit and vegetables.

Geographical segments
The consolidated entity operates in one major segment being Australia.

Segment Reporting 2004	Beverage	Fresh	Industrial	Shelf Stable	Eliminations /Unallocated	Consolidated
Sales to external customers	245,193	6,548	4,602	153,074	4,979	414,396
Total sales revenue	245,193	6,548	4,602	153,074	4,979	414,396
Segment result	7,652	(1,082)	(189)	(3,873)	(7,703)	(5,195)
Profit/(loss) from ordinary activities before income tax expense						(5,195)
Income tax (expense)/benefit						(14,267)
Profit/(loss) from ordinary activities after income tax expense						(19,462)
Net profit/(loss)						(19,462)
Segment assets					293,701	293,701
Segment liabilities					166,323	166,323
Acquisition of property, plant and equipment, intangibles and other non-current segment assets					5,771	5,771
Depreciation and amortisation expense					13,546	13,546
Write down of intangibles					7,006	7,006
Write down of property, plant and equipment					3,246	3,246

Segment Reporting 2003	Beverage	Fresh	Industrial	Shelf Stable	Eliminations /Unallocated	Consolidated
Sales to external customers	235,883	10,671	5,432	150,200	1,287	403,473
Total sales revenue	235,883	10,671	5,432	150,200	1,287	403,473
Segment result	(19,078)	(3,120)	(981)	(13,501)	600	(36,080)
Profit/(loss) from ordinary activities before income tax expense						(36,080)
Income tax (expense)/benefit						5,016
Profit/(loss) from ordinary activities after income tax expense						(31,064)
Net profit/(loss)						(31,064)
Segment assets					329,021	329,021
Segment liabilities					205,823	205,823
Acquisition of property, plant and equipment, intangibles and other non-current segment assets					24,089	24,089
Depreciation and amortisation expense					12,985	12,985
Write down of goodwill					6,083	6,083
Write down of Investments					1,327	1,327
Write down of property, plant and equipment					844	844

Comparative information has been restated where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
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3. REVENUE

Revenue from operating activities		
Sale of goods	409,417	399,484
Other revenue	4,979	3,989
	414,396	403,473
Revenue from outside the operating activities		
Proceeds from sale of property, plant & equipment	5,573	208
Foreign exchange gain/(loss)	(441)	(155)
Interest received	328	148
Rentals	0	25
Other	74	43
	5,534	269
Revenue from ordinary activities	419,930	403,742

4. PROFIT FROM ORDINARY ACTIVITIES

Net gains and expenses
Profit from ordinary activities before income tax expense
includes the following specific net gains and expenses:

Net gains		
Interest received	328	148
Gain from sale of property, plant & equipment	1,636	77
Foreign exchange gain/(loss)	(441)	(155)
	1,523	70
Expenses		
Cost of sales of goods	302,655	307,262
Depreciation		
Buildings	902	875
Plant and equipment	12,379	11,350
Motor vehicles	122	186
Total depreciation	13,403	12,411
Amortisation of goodwill	0	431
Amortisation of brand names	143	143
Write off of goodwill	0	6,083
Write off of patents	6	0
Write down of brand names	7,000	0
Total charges against intangibles	7,149	6,657
Other charges against assets		
Write down of inventories to net realisable value	261	4,347
Write down of property, plant & equipment to recoverable amount	3,246	844
Write down of property, plant & equipment on revaluation	283	0
Write down of investments to recoverable amount	0	1,327
Bad and doubtful debts	187	661
Total other charges against assets	3,977	7,179
Borrowing costs		
Interest and finance charges paid/payable	10,567	10,170
Borrowing costs expensed	10,567	10,170
Rental expense on operating leases – minimum lease payments	4,946	3,313
Research and development	291	1,352

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
5. INCOME TAX		
Income tax expense/(benefit)		
The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:		
Profit/(loss) from ordinary activities before income tax expense	(5,195)	<i>(36,080)</i>
Income tax on operating profit/(loss)		
Calculated @ 30% (2003 30%)	(1,558)	<i>(10,824)</i>
Tax effect of permanent differences which:		
Reduce tax payable		
Loan repayments under Section 120 of the Income Tax Assessment Act 1936	(3,360)	<i>(3,360)</i>
Net gain on non tax depreciable property plant & equipment	(657)	<i>0</i>
Net exempt branch income	0	<i>(849)</i>
Sundry	(218)	<i>(152)</i>
	(4,235)	<i>(4,361)</i>
Increase tax payable		
Non-deductible depreciation	1,507	<i>1,134</i>
Amortisation and write down of intangibles	2,143	<i>1,997</i>
Foreign branch income	363	<i>0</i>
Sundry	616	<i>623</i>
	4,629	<i>3,754</i>
Income tax adjustment for permanent differences	(1,164)	<i>(11,431)</i>
Under/(over) provision in prior year	(123)	<i>(27)</i>
Tax losses not brought to account	15,554	<i>6,442</i>
Income tax expense/(benefit) attributable to operating profit	14,267	<i>(5,016)</i>
Tax Losses:		
Future income tax benefits attributable to tax losses:		
>> brought to account	0	<i>16,205</i>
>> not brought to account	25,049	<i>6,442</i>
	25,049	<i>22,647</i>

The benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

6. CURRENT ASSETS – CASH ASSETS

Cash at bank and on hand	7,476	<i>2,728</i>
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NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
7. CURRENT ASSETS – RECEIVABLES		
Trade receivables	61,816	<i>64,791</i>
Less: Provision for doubtful debts	(552)	<i>(397)</i>
	61,264	<i>64,394</i>
Sundry receivables	1,121	<i>1,444</i>
	62,385	<i>65,838</i>
8. CURRENT ASSETS – INVENTORIES		
Raw materials and stores – at cost	15,071	<i>26,585</i>
Finished goods		
At cost	52,018	<i>48,776</i>
At net realisable value	3,228	<i>13,726</i>
	55,246	<i>62,502</i>
Less: Provision for obsolescence	(1,519)	<i>(2,685)</i>
	68,798	<i>86,402</i>
9. CURRENT ASSETS – OTHER		
Security deposits	5	<i>9</i>
Prepayments	3,007	<i>3,039</i>
Equity raising costs	306	<i>0</i>
	3,318	<i>3,048</i>
10. NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
Freehold land*		
At independent valuation 2004	22,120	<i>17,021</i>
Buildings and improvements		
At independent valuation 2004	35,034	<i>31,211</i>
Less accumulated depreciation	(230)	<i>(5,745)</i>
	34,804	<i>25,466</i>
Total land and buildings	56,924	<i>42,487</i>
Plant and equipment		
At independent valuation 2004	89,885	<i>178,092</i>
Less accumulated depreciation	(18,501)	<i>(104,737)</i>
	71,384	<i>73,355</i>
Plant and equipment under finance lease	6,923	<i>9,122</i>
Less accumulated depreciation	(741)	<i>(71)</i>
	6,182	<i>9,051</i>
Total plant and equipment	77,566	<i>82,406</i>
Motor vehicles		
At cost	656	<i>1,983</i>
Less accumulated depreciation	(514)	<i>(787)</i>
Total motor vehicles	142	<i>1,196</i>
Total property, plant and equipment	134,632	<i>126,089</i>

NOTES TO THE FINANCIAL STATEMENTS (CONT)

10. NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONT)

Valuations
The basis of valuation of land, buildings, plant and equipment is fair value being the amounts for which the assets could be exchanged between willing parties in an arm’s length transaction, based on current prices in an active market for similar properties in the same location and condition. The revaluations were based on independent assessments by Taylor Byrne Pty Ltd and Rushton (Qld) Pty Ltd, members of the Australian Property Institute.

Non-current assets pledged as security
Refer to Note 15 for information on non-current assets pledged as security by the consolidated entity.

Recoverable amount
During 2004 some items of plant and equipment were written down to their recoverable amount. These items of plant were either closed permanently from operations or are planned to be discontinued during 2005 restructure. The future economic benefits of these assets ceased to exist at reporting date or at planned intervals in 2005. Their carrying amounts were written down to their recoverable amounts accordingly.

Reconciliations
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land \$000	Buildings \$000	P&E \$000	Vehicles \$000	Total \$000
Carrying amount at 01 January, 2004	17,021	25,466	82,406	1,196	126,089
Additions	27	33	6,437	(726)	5,771
Revaluation increment (note 19(a))	6,672	11,017	5,932	20	23,641
Disposals	(1,600)	(809)	(1,302)	(226)	(3,937)
Revaluation decrement expensed (note 4)	0	0	(283)	0	(283)
Write down of property, plant & equipment (note 4)	0	0	(3,246)	0	(3,246)
Depreciation (note 4)	0	(902)	(12,379)	(122)	(13,403)
Carrying amount at 31 December, 2004	22,120	34,805	77,565	142	134,632

11. NON CURRENT ASSETS – INVESTMENTS

Investments	28	28
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The above represents investment in associated entities. Due to the minor investment in and trading results of the associates and consistent with prior years they have not been equity accounted.

Information relating to the associates is set out below.

Name of Company	Ownership interest	2004 \$000 Carrying Amount	2003 \$000 Carrying Amount
Pineapples Australia Pty Ltd	50%	13	13
Australian Joint Citrus Exporters Pty Ltd	50%	15	15
Machine Cuisine Pty Ltd	40%	0	0
		28	28

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
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12. NON CURRENT ASSETS – DEFERRED TAX ASSETS

Future income tax benefit	56	20,731
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13. NON CURRENT ASSETS – INTANGIBLE ASSETS

Patents and Trademarks	6	6
Less: Write down	(6)	0
Total patents and trademarks	0	6
Brand names	25,350	25,350
Less: Write down	(7,000)	0
Less: Accumulated amortisation	(1,342)	(1,199)
Total brand names	17,008	24,151
Total intangible assets	17,008	24,157

