

CORPORATE DIRECTORY

Chairman

Peter McDougall
Chairman and Chief Executive Officer

Directors

Hal Christiansen
Executive Director

Ian Christiansen
Executive Director

Tristan Fischer
Executive Director

Julian Little
Executive Director

Dugal McDougall
Non Executive Director

Company Secretary

Ian Christiansen

Registered Office

Suite 5
97 Lewis Road
Wantima South, Vic 3152
Tel: 03-8458 1000
Fax: 03-9459 2087
Web: www.purefruits.com.au

Auditors

Pitcher Partners
Level 6, 161 Collins Street
Melbourne, Vic, 3000

Share Registry

Computershare Investor Services Pty
Limited
Level 12, 565 Bourke Street
Melbourne, Vic, 3000
Tel: (03) 9611 7511
Fax: (03) 9611 5710

Solicitors to the Issue

Tress Cocks & Maddox
Level 9, 469 Latrobe Street
Melbourne, Vic, 3000

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1 TIMETABLE FOR OFFER 1 AND OFFER 2

Offer 1- Bonus Issues of Options

Record Date	4 June 2003
Lodgment of Prospectus with ASIC	24 December 2003
Dispatch of Prospectus	31 December 2003
Allotment of Options	12 January 2004
Holding statements dispatched	15 January 2004
Quotation of Options	16 January 2004

This is an indicative timetable only. The Company (and the ASX if necessary) reserve the right to change the dates without prior notice.

Offer 2- Share Purchase Plan

Entitlement Date	29 December 2003
Offer Opening Date	29 December 2003
Offer Closing Date	27 January 2004
Holding statements dispatched	27 January 2004
Expected Quotation of Shares	2 February 2004

2 IMPORTANT NOTICES

This Prospectus is dated 24 December 2003 and relates to the following offers:

Offer 1- Bonus Issue of Options

A Bonus Issue of 18,474,448 Options to acquire fully paid ordinary Shares in Australian Pure Fruits Limited on the basis of one (1) option for every one (1) Share held as at the Record Date of 4 June 2003.

Offer 2- Share Purchase Plan

A Share Purchase Plan for each Shareholder in the Company to subscribe for a minimum of \$1000 and a maximum of up to \$5000 of Shares at an issue price of \$0.50 per Share to issue a maximum of 1,400,000 Shares and raise a maximum of \$700,000.

This Prospectus was lodged with the ASIC on 24th December 2003 with the consent of all the Directors. Neither ASIC nor the ASX and their respective officers take any responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus (other than Shares issued on the exercise of Options granted under Offer 1) later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information which is not contained in this Prospectus may not be relied upon as having been authorised by the Company in connection with either Offer 1 or Offer 2. Refer to section I1 for details relating to risk factors.

Additional copies of this Prospectus are available from the registered office of the Company.

Certain terms used in this Prospectus have defined meanings which are explained in the Glossary of this Prospectus.

This document is important and it should be read in its entirety. If you are in doubt as to the course of action that you should take, you should consult your stockbroker, solicitor, accountant or other professional adviser without delay.

3 LETTER FROM
THE CHAIRMAN



PETER MCDUGALL
CHAIRMAN

Dear Shareholder,

Offer 1- Bonus Issue of Options

On behalf of the Board of Directors, it gives me great pleasure to confirm a Bonus Issue of one free Option to acquire a fully paid ordinary Share in the capital of the Company, for each one Share held by Shareholders as at the Record Date of 4 June 2003.

The terms of the Issue will be as follows:

- (a) each Option will be issued for nil consideration;
- (b) the Options will be issued on the basis of one (1) Option for every one (1) share held as at 4 June 2003;
- (c) the Options will have an exercise price of thirty (30) cents each;
- (d) the Options will be exercisable on or before 30 May 2008; and
- (e) Australian Pure Fruits Limited will apply for the Options to be listed.

The purpose of the Issue will be firstly to provide Shareholders with a reward for their loyalty and support given to our Company and secondly to enable the Company to raise up to \$5,542,354.40 (before Issue costs), based on all of the 18,474,448 Options to be issued being exercised at thirty (30) cents per Option.

The Bonus Issue was first announced on 27 May 2003 and the Record Date was set at 4 June 2003. The Company is required to make full Prospectus disclosure due to a determination made by ASIC on 30 May 2003. As a consequence the Board resolved that the 30 June 2003 audited accounts should be finalised prior to lodging this Prospectus.

No funds will be raised from the Issue itself.

Any capital raised from the exercise of the Options will be utilised by the Company to fund future business development and expansion.

Shareholders on the Company's register as at 4 June 2003 are not required to take any action to receive the Options.

Offer 2- Share Purchase Plan

The Company has decided to make an offer to Shareholders via a Share Purchase Plan under which Shareholders may apply for shares in the Company up to a maximum of \$5000 and a minimum of \$1000 per shareholder to raise a maximum of \$700,000 and issue a maximum of 1,400,000 Shares under this plan. The Share Purchase Plan issue will be priced at \$0.50 per share. This is the same price that shares were issued to private investors in a Share Placement announced on 17 December 2003 for the issue of 650,000 shares to raise \$325,000 before Issue costs. The Issue price of \$0.50 is approximately a 20% discount to the average traded share price between 1 and 14 December 2003. The funds raised by the recent Share Placement and to be raised by the Share Purchase Plan will be used by the Company for ongoing working capital and to assist the Company in the financing of its expansion program. The Share Purchase Plan is not underwritten.

On behalf of the Board of Directors, I would like to thank all Shareholders for their ongoing loyalty and support.

Yours sincerely,



Peter McDougall
Chairman

DETAILS OF OFFER 1: BONUS ISSUE OF OPTIONS

Purpose of the Bonus Issue

The purpose of this Bonus Issue is to reward Shareholders for their loyalty and support given to the Company.

If all of the Options to be issued pursuant to Offer 1 are exercised, the Company will raise additional funds of \$5,542,334.40. Any funds raised from the exercise of the Options will be utilised by the Company to fund future business development and expansion. No funds will be raised from the Bonus Issue itself.