Reconciliations

	Patents and Trademarks \$000	Brand names \$000	Total \$000
Carrying amount at 01 January, 2004	6	24,151	24,157
Write downs	(6)	(7,000)	(7,006)
Amortisation	0	(143)	(143)
Carrying amount at 31 December, 2004	0	17,008	17,008

14. CURRENT LIABILITIES – PAYABLES

Trade creditors	23,550	29,770
Other creditors	3,072	3,027
Accruals	4,744	5,229
Total current liabilities – payables	31,366	38,026

15. LIABILITIES – INTEREST BEARING LIABILITIES

Current		
Commercial bills	92,000	106,000
Lease liabilities	600	814
Other loans	11,520	13,199
	104,120	120,013
Non Current		
Lease liabilities	5,848	6,286
Other loans	11,200	22,400
	17,048	28,686

NOTE: Bank facility is secured by a fixed and floating charge over the assets and undertakings of the Company.

Commercial bills
Bills have been drawn as a source of short-term financing on a needs basis. The commercial bill facility totals \$92,000,000 of which:
 \$18,000,000 matures in January 2005 and bears an interest rate of 5.46%
 \$11,000,000 matures in February 2005 and bears an interest rate of 5.47%
 \$27,000,000 matures in March 2005 and bears an interest rate of 5.51%
 \$36,000,000 is secured by the current Receivables balance which is reviewed monthly and bears an interest rate of 6.06%.
Refer to Note 22(d) in relation to credit facilities

Other loans
Other loans are variable rate loans and bear an interest rate of 6.13% as at 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
16. LIABILITIES – PROVISIONS		
Current		
Employee benefits	9,366	8,922
Workers compensation liabilities*	2,675	1,219
	12,041	10,141
Non current		
Employee benefits	1,464	1,344
Workers compensation liabilities**	0	786
	1,464	2,130

** This represents the balance of funds paid to Golden Circle Limited from Workcover Queensland when the Company became a self-insurer on 1 August 2000.

Aggregate employee benefits liabilities		
Current	9,366	8,922
Non current	1,464	1,344
	10,830	10,266
Employee numbers		
Average number of employees during the financial year	1,404	1,625

17. NON CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

Provision for deferred income tax	284	6,827
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18. CONTRIBUTED EQUITY

Share Capital		
A class shares		
2,393,874 (2003: 2,393,874) Ordinary shares issued and fully paid	2,393	2,393
B class shares		
266,081 (2003: 265,881) Ordinary shares issued and fully paid	266	265
Transferred from share premium reserve	575	575
Transferred from capital redemption reserve	38	38
	3,272	3,271

Reconciliations:

Reconciliations of movement in contributed equity is set out below:

	A Class Shares \$000	B Class Shares \$000	Total \$000
Balance at 1 January 2004	2,393,874	265,881	2,659,755
Shares issued	0	200	200
Shares redeemed	0	0	0
Balance at 31 December 2004	2,393,874	266,081	2,659,955

Dividend entitlement

A class shares carry 3.33 times the dividend rights of B class shares.

Voting rights

A class shares carry 3.33 votes per share and B class shares carry one vote per share.

Return on capital

A class shares carry 3.33 times the return on capital of B class shares.

Change in rights

The shareholders approved on 10 December 2004, effective 20 January 2005, a variation of A class rights to mirror those of B class shares and then the subsequent divisions of A and B class shares into a greater number. All shares were renamed ordinary shares and carry the same entitlements and rights. As at 20 January 2005 there were 82,376,822 fully paid ordinary shares on issue.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
19. RESERVES AND RETAINED PROFITS		
(a) Asset revaluation reserve		
Asset revaluation reserve at the beginning of the financial year	56,014	41,254
Reclassification from asset realisation reserve	0	14,760
Increment on revaluation of property, plant and equipment during the financial year	23,641	0
Asset Revaluation Reserve at the end of the financial year	79,655	56,014

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law. The asset realisation reserve represented the revalued transferred amount of disposed assets originally transferred from the asset revaluation reserve. This was transferred to the asset revaluation reserve during 2003.

(b) Retained profits

Retained profits/(losses) at the beginning of the financial year	63,913	54,961
Net profit/(loss) attributable to members of Golden Circle Limited	(19,462)	(31,064)
Transfer from general reserve	0	40,016
Retained profits at the end of the financial year	44,451	63,913

20. DIVIDENDS

Dividends provided for and/or paid

No dividends were provided for or paid during the financial year (2003 provided: nil and 2003 paid: \$4.433m).

Franking credits

Balance of franking credits available for use as at 31 December 2004 was \$18,580,173 (31 December 2003 \$18,580,173).

21. SUPERANNUATION PLANS

An accumulated benefits superannuation plan is conducted for employees who are entitled to benefits on retirement, disability or death. Employees may contribute to the plan at various percentages of their wages and salaries. Award superannuation contributions are also made to occupational superannuation funds. The company is legally obliged to make contributions in respect of the above superannuation plans.

22. FINANCIAL INSTRUMENTS

Golden Circle Limited and its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade.

(a) Exposure on items not hedged

Current amounts receivable in:		
New Zealand dollars	2,314	679
US dollars	5	364
Current amounts payable in:		
New Zealand dollars	747	1,270
US dollars	0	564

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
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22. FINANCIAL INSTRUMENTS (CONT)

(b) Forward exchange contracts

Forward exchange contracts are entered into for the purpose of covering purchase commitments or anticipated cash inflows. At balance date details of outstanding contracts, all of which mature within 12 months, are:

	Australian dollar value of contracts 2004 \$000	2003 \$000	Average exchange rate 2004 \$000	2003 \$000
Sell NZ dollars	0	9,314	0.0000	1.1595
Buy US Dollars	3,045	0	0.6996	0.0000

(c) Interest rate swaps

At 31 December 2004 the notional principal amounts and periods of expiry of the interest rate swaps contracts are as follows:

Less than 1 year	0	0
1-2 years	62,400	0
2-3 years	0	79,200
3-4 years	0	0
4-5 years	0	0

Bank loans of Golden Circle Limited as at 31 December 2004 bear an average variable interest rate of 5.71%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, Golden Circle Limited has entered into interest rate swap contracts under which it is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts required settlement of net interest receivable or payable each 90 days.
The average interest rate for the interest rate swaps for the financial year was 5.65%.

(d) Standby arrangements and credit facilities

- A. National Australia Bank has provided financial accommodation to Golden Circle through the facilities detailed in Note 15.
- B. The Override Agreement in relation to the banking facilities due for renewal 21 April 2005 required the following covenants be met:

>> Earnings before interest and tax (EBIT) and net operating cashflows on a year to date basis to be substantially in line with the 2004 financial forecasts provided to the Company's bankers;

>> Surplus cashflows to be applied against debt;

>> Capital expenditure to be substantially in line with the 2004 financial forecasts;

>> Tangible net worth to be not less than an amount set by the Company's bankers;

>> Dividends not to be paid without prior written consent of the Company's bankers.

The Company has access to:

Credity standby arrangements, subject to annual review:

Secured overdraft facility	3,000	3,000
Amount of credit unused	3,000	3,000
Secured commercial bill facility	70,100	81,400
Amount of credit unused	7,300	20,400
Receivables securitisation facility	45,000	45,000
Amount of credit unused	9,000	0
Secured documentary credit facility	2,200	2,200
Amount of credit unused	2,000	2,025
Secured loan facilities	5,600	5,600
Amount of facility unused	80	0
Bank loan facilities	22,400	33,600
Amount of facility unused	0	0

Credit risk exposures

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

NOTES TO THE FINANCIAL STATEMENTS (CONT)

22. FINANCIAL INSTRUMENTS (CONT)

(e) Interest rate risk exposure (2004)

	Notes	Floating Interest Rate Maturities 1 year Or less \$'000	1 to 5 Years \$'000	6 to 10 Years \$'000	Fixed Interest Rate Maturities 1 year Or less \$'000	1 to 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
As at 31 December 2004								
Financial assets								
Cash	6	7,476	0	0	0	0	0	7,476
Receivables	7	0	0	0	0	0	62,385	62,385
Other assets – investments	11	0	0	0	0	0	28	28
Total financial assets		7,476	0	0	0	0	62,413	69,889
Weighted average interest rate		4.65%	0	0	0	0		
Financial liabilities								
Bank overdraft		0	0	0	0	0	0	0
Accounts payable	14	0	0	0	0	0	31,366	31,366
Commercial bills	15	56,000	0	0	0	0	0	56,000
Receivables securitisation	15	36,000	0	0	0	0	0	36,000
Interest rate swaps*	22(c)	0	(62,400)	0	0	62,400	0	0
Finance leases	26	600	2,161	3,687	0	0	0	6,448
Other loans	15	11,200	11,200	0	0	0	320	22,720
Total financial liabilities		103,800	(49,039)	3,687	0	62,400	31,686	152,534
Weighted average interest rate		5.53%	5.79%	7.20%	0	5.64%		
Net financial assets/(liabilities)		(96,324)	49,039	(3,687)	0	(62,400)	30,727	(82,645)

* Notional principal amounts

	Notes	Floating Interest Rate Maturities 1 year Or less \$'000	1 to 5 Years \$'000	6 to 10 Years \$'000	Fixed Interest Rate Maturities 1 year Or less \$'000	1 to 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
As at 31 December 2003								
Financial assets								
Cash	6	2,728	0	0	0	0	0	2,728
Receivables	7	0	0	0	0	0	65,838	65,838
Other assets – investments	11	0	0	0	0	0	28	28
Total financial assets		2,728	0	0	0	0	65,866	68,594
Weighted average interest rate		4.65%	0	0	0	0		
Financial liabilities								
Bank overdraft	30	0	0	0	0	0	0	0
Accounts payable	14	0	0	0	0	0	38,026	38,026
Commercial bills	15	61,000	0	0	0	0	0	61,000
Receivables securitisation	15	45,000	0	0	0	0	0	45,000
Interest rate swaps*	22(c)	0	(79,200)	0	0	79,200	0	0
Finance leases	26	743	2,142	4,038	0	0	177	7,100
Other loans	15	13,199	22,400	0	0	0	0	35,599
Total financial liabilities		119,942	(54,658)	4,038	0	79,200	38,203	186,725
Weighted average interest rate		5.45%	5.66%	7.20%	0	5.47%		
Net financial assets/(liabilities)		(117,214)	54,658	(4,038)	0	(79,200)	27,663	(118,131)