Options to be Issued

Shareholders will be issued Bonus Options to subscribe for Shares in the Company on the basis of one (1) Option for every one (1) Share in the Company held as at 7pm (EST) on 4 June 2003. Each Option will entitle the holder to subscribe for one Share in the Company, at an exercise price of 30 cents each on or before 30 May 2008.

The number of Options Issued to Optionholders is shown on the Option holding statement which will be dispatched to Optionholders on or about 15 January 2004. Optionholders do not need to take any action to receive the Options.

Further details of the terms and conditions attaching to the Options are set out in the "Additional Information" section.

Entitlement to Bonus Issue Options

On 27 May 2003 the Company announced a Bonus Issue of Options with a Record Date of 4 June 2003. Completion of the Bonus Issue was subject to the Company lodging this Prospectus. Accordingly, the Record Date of entitlement to participate in the Bonus Issue is 4 June 2003.

Issue of Options

The Options to be issued pursuant to this Prospectus will be issued and holding statements dispatched by 12 January 2004.

Australian Stock Exchange Listing

The Company has applied to ASX for quotation of the Options on the Official List of ASX. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as is varied by the ASIC), the issue of the Options will be void and the Company will repay all monies paid by Option holders in consideration of the exercise of their options.

The fact that ASX may grant Official Quotation to the Options and Shares issued as a result of the exercise of Options is not to be taken in any way as an indication of the merits of the Company or the Shares or Options now issued.

Exercise of Options

You may exercise any or all of the Options issued to you pursuant to this Prospectus prior to 7.00 pm EST 30th May 2008 (the expiry date of the Options) by completing an Option exercise form and mailing it to the following postal address:

Australian Pure Fruits Limited
c/- Computershare Investor Services Pty Limited
GPO Box 297EE
Melbourne Vic 3001.

ASIC Class Order Relief

The Company has taken advantage of ASIC Class Order 00/1092 and 02/275 which exempts the Company from Section 717 and 723 of the Corporations Act 2001 to the extent that they require:

- (a) this Prospectus to include or be accompanied by an application form; and
- (b) the Company to only issue Options pursuant to this Prospectus to a person who has submitted an application form distributed with this Prospectus.

The Company is also taking advantage of ASIC Class Order 00/843 and 02/302 which exempts the issue of Options to acquire quoted securities under a disclosure document from being subject to a disclosure period pursuant to Section 727(3) of the Corporations Act.



DETAILS OF OFFER 2 - SHARE PURCHASE PLAN

Purpose of Share Purchase Plan

The Company has decided to make an offer to Shareholders via a Share Purchase Plan under which Shareholders may apply for shares in the Company up to a maximum of \$5000 and a minimum of \$1000 per shareholder to raise a maximum of \$700,000 before issue costs and issue a maximum of 1,400,000 Shares under this plan. The Share Purchase Plan issue will be priced at \$0.50 per share. This is the same price that shares were issued to private investors in a Share Placement announced on 17 December 2003 for the issue of 650,000 shares to raise \$325,000 before Issue costs. The Issue price of \$0.50 is approximately a 20% discount to the average traded share price between 1 and 14 December 2003. The funds raised by the recent Share Placement and to be raised by the Share Purchase Plan will be used by the Company for ongoing working capital and to assist the Company in the finance of its expansion program. The Share Purchase Plan is not underwritten.

Terms and Conditions of Share Purchase Plan

The following sets out the terms and conditions of the Share Purchase Plan. By accepting the offer to purchase shares under the Share Purchase Plan, Shareholders will have agreed to be bound by these terms and conditions and the Company's constitution (a summary of which is contained in the Additional Information section of this Prospectus).

1. This offer of new ordinary shares to all of the Company's shareholders as at 7pm on the 29 December 2003 is made pursuant to the Prospectus issued on 24 December 2003.
2. This offer applies to registered holders of ordinary shares in the Company on the Company's shareholder registry at 7pm on 29 December 2003 with a registered address in Australia and New Zealand. The Company is unable to offer the opportunity to participate to shareholders out of these jurisdictions, as it would not be lawful or practical for such shareholders to participate in the Share Purchase Plan.
3. This offer shall open at 9am AEST on 29 December 2003 ("Opening Date") until, subject to the discretion of the Board, 7pm on 27 January 2004 ("Closing Date"). The Board reserves the right to close the Offer early, or to otherwise vary the Opening Date or Closing Date, without further notice.
4. All new shares issued under the Share Purchase Plan will rank equally with existing fully paid ordinary shares in the Company and will carry the same voting rights, dividend rights and other entitlements at the issue date.
5. Participation in the Share Purchase Plan is at the option of eligible shareholders. The offer under the Share Purchase Plan is non-renounceable. This means that eligible shareholders cannot transfer their rights to purchase shares under the offer to anyone else.
6. The issue price of the shares under the Share Purchase Plan is \$0.50 per share. This is approximately a 20% discount to the average traded share price between 1 and 14 December 2003. The market price may change between the date of the offer and the date when the shares are issued to the shareholders under the Share Purchase Plan, which would affect the value of the shares that the shareholder would receive under the offer.
7. The maximum entitlement for each shareholder is 10,000 shares for a total subscription price of \$5,000. Eligible Shareholders may apply for less than the maximum entitlement, but must apply for at least 2,000 shares (or \$1000 worth of shares).
8. It has been determined by the Board that a maximum number of shares to be issued under the Share Purchase Plan will be 1,400,000 and if the total number of subscriptions received exceeds this number, applications will be accepted on a first in first served basis.
9. Applications received after the Closing Date will not be accepted. If the exact amount of money is not tendered with the application form, the Company reserves the right to return to applicants the application form and cheque and not to issue any shares to applicants. Applicants must forward applications to the Company at the following address:

Australian Pure Fruits Limited
C/-Computershare Investor Services Pty Limited
GPO Box 297EE
Melbourne Vic 3001

10. Shares will be allotted within 10 business days following the Closing date of the offer. The Company will apply for quotation of the Shares on the ASX following issuing of the Shares pursuant to the Share Purchase Plan.

Fees payable to Macquarie Equities Limited

Macquarie Equities Limited managed the private Share Placement of 650,000 shares to raise \$325,000 which was completed on 17 December 2003. The Company agreed to pay Macquarie Equities Limited a fee of 5% of the money raised pursuant to the Share Placement and Share Purchase Plan. If the Share Purchase Plan is fully subscribed the total fees payable to Macquarie Equities Limited will be \$51,250.

ASIC Class Order Relief

The Company has taken advantage of ASIC Class Orders 00/168 and 02/146 which exempts the offering of securities which are in the same class as securities which at the time of lodgement of a Prospectus are quoted on a prescribed financial market, from being subject to a disclosure period pursuant to section 727 (3) of the Corporations Act.

COMPANY OVERVIEW RELEVANT TO BOTH OFFER 1 AND OFFER 2



**Australian Pure
Fruits Ltd**

**On Q Group
Pty Ltd**

**Australian Pure
Fruits (SA)
Pty Ltd**

**DialTime Pty Ltd
Bill EXPRESS**

**MON Beverages
Pty Ltd**

**Aussie Pure
Fruits Pty Ltd**

**cash4biz
Pty Ltd**

**Motor Link Systems
Pty Ltd**

**On Q Technology
Pty Ltd**

**Bill EXPRESS
Pty Ltd**

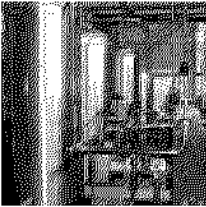
FOOD AND BEVERAGES DIVISIONS

Australian Pure Fruits Limited



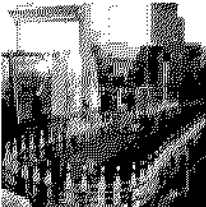
Australian Pure Fruits Limited acquired Australian Pure Fruits (SA) Pty Ltd in November 1999. It owns and operates manufacturing facilities in the Adelaide Hills of South Australia.

These facilities process high quality fruit and vegetable concentrates and pastes (which are used by some of Australia's major food producers), along with a carbonated beverages plant, which was installed new in 1998.



The speciality of the Adelaide Hills operation is its ability to make quality fruit and vegetable pastes to specific criteria, by means of its evaporation under vacuum process which maintains a better quality and appearance than the high volume fruit and vegetable processing competition.

This quality advantage makes the Company's product ideally suited to specific purposes, ie baby foods and other quality directed products.



MON Beverages Pty Ltd.

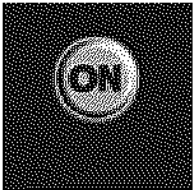
In September 1999 Australian Pure Fruits (SA) Pty Ltd. acquired M.O.N Beverages Pty Ltd. M.O.N was established in 1899 and is a producer of high quality sauces, vinegars, toppings, syrups, tomato products and aerated soft drinks.

The Company has now consolidated its distribution operations of MON Beverages into a more suitable food manufacturing premises in Barooga, New South Wales, where the Company is continuing to draw upon the local produce. The Barooga plant will deliver more efficient production runs and maintain MON's dedication to quality all-Australian products. The Company sells and distributes products to a number of large national retail chains for sales and distribution of products from the Barooga premises which will see continued sales growth during this current financial year.

The expansion of the Company's marketing to include export products into Asia is a handy counter-cyclical market, ie the Asian Summer in the Australian Winter provides production for the Company's drink plant during the Company's down time.

The Company, along with its own range of products, seeks contract packing for other companies, and energetically pursues contract business, from small marketers to the large national retail chains.

ELECTRONIC WAREHOUSING DIVISION



On Q Group

In February 2001, the Company acquired 57% of On Q Holdings Pty Ltd. In August 2002, Company interests were rationalised with the Company moving to 100% control of the On Q Group entities, DialTime Pty Ltd, On Q Technologies Pty Ltd, cash4biz Pty Ltd and MotorLink Systems Pty Ltd. The On Q Group has developed software infrastructure to support the buying and selling of transactions. The transaction processes range from product promotion, inventory, ordering, prepaid telephony and Internet to payment and loyalty transactions.

Core Competencies

The On Q Group's core competencies include the following areas:

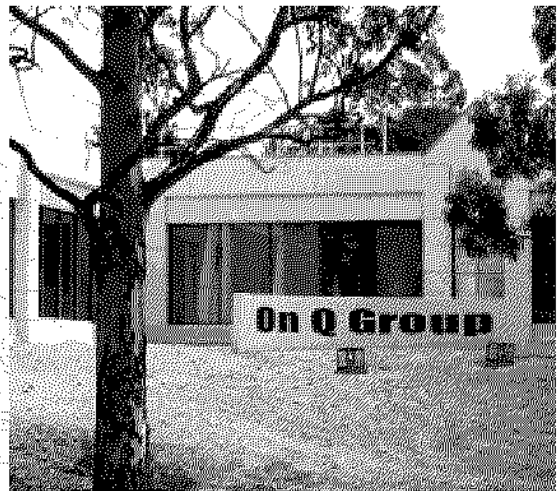
- development, operation and marketing of specialised point of sale systems
- development and operation of high volume, flexible transaction management systems
- design and integration of wide area network equipment management systems
- management of financial settlements systems
- management of high volume receivables transactions
- management of high volume inventory systems
- management of help desk and field support teams
- management of installation teams
- management of account relationship and account management resources

Growth Strategies

DialTime Pty Ltd has recently established a national bill payment system chain as Bill EXPRESS™. The skill sets utilised in the development, marketing and roll-out of our electronic Bill EXPRESS™ business, when focused on our traditional manufacturing business, have a high potential to streamline the business.

List of Benefits and Synergies:

- Improved distribution and increased efficiency in delivering the products, providing more margin for the distributor
- Billing and receivables will be electronic and automated, reducing costs.
- Inventory management of raw materials, work in progress and finished goods to improve.
- There is an overlapping customer base.
- Increased customer service availability.
- Increased margin for the retailer through electronic distribution.