22. FINANCIAL INSTRUMENTS (CONT)

(f) Net fair value of financial assets and liabilities

(i) On balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off balance sheet

For all off-balance sheet financial liabilities, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles. Off-balance sheet financial liabilities include interest rate swaps, forward exchange contracts and forward commodity contracts.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2004		2003	
	Carrying Amount \$'000	Net Fair Value* \$'000	Carrying Amount \$'000	Net Fair Value \$'000
On-balance sheet financial instruments				
Financial assets				
Cash	7,476	7,476	2,728	2,728
Trade debtors	62,385	62,385	65,838	65,838
Other financial assets	28	28	28	28
Total non-traded financial assets	69,889	69,889	68,594	68,594
Total financial assets	69,889	69,889	68,594	68,594
Financial liabilities				
Commercial bills	56,000	56,000	61,000	61,000
Receivables securitisation	36,000	36,000	45,000	45,000
Finance leases	6,448	6,448	7,100	7,100
Other loans	22,720	22,720	35,599	35,553
Other liabilities	31,366	31,366	38,026	38,026
Total non-traded financial liabilities	152,534	152,534	186,725	186,679
Total financial liabilities	152,534	152,534	186,725	186,679
Off-balance sheet financial instruments				
Financial assets				
Forward exchange contracts	0	949	0	0
Total financial assets	0	949	0	0
Financial liabilities				
Forward commodity contracts	0	0	0	709
Forward exchange contracts	0	321	0	54
Interest rate swaps	0	206	0	98
Total financial liabilities	0	527	0	861

* Net Fair Value is based on 30 or 90 day bill rates as at 31 December 2004.

23. DIRECTOR AND EXECUTIVE DISCLOSURES

AASB 1046 *Director and Executive Disclosures by Disclosing Entities* has been applied for the first time in 2004.

Directors

The following persons were directors of Golden Circle Limited during the financial year:

Chairman
Michael Cruice

Deputy Chairman
Gary Pike

Other Directors
Eldo Di Pasquale (appointed 14 May 2004)
Lindsay Fullerton
David Grace
James Kennedy (resigned 14 May 2004)
Allan Smerdon (resigned 14 May 2004)
Peter Voight

Executives with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the Company (“specified executives”) during the financial year:

Steve Morrow (appointed 26 May 2004)	Chief Executive
Robin Ferris (resigned 26 May 2004)	Chief Executive
Steve Ingham	General Manager – Corporate Services
Bernard Kelly	General Manager – Supply Chain & Operations
Chris Line	General Manager – Original Juice Division
David Marquet (appointed 2 February 2004)	General Manager – Finance & Administration
Stephen Riley (appointed 19 August 2004)	General Manager – Sales & Marketing
John Zillmann	Projects Manager

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

The remuneration of directors should reflect the complexity and diverse nature of Golden Circle Limited as well as the increasing compliance and corporate governance responsibilities. Committee fees are included in director remuneration. The Remuneration Committee reviews from time to time directors’ fees to ensure that they are competitive with the market.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Chief Executive and senior executives. Remuneration levels are competitively set to attract and retain the most qualified and experienced professionals. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and markets.

The annual review of senior executives’ remuneration packages takes account of market comparisons for similar sized roles in other major corporations in the fast moving consumer goods (FMCG) industry. Other factors include performance of the incumbent, the appropriate mix of skills and experience and the performance of individual business areas. Appropriate market data is collected from national surveys and other sources where appropriate.

There is currently no formal Senior Executive Incentive Scheme in place, however, the Remuneration Committee is also responsible for recommending to the Board appropriate incentive performance packages designed to achieve key strategic deliverables and maximum performance standards.

Contracts for the Chief Executive, General Manager – Sales & Marketing and General Manager – Finance & Administration provide for 6 months notice of termination by the Company and in the case of termination because of a Takeover of the Company (excluding fundraising) provides for a payment in lieu of notice of twelve months.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

Details of remuneration

Details of the remuneration of each director of Golden Circle Limited and specified executives, including their personally-related entities, are set out in the following tables.