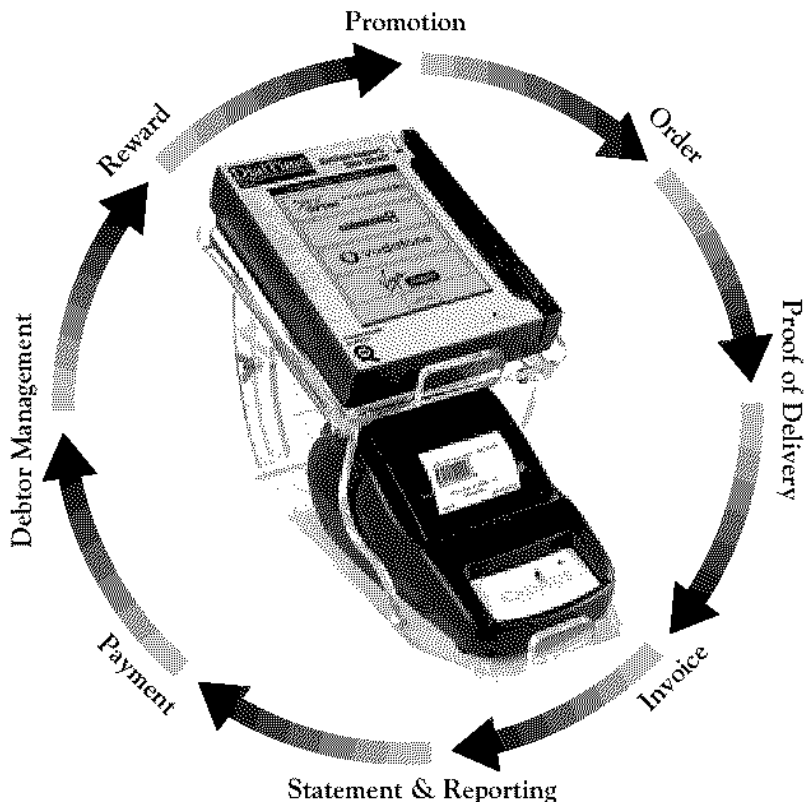
Overview of DialTime & On Q Group "Services Circle"

The "On Q Services Circle" is a representation of the timeless elements of commercial activity. In both real world transactions and on line commerce, these components of commerce are always present in one form or another for business to be done. Each of these components can be supplied by On Q as a stand alone service or together as a complete distribution and supply chain management system.

Summary of the components of commerce:

Promotion

Point of Purchase Screens (POP Screens) are informational and promotional tools - 19" colour LCD screens installed in store at or near the cash register at over 1,000 Newsagents - to communicate with consumers and retailers. These screens are owned by a third party, Point of Purchase Screens Pty Ltd. DialTime Pty Ltd recovers revenue for distribution and management of content for these screens. Content is product and services advertising for bill payment and prepaid services with all content and scheduling managed centrally.



Ordering

Ordering is managed within the terminal processes as the retail shop assistants select the required product from the simple-to-follow touch screen menu.

Proof Of Delivery

The terminal menu process requires the shop assistant to enter in a Staff ID or PIN number before the product is delivered. This entry of a PIN represents a simple and effective proof of delivery.

Invoice

For many retailers, the terminal system generates an invoice at the end of day for all product sold during the day. For other retailers (larger corporate clients such as Coles Myer - 1088 stores with installed terminals, Harvey Norman - 138 terminals and Caltex - over 800 terminals), the terminal generates a delivery docket for the daily sales, and the host system generates detailed weekly invoices that are emailed to the store or the retailer's head office.

Statement and Reporting

Statements are generated and emailed to larger clients that pay on statement. Comprehensive date based Excel based reporting is available via secure website access for retailers and to suppliers to the network.

Payment

The host systems interface with electronic bank payment gateways and manage the collection of funds on the agreed payment terms from client bank accounts. For larger retail clients, payments are via direct credit. The system also accounts for payment to suppliers to the network.

Debtor Management

The host accounting system has advanced debtor management features with automated generation of invoices and detailed statements.

Reward

A flexible, card based loyalty reward system is available to meet the needs of retailers to reward customer purchases and better understand the customers' behaviour. The system allows merchants to distribute cards to their customers that enable the retailer to reward their customer's. Customers then use their accumulated balance to redeem for purchases in participating retailers.



DialTime Pty Ltd.

DialTime Pty Ltd is a specialist distributor of electronic products. The transactions range from prepaid telephony and internet transactions, to payment and loyalty transactions with electronic inventory transactions management. DialTime includes a prepaid product inventory distributions, billing and collections' system that uses the On Q end2end data having, data warehousing, accounting / CRM host and terminal level software to manage both the distribution and the collection of invoiced value between manufacturers and end customers. The system gives retailers automated ordering, delivery and inventory control for prepaid mobile calls, prepaid interstate / international calls and prepaid internet usage with full web based reporting. The software is available either on touch screen terminals or selected retail EFTPOS terminals.

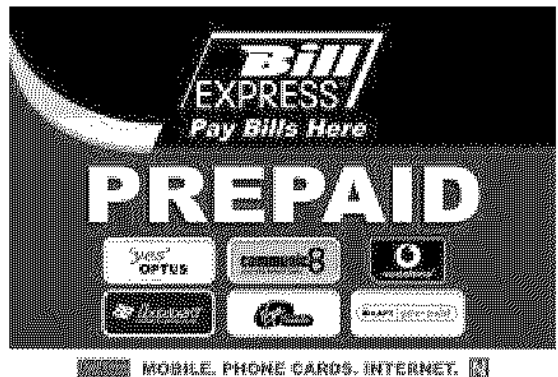
DialTime Pty Ltd has deployed and manages 6,000 strong fleet of networked terminals installed with a range of retailers including K-Mart, Target, Myer, Caltex, and many independents. These terminals are owned by third parties. Many of these sites are 7 days a week / 24 hours a day traders offering convenient and easy access.



Bill EXPRESS™

The services offered to retail customers have been further enhanced with the addition of a new over-the-counter in-person bill payment system, trademarked Bill EXPRESS. Bill EXPRESS is accessing the billing relationships established by Coles Myer, in having purchased the ServiceATM® network (of self service bill payment kiosks) in over 400 Coles Supermarkets across Australia. National and regional Billers, representing telcos, power utilities, Councils and other organisations are committed to the program. Processing the payments involves taking payment from the customer and settling payment from the merchant's account to the Biller account.

Rollout of the Bill Express system, the electronic form of bill payment system is continuing across Australia with in excess of 1000 sites now installed and transacting, with recruitment of further merchants continuing.





cash4biz Pty Ltd

cash4biz also utilises the same On Q end2end data warehousing, accounting / CRM host and terminal level software, and is a customer reward, identification and database management solution. These are designed as off-the-shelf merchant-based loyalty offerings with information capture, loyalty cards, and analysis of customer data from the secure web site. Options exist to reward customers with points to spend like cash with participating merchants. It delivers merchants with a suite of new business opportunities to earn additional income.



MotorLink Systems Pty Ltd

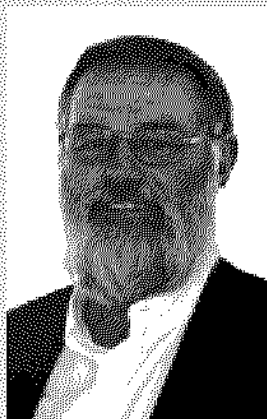
MotorLink provides a fuel and vehicle service charge card for business and private motorists. MotorLink has agreements for the supply of fuel with three major oil companies. Multiple brand options enables customers to utilise MotorLink cards across multiple brands, but get one statement, providing wider freedom of choice, particularly in provincial Australia where fewer brand sites are represented. The MotorLink fuel card was developed to enable small business owners and members of trade, industry and professional bodies, access to the convenience of a dedicated fuel and vehicle charge card previously only available to large corporate organisations. Recording, collating and reporting vehicle expenses can be a costly and time consuming activity for small business. MotorLink has the expertise and systems to ensure that the time spent managing vehicle expenses is maximised.



This convenient, cost effective and simple service provides small business with:

- Access to over 5,000 service stations Australia wide
- A single statement detailing the purchases across multiple brands
- Low card fees, interest free terms, transaction fees
- A variety of payment options - direct debit / cheque / credit card
- No minimum purchase requirements
- A convenient, cost effective and simple management tool for business.

DIRECTORS AND CORPORATE GOVERNANCE



Peter McDougall

**Chairman
Managing Director**

Mr McDougall has marketing and entrepreneurial skills that have been developed over some thirty years commencing as a founding Director and manager of Rachel York Cosmetics, taken over by Mary Kay Cosmetics. He has been a director of various public-listed companies since 1986. His family interests established the Aloe Vera industry in Australia, manufacturing an extensive range of Aloe Vera products from drinks to cosmetics. He formed, listed and managed Sonic Technology now known as Sonic Health until a takeover in 1993. Mr McDougall is a member of the Human Resources Committee. He listed the Company on the ASX on 30th July 1999. He has been the Chairman and Managing Director since that date.



Hal Christiansen

**B.Bus Acc
Executive Director**

Mr H Christiansen is a foundation member of Software Engineering Australia, is a co-founder of the On Q Group, and has in excess of 25 years experience servicing and operating within the Service Station/Oil industry. As a co-founder of On Q, Mr H Christiansen has been instrumental in both the developmental and operational growth of the Group and plays a key role in the processes leading to the strategic development and positioning of new products and business opportunities. Mr H Christiansen is a member of the Operations Committee. He has been a director since 28 February 2001.



Ian Christiansen

**Company Secretary
Executive Director**

Mr I Christiansen is a co-founder of the On Q Group and has a career which has spanned 22 years servicing and operating within the Service Station industry. As general manager of On Q, Mr I Christiansen plays a key role in the operational management of the organisation and has overseen the growth and strategic development of the Group. Having been an initial developer within On Q, he maintains a high level of technical proficiency through which he is able to contribute to product development. Mr I Christiansen is a member of the Operations Committee. He was appointed a director on 21 March 2003, and is the Company secretary.



Julian Little

**B.Comm Economics & Politics
Executive Director**

Mr Little ran his own company acting as the NSW agent for On Q prior to merging his business with the On Q Group in 1998. As the director of On Q responsible for strategic development, Mr Little has been instrumental in the development of new markets and business opportunities across the breadth of the Group's products and services. Mr Little is a member of the Audit and Operations Committees. He has been a director since 28 February 2001.



Dugal McDougall

Non Executive Director

Mr McDougall has been a director of Australian Pure Fruits (South Australia) Pty Ltd since 1996 and has been involved in the growth of the business and diversification into the bottling of high quality drinks and the integration of the M.O.N. business. Mr McDougall is also managing director of Dugal McDougall Motor Sports Pty Ltd and has utilised his sporting profile in specialist marketing presentations to promote the products of the Company. Mr McDougall is a member of the Audit Committee. He has been a director since 30 July 1999.



Tristan Fischer

Executive Director

Mr Fischer brings to the board direct sales experience and currently is the manufacturing and production supervisor in the Food and Beverage division. Mr Fischer is a member of the Human Resources Committee. He was appointed executive director on 4 June 2003.

DIRECTORS AND CORPORATE GOVERNANCE

The Company currently has an Audit Committee, a Human Resources Committee and an Operations Committee of the board of directors.

Members acting on the committees of the board are

Audit

Peter J McDougall
Julian Little
Dugal McDougall
Hal Christiansen

Human Resources

Peter J McDougall
Dugal McDougall
Tristan Fischer

Operations

Peter J McDougall
Hal Christiansen
Ian Christiansen
Julian Little

Composition of the Board

The board of directors of Australian Pure Fruits Limited is responsible for the corporate governance of the Group. The board guides and monitors the business and affairs of Australian Pure Fruits Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors, and for the operation of the board.

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least six directors;
- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available, all necessary information, to participate in an informed discussion of all agenda items.

Audit Committee

The board has established an audit committee which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes and also the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the audit committee are Peter McDougall, Julian Little, Dugal McDougall and Hal Christiansen.

The audit committee is also responsible for:

- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Board Responsibilities

As the board acts on behalf of, and is accountable to, the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways. The responsibility for the operation and administration of the consolidated entity is delegated by the board to the chief executive officer and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the chief executive and the executive team.