Directors				
		Primary	Post Employment	
Name		Cash Salary & Fees (1)	Superannuation (2)	Total
		\$	\$	\$
M J Cruice	(3)	61,763	3,240	65,003
G R Pike		21,054	3,401	24,455
L Fullerton		23,105	1,819	24,924
P R Voight		23,618	2,921	26,539
D J Grace	(4)	24,838	–	24,838
J R Kennedy (From 01/01/04 – 14/05/04)		10,025	902	10,927
A A Smerdon (From 01/01/04 – 14/05/04)		10,797	916	11,713
E N Di Pasquale		15,063	1,253	16,316
Total		190,263	14,452	204,715

- (1) Cash Salary & Fees include allowance for travel
- (2) Superannuation contribution includes salary sacrifice amounts
- (3) This includes a fee of \$20,000 for performance of additional services
- (4) \$24,060 of the Cash Salary & Fees disclosed for Mr Grace were paid to Hunt & Hunt Lawyers, a firm of which he is a partner. Accordingly superannuation contributions were not deducted. The fees were also subject to GST.

Comparative

Total remuneration of directors of the Company for the year ended 31 December 2003 including payments to superannuation funds was \$2,581,725. During the 2003 year a retirement benefit of \$72,993 (\$50,000 after tax) was paid to Mr F G Nissen and is included in the comparative amount. In addition, a retirement benefit of \$1,050,000 was paid to Mr B J Kelly during the 2003 year and is also included in the comparative amount. Information for individual directors is not disclosed as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

Specified executives

		Primary		Post Employment			
Name		Cash Salary & Fees (1)	Non-monetary Benefits (2)	Superannuation (3)	Eligible Termination Payment	Total	
		\$	\$	\$	\$	\$	\$
A R H Ferris (From 01/01/04 – 26/05/04)	(4)	251,913	–	310,000	–	561,913	
S Morrow (From 26/05/04)		177,195	9,542	85,000	–	271,737	
A F Mitchell (From 01/01/04 – 09/07/04)		186,180	13,740	14,860	119,659	334,439	
S Riley (From 19/0804)		94,461	–	7,857	–	102,318	
M P Betts (From 01/01/04 – 12/01/04)		115,087	1,791	502	134,794	252,174	
D L Marquet (From 02/02/04)		179,234	20,023	16,159	–	215,416	
C J Line (From 02/02/04)	(5)	250,630	–	48,370	–	299,000	
S J Ingham		189,370	21,197	24,433	–	235,000	
B P Kelly		198,621	18,750	17,629	–	235,000	
J Zillmann		95,734	18,400	37,116	–	151,250	
Total		1,738,425	103,443	561,926	254,453	2,658,247	

- (1) Cash Salary and Fees includes all amounts paid to Executive (including accrued leave entitlements for terminating executives).
- (2) Non-monetary benefits include costs relating to motor vehicles.
- (3) Superannuation contribution includes Salary Sacrifice amounts.
- (4) \$260 000 of the Superannuation contribution to Mr Ferris represents an eligible termination payment.
- (5) \$24,000 of the Cash Salary & Fees disclosed for Mr Line were paid as consultant fees in his capacity as interim General Manager – Finance & Administration.

Comparative

Total remuneration of specified executives of the Company for the year ended 31 December 2003 including payments to superannuation funds was \$3,792,142. Information for individual executives is not disclosed as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

23. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

Other transactions with directors

Transactions entered into during the year with directors and their director-related entities within normal supplier, shareholder or professional relationships on terms and conditions no more favourable to those available to other suppliers, shareholders or professionals were:

	2004	2003
	\$	\$
Purchase of fruit and vegetables from directors or director-controlled entities		
F G Nissen (resigned 9 May 2003)	0	67,000
M J Cruice	439,345	402,000
G R Pike	502,794	341,000
A A Smerdon (resigned 14 May 2004)	228,968	217,000
P R Voight	397,369	578,000
L Fullerton	1,233,891	1,486,000
E N Di Pasquale (appointed 14 May 2004)	479,203	0
Legal services provided by an entity related to D J Grace (excluding directors fees included above)	193,681	317,000

Share holdings

The numbers of shares in the company held during the financial year by each director, including their personally-related entities, are set out below.

	MJ Cruice A Class	PR Voight B Class	GR Pike A Class	B Class	A Smerdon* A Class	L Fullerton A Class	B Class	E Di Pasquale** A Class	B Class
Shares as at 01 January, 2004									
or date of appointment	33,820	6,760	59,860	1,100	28,600	159,250	5,850	41,420	1,800
Acquired A class	0	0	0	0	0	0	0	3,500	0
Acquired B class	0	0	0	0	0	0	0	0	0
Disposed	0	0	0	0	0	0	0	0	0
Shares as at 31 December, 2004	33,820	6,760	59,860	1,100	28,600	159,250	5,850	44,920	1,800
Ordinary shares	1,126,206	67,600		2,004,338	N/A		5,361,525		1,513,836
as at 20 January 2005									
(refer Note 18.)									

* Date of resignation: 14 May, 2004
** Date of appointment: 14 May, 2004

In addition to the transactions referred to above, transactions were entered into during the year with directors of the Company and its controlled entities or with director-related entities that:

- >> occurred within normal employee or customer relationships on terms and conditions no more favourable than those that it is reasonable to expect would have been adopted if dealing with the director or director-related entity at arm’s length in the same circumstances;
- >> do not have the potential to adversely affect decisions about the allocation of scarce resources or the discharge of accountability of the directors and are trivial or domestic in nature;
- >> include minor retail purchase of goods at discount rates that are also available to employees and growers.