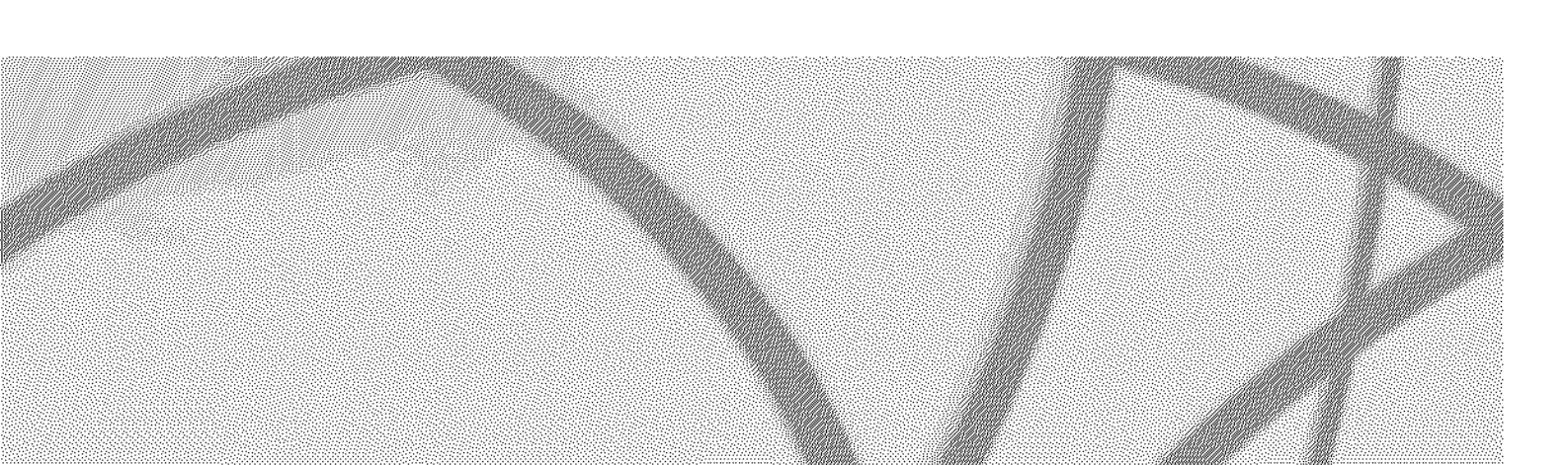
Risk Management

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process and as such the board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the board as a whole and the sub-committee further examines the issue and reports back to the board.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses



the Company's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.

- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators (KPI's) of both a financial and non-financial nature.
- The establishment of an operations committee to report on specific business risks, including for example, such matters as electronic transaction security, environmental issues and occupational health and safety.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairperson. Directors whose performance is unsatisfactory are asked to retire.

The board of directors aims to ensure that the shareholders, on behalf of whom it acts, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report distributed to all shareholders; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

Environmental Regulation and Performance

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory, however the Company has instigated an environmental code of practice as part of the Company's corporate governance practices.

Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The directors currently hold substantial interests in Australian Pure Fruits Limited and therefore wish to maximise the operating results of the Company. All of the executive directors will be remunerated for their services by the Company on terms that are consistent with remuneration paid to executive

directors of public companies of a similar size and industry grouping to the Company.

Corporate Governance

The Company is reviewing the ASX Best Practice Recommendations for the Principles of Corporate Governance. The Company intends to implement the recommendations that it considers are appropriate to its operations.

8 FINANCIAL INFORMATION FOR OFFER 1 AND OFFER 2

THIS SECTION PROVIDES HISTORICAL FINANCIAL INFORMATION OF THE COMPANY FOR THE YEAR ENDED 30TH JUNE 2002 AND 30 JUNE 2003.

PURPOSE OF THE ISSUE

Offer 1 - Bonus Issue of Options

The issue will raise no immediate cash funds as the Options to be issued pursuant to this Prospectus will be issued for free. If all of the Options to be issued under this Prospectus were exercised, the Company would raise additional funds of \$3,742,134.40. Any funds raised will be used to fund future business development and expansion.

Offer 2 - Share Purchase Plan

If this Offer is fully subscribed, it will result in the Company raising \$700,000 and issuing 1,400,000 shares.

EFFECT ON:

CAPITAL STRUCTURE

Set out below is the effect of Offer 1 and Offer 2 on the Company's issued capital:

ISSUED CAPITAL

Upon completion of Offer 1 and Offer 2, the issued capital of the Company will be

Ordinary Shares	Number
Existing Shares at the Lodgement of this Prospectus	22,724,448
Issued pursuant to Offer 2 of this Prospectus (maximum)	1,400,000
Total Ordinary Shares as at 6 February 2004	24,124,448