Aggregate amounts payable to directors or director-controlled entities at balance date	0	70,000
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Indemnity

During the financial year the Company renewed its contract for liability insurance on behalf of its directors and officers.

An officer, auditor or agent of the Company shall be indemnified out of the assets of the Company against any liability incurred by such a person as officer, auditor or agent which does not arise out of a wilful breach of duty in relation to the Company or a breach of Section 184 of the Corporations Law.

Such indemnity may extend to a liability for costs or expenses incurred by a person in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted.

Golden Circle Limited has entered into a Deed of Access & Indemnity with directors.

No director or officer of Golden Circle Limited has received the benefit of an indemnity from the Company during or since the end of the year.

Golden Circle Limited maintains a Directors’ and Officers’ insurance policy, however, due to confidentiality obligations further details cannot be disclosed.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$	Consolidated & Company 2003 \$
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24. REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports of the consolidated entity:

Auditing the accounts – 2004	169,000	0
– 2003	120,000	145,000
Other assurance services	48,240	29,273
Total audit and other assurance services	337,240	174,273
Taxation	240,650	84,830
Advisory services	145,500	165,815
Total remuneration	723,390	424,918

	\$000	\$000
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25. CONTINGENT LIABILITIES

Details and estimate of maximum amounts of contingent liabilities are as follows:

Bank Guarantee Facility in favour of:

Qld Sugar Corporation	500	500
Workcover	5,000	5,000
Retail Investory Pty Ltd (Juice Bar)	20	20
Queensland Treasury (QTC Loan)	5,600	5,600
Forward Exchange Contracts	3,045	9,314
	14,165	20,434

No material losses are anticipated in respect of any of the above contingent liabilities

Claims for damages are made against the Company from time to time in the ordinary course of business. The directors are not aware of any claim that is expected to result in significant costs or damages.

26. COMMITMENTS FOR EXPENDITURES

Capital commitments

Total capital expenditure contracted for at the reporting date, but not recognised as liabilities are payable as follows:

Payable no later than one year	1,352	776
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Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	4,680	3,462
Later than one year but no later than 5 years	6,947	4,168
Later than 5 years	488	775
	12,115	8,405

Representing:		
Non-cancellable operating leases	9,984	5,970
Future finance charges on finance leases	2,131	2,435
	12,115	8,405

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	4,310	3,157
Later than one year but no later than 5 years	5,674	2,805
Later than 5 years	0	8
	9,984	5,970

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
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26. COMMITMENTS FOR EXPENDITURES (CONT)

Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	970	1,119
Later than one year but no later than 5 years	3,434	3,610
Later than 5 years	4,175	4,806

Minimum lease payments	8,579	9,535
Less: Future finance charges	(2,131)	(2,435)

Recognised as a liability	6,448	7,100
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Representing lease liabilities:		
Current	600	814
Non-current	5,848	6,286

	6,448	7,100
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27. RELATED PARTIES

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 23.

Wholly-owned group

Name of Entity	Paid-up-capital	Country of Incorporation	Class of Shares 2004	Equity Holding 2004	2003
Golden Circle Superannuation Pty Ltd	\$ 2	Australia-Qld	Ordinary	100%	100%
Queensland Tropical Fruit Products Pty Ltd	\$ 1	Australia-Qld	Ordinary	100%	100%
Golden Circle New Zealand Ltd	\$ 1	New Zealand	Ordinary	100%	100%
BFresh Foods Pty Ltd	\$ –	Australia-Qld	Ordinary	100%	100%

Golden Circle Superannuation Pty Ltd is the Superannuation Trustee Company for the Golden Circle Limited Superannuation Fund

Queensland Tropical Fruit Products Pty Ltd is the trade name for generic branded products manufactured by Golden Circle Limited.

Golden Circle New Zealand Ltd is a NZ registered company which is dormant.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

	Consolidated & Company 2004 \$000	Consolidated & Company 2003 \$000
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28. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

a) Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the related items in the statement of financial position as follows:

Cash	7,476	2,728
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Note: Commercial bills are not included in the reconciliation of cashflows

b) Reconciliation of operating profit after income tax to net cash inflow from operating activities:

Profit/(loss) from ordinary activities after related income tax	(19,462)	(31,064)
Depreciation and amortisation	13,546	12,985
Write down on revaluation of property, plant and equipment	283	0
Write down of intangibles to recoverable amount	7,006	6,083
Write down of investments to recoverable amount	0	1,327
Write down of property, plant and equipment to recoverable amount	3,246	844
Net gain on sale of non current assets	(1,636)	(77)
Net cash from operating before changes in asset and liabilities	2,983	(9,902)
Change in operating assets & liabilities:		
(Increase)/decrease in receivables	3,453	1,659
(Increase)/decrease in inventory	17,604	6,231
(Increase)/decrease in other current assets	(270)	(722)
(Increase)/decrease in future income tax benefit	20,675	(5,137)
Increase/(decrease) in creditors	(6,660)	6,679
Increase/(decrease) in deferred income tax liability	(6,543)	11
Increase/(decrease) in employee entitlements	564	(675)
Increase/(decrease) in workers compensation liability	670	49
Net cash inflow/(outflow) provided by operating activities	32,476	(1,807)