Options Quoted on ASX

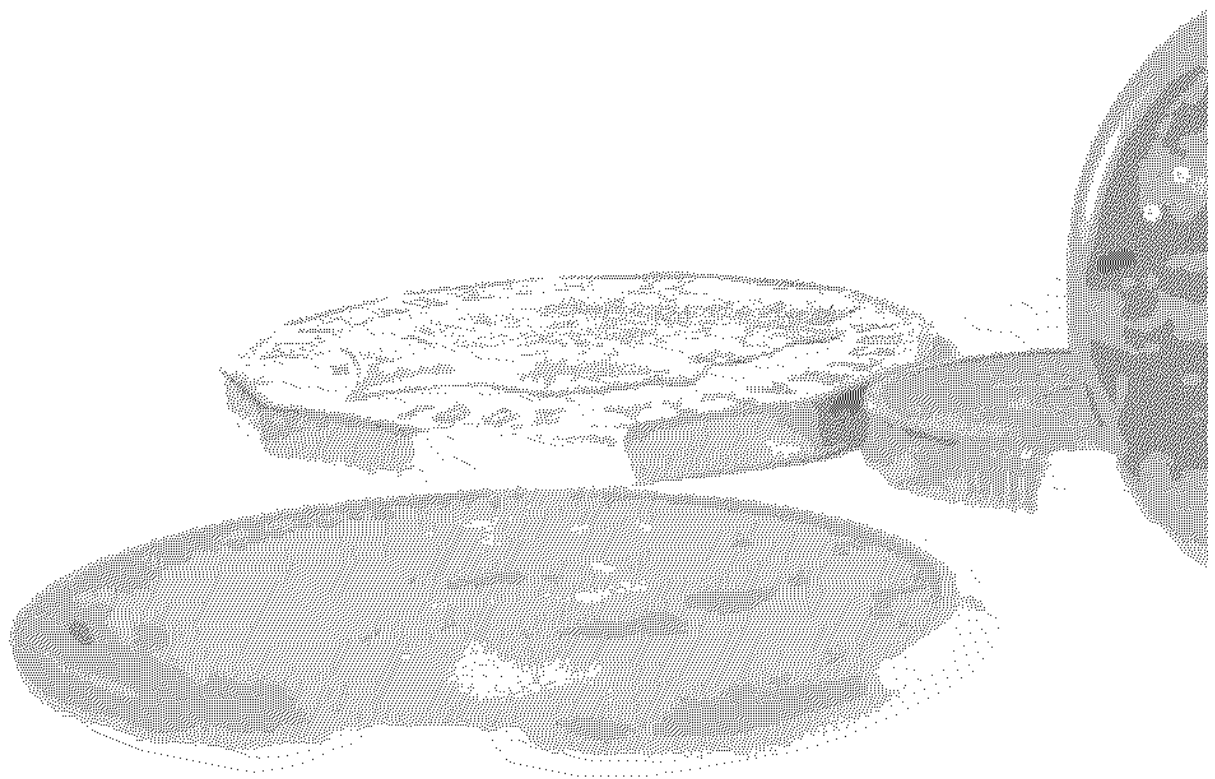
	Number
Record Date	nil
Issued pursuant to Offer 1 of this Prospectus	18,474,448
Total Options as at 12 January 2004	18,474,448

Options Not Quoted on ASX

	Number
Options exercisable at \$0.30 on or before 30 May 2006	3,200,000
Options exercisable at \$0.25 on or before 30 May 2008	960,000

STATEMENT OF FINANCIAL POSITION

Appendix A to this Section 8 contains the Company's audited financial report for the year ending 30 June 2003 which was set out in the Company's Annual Report lodged with ASX on 30 September 2003.



FINANCIAL INFORMATION

APPENDIX A - FINANCIAL REPORT AS AT 30 JUNE 2003. STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2003	Notes	ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
REVENUE FROM ORDINARY ACTIVITIES	2, 3(c)	134,653,389	10,593,579	7,321,712	627,000
Changes in inventories of finished goods and work in progress		2,377,021	(650,796)	-	-
Raw materials and consumables used		(122,075,084)	(5,050,352)	-	-
Depreciation and amortisation expenses	3	(1,596,554)	(497,825)	(7,121)	(2,645)
Borrowing costs expense	3	(132,097)	(128,663)	(100,542)	(125,565)
Salaries and employee benefits expense		(1,946,429)	(1,972,561)	-	-
Termination payments		(239,930)	-	-	-
Goodwill write off	3	(1,341,318)	-	-	-
Brand name write off	3	(300,000)	-	-	-
Carrying amount of investment sold	3(c)	(5,040,000)	-	(5,040,000)	-
Distribution & marketing expenses		(308,266)	(389,649)	(1,168)	(305,625)
Occupancy & office expenses		(272,812)	(310,124)	(35,331)	(31,162)
Professional fees expenses		(164,210)	(206,636)	(151,180)	(206,348)
Bank charges expense		(132,304)	(67,927)	(49,845)	(47,048)
Diminution of investment in subsidiaries	3	-	-	(2,351,363)	-
Other expenses from ordinary activities	3	(2,397,979)	(1,062,969)	(72,824)	(47,774)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,083,427	256,077	(487,662)	(149,157)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	5	-	-	-	-
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		1,083,427	256,077	(487,662)	(149,157)
NET PROFIT		1,083,427	256,077	(487,662)	(149,157)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF AUSTRALIAN PURE FRUITS LIMITED	24	1,083,427	256,077	(487,662)	(149,157)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF AUSTRALIAN PURE FRUITS LIMITED		1,083,427	256,077	(487,662)	(149,157)
Basic earnings per share (cents per share)	25	6.0	1.6		
Diluted earnings per share (cents per share)	25	5.5	1.6		

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2003

	Notes	ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets		12,871,366	65,881	-	377
Receivables	6	6,277,505	3,129,668	116,773	-
Inventories	7	4,075,463	1,836,517	-	-
Other	8	6,279	374,471	1,264	332,383
TOTAL CURRENT ASSETS		23,230,613	5,406,537	118,037	332,760
NON-CURRENT ASSETS					
Receivables	9	-	444,202	8,276,291	4,431,474
Other financial assets	10	-	5,040,000	3,950,000	8,891,363
Property, plant and equipment	11	4,741,211	4,369,418	-	7,121
Intangible assets	12	3,100,893	2,378,789	-	-
Other	13	6,739,372	-	-	-
TOTAL NON-CURRENT ASSETS		14,581,476	12,232,409	12,226,291	13,329,958
TOTAL ASSETS		37,812,089	17,638,946	12,344,328	13,662,718
CURRENT LIABILITIES					
Payables	14	21,965,618	2,935,058	543,616	350,469
Interest-bearing liabilities	15	1,218,484	455,365	15,172	352,000
Provisions	16	184,394	125,238	-	-
Other	17	-	10,900	-	-
TOTAL CURRENT LIABILITIES		23,368,496	3,525,661	558,788	702,469
NON-CURRENT LIABILITIES					
Payables	18	3,537	454,084	3,537	454,084
Interest-bearing liabilities	19	1,756,279	2,051,665	1,500,000	1,736,500
Provisions	20	47,717	54,903	-	-
TOTAL NON-CURRENT LIABILITIES		1,807,533	2,560,652	1,503,537	2,190,584
TOTAL LIABILITIES		25,176,029	6,086,313	2,062,325	2,893,053
NET ASSETS		12,636,060	11,552,633	10,282,003	10,769,665
EQUITY					
Parent entity interest					
† Contributed equity	23	11,441,665	11,441,665	11,441,665	11,441,665
† Retained profits	24	1,194,395	110,968	(1,159,662)	(672,000)
Total parent entity interest in equity		12,636,060	11,552,633	10,282,003	10,769,665
TOTAL EQUITY		12,636,060	11,552,633	10,282,003	10,769,665