29. NON-CASH FINANCING AND INVESTING ACTIVITIES

Acquisition of plant and equipment by means of finance leases	0	7,100
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30. SUBSEQUENT EVENTS

Capital Raising

The company is proceeding with a planned capital raising of \$50 million by issuing interest bearing convertible notes to an investor which is subject to shareholder approval at a general meeting to be held early April 2005.

Change in share rights

Share classes of the Company were varied on 20 January 2005, details of which are contained in Note 18.

DIRECTOR’S DECLARATION

In the Directors’ opinion:

- (a) the financial statements and notes set out on pages 22 to 46 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company’s and consolidated entity’s financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; 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;

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

M J Cruice *Chairman*
BRISBANE 25 FEBRUARY 2005

D J Grace *Director*

AUDIT OPINION

In our opinion, the financial report of Golden Circle Limited:

- >> gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Golden Circle Limited and the Golden Circle Group (defined below) as at 31 December 2004 and of their performance for the year ended on that date, and
- >> is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*

This opinion must be read in conjunction with the rest of our audit report.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether Golden Circle Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

SCOPE

The financial report and directors’ responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors’ declaration for both Golden Circle Limited (the Company) and the Golden Circle Group (the consolidated entity), for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, 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 audit 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

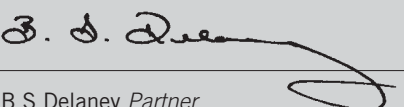
While we considered the effectiveness of management’s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

INDEPENDENCE

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


PricewaterhouseCoopers
BRISBANE 28 FEBRUARY 2005


B S Delaney *Partner*

	2004	2003	2002	2001	2000
Sales					
Sales – Australia	385,024	374,185	356,440	266,250	244,276
Sales – Overseas	24,393	25,299	40,999	19,892	18,818
Other revenue	4,979	3,989	0	0	0
Total Sales	414,396	403,473	397,439	286,142	263,094

Statement of financial performance					
Operating profit/(loss) before interest, depreciation, abnormal items and individually significant items and income tax	25,591	(6,988)	28,826	21,006	21,526
Net interest expense	10,240	10,022	7,212	4,138	4,656
Depreciation and amortisation	13,546	19,070	11,997	11,952	12,236
Individually significant items – industry bonus payment	0	0	0	1,572	0
Abnormal expense – write down of brand names	7,000	0	0	0	0
Operating profit/(loss) before income tax	(5,195)	(36,080)	9,617	3,344	4,634
Income tax benefit/(expense)	(14,267)	5,016	776	2,388	1,467
Net profit/(loss)	(19,462)	(31,064)	10,393	5,732	6,101

Statement of financial position					
Current assets	141,977	158,016	162,456	142,171	150,534
Property, plant and equipment					
At cost or valuation	154,619	237,430	214,467	178,458	172,097
Provision for depreciation	19,987	111,341	99,081	87,928	77,379
Written down value	134,632	126,089	115,386	90,530	94,718
Intangibles	17,008	24,157	32,240	1,936	2,078
Other non-current assets	84	20,759	16,943	13,631	10,677
Total assets	293,701	329,021	327,025	248,268	258,007
Bank overdraft	0	0	1,678	0	0
Current payables	31,366	38,026	31,347	17,519	20,178
Current interest bearing liabilities	104,120	120,013	42,200	5,171	69,508
Current provisions	12,041	10,141	14,429	8,378	8,106
Deferred tax liability	284	6,827	6,816	0	0
Non-current interest bearing liabilities	17,048	28,686	73,600	58,000	6,515
Non-current provisions	1,464	2,130	2,901	8,153	7,522
Total liabilities	166,323	205,823	172,971	97,221	111,829
Net assets	127,378	123,198	154,054	151,047	146,178
Contributed equity	3,272	3,271	3,063	3,058	3,058
Reserves	79,655	56,014	96,030	96,030	96,030
Retained profit	44,451	63,913	54,961	51,959	47,090
Total equity	127,378	123,198	154,054	151,047	146,178
Dividends	0	0	7,391	863	925

Comparative information has been restated where appropriate.

THE GUIDING LIGHT FOR GOLDEN CIRCLE REMAINS THE STRENGTH OF OUR BRAND AND CONSUMER SUPPORT FOR OUR PRODUCTS. HOWEVER, WE CANNOT BE COMPLACENT AND WILL CONTINUE TO BUILD OUR BRAND CAPABILITY TO FURTHER STRENGTHEN OUR BRAND FOR THE FUTURE...