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2003

	Notes ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	125,051,544	10,106,753	-	617,000
Payments to suppliers and employees	(111,696,037)	(10,092,738)	(9,731)	(926,823)
Interest received	33,047	-	110	-
Borrowing costs paid	(132,097)	(128,663)	(100,542)	(125,565)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	13,256,457	(114,648)	(110,163)	(435,388)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	12,100	57,000	-	-
Purchase of property, plant and equipment	(11,781)	(105,980)	-	-
Receipts from related parties	-	-	215,790	-
Receipts from subsidiaries	-	-	467,324	253,354
Advances to related parties	(1,435,476)	-	-	-
Cash acquired from acquisition of controlled entities	598,668	-	-	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(836,489)	(48,980)	683,114	253,354
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	394,052	217,165	-	182,000
Repayments of borrowings	-	(46,146)	(588,500)	-
Lease payments	(129,066)	-	-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	264,986	171,019	(588,500)	182,000
NET INCREASE/(DECREASE) IN CASH HELD	12,684,954	7,391	(15,549)	(34)
Add opening cash brought forward	65,881	58,490	377	411
CLOSING CASH CARRIED FORWARD	12,750,835	65,881	(15,172)	377

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except where stated, which does not take into account changing money values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Australian Pure Fruits Limited (the parent entity) and all entities which Australian Pure Fruits Limited controlled from time to time during the year and at balance date.

Control exists where Australian Pure Fruits Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Australian Pure Fruits Limited to achieve the objectives of Australian Pure Fruits Limited.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(d) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis. Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(e) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. All other non-current investments are carried at the lower of cost and recoverable amount.

(f) Inventories

Food and Beverage

Inventories are valued at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in-first-out basis and
- finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Electronic Warehousing

Inventories are valued at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern.

(g) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. The write-down is expensed in the reporting period in which it occurs. In determining recoverable amount, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

FINANCIAL INFORMATION

(h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Cost and valuation

Property:

Freehold land and buildings on freehold land are valued at fair value. It is the policy of the economic entity to have an independent valuation every three years, with annual review by the directors to ensure the carrying amounts does not differ materially from fair value at reporting date. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenue. Revaluation decrements are only offset against revaluation increments relating to this class of asset and any excess is recognised as an expense.

Plant and equipment

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from the assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line and reducing basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates are:	2003	2002
Buildings	2.5%	2.5%
Plant and equipment:	8 - 27%	13 - 40%
Furniture & Fittings	10%	-
Computer Equipment	20%	-

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(j) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition.

Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Trademarks and Brand Names

Trademarks and Brand Names are valued in the accounts at the lower of cost of acquisition and recoverable amount. The carrying value of Trademarks and Brand Names is reviewed annually. Where the Directors are of the opinion that the commercial value of the Trademarks and Brand Names has not been maintained the Trademarks and Brand Names are written down to recoverable amount. Where the commercial value of the Trademarks and Brand Names has been maintained the Trademarks and Brand Names are not amortised as they are considered by the Directors to have an infinite life.

(k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(l) Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

(m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(n) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Food and Beverage:

Revenue is recognised when control of the goods has passed to the buyer.

Electronic Warehousing:

Revenue is recognised on sale of telecommunications products at the value invoiced to retail resellers based upon the substance of the transaction entailing full credit risk to the entity. Such revenue is recognised at the time the products are sold by the retail reseller.

Rendering of Services

Revenue from services is recognised at the time the service is rendered.

Interest

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends

Revenue from dividends and distributions from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from other investments are recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date of control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(p) Income tax

The consolidated entity adopts the liability method of tax effect accounting.

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

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

Where assets are revalued no provision for potential capital gains tax has been made.

As at the date of this report Australian Pure Fruits Limited and its controlled entities have not made an election regarding the Tax Consolidation Regime.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

FINANCIAL INFORMATION

(q) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements, expenses, and revenues arise in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits are charged against profits on a net basis in their respective categories.

(r) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(t) Borrowing Costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Borrowing costs are expensed as incurred.

(u) Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt,

in which case it is deferred and amortised over a period of 5 years.

(v) Acquisitions of assets

All assets acquired, including property, plant and equipment, and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Acquired research and development is only recognised as a separate asset when future benefits are expected beyond any reasonable doubt to be recoverable.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transition costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise they are expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as an interest expense.

STATEMENT OF FINANCIAL PERFORMANCE

30 JUNE 2003

	Notes	ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenue from sale of goods		127,147,741	9,619,298	-	-
Management fees		421,602	467,000	421,602	467,000
License fee					
- Non exclusive license fee for technology		100,000	-	-	-
Interest					
- Other persons/corporations		33,047	-	110	-
Total interest		33,047	-	110	-
Other income		38,899	414,281	-	150,000
Total revenues from operating activities		127,741,289	10,500,579	421,712	617,000
Revenues from non-operating activities					
Proceeds from disposal of property, plant & equipment		12,100	93,000	-	-
Proceeds from disposal of investments	3(c)	6,900,000	-	6,900,000	-
Total revenues from non-operating activities		6,912,100	93,000	6,900,000	-
Total revenues from ordinary activities		134,653,389	10,593,579	7,321,712	617,000
3. EXPENSES AND LOSSES / (GAINS)					
(a) Expenses					
Cost of goods sold		119,698,063	5,701,148	-	-
Depreciation of non-current assets					
- Plant and equipment		474,091	399,979	7,121	2,645
- Buildings		20,417	23,940	-	-
- Office furniture and equipment		12,500	-	-	-
- Computer equipment		10,056	-	-	-
Total depreciation of non-current assets		517,064	423,919	7,121	2,645
Amortisation of non-current assets					
- Goodwill - for six months		24,578	49,156	-	-
- Goodwill on consolidation - for six months		12,000	24,750	-	-
- Research and development costs		1,042,912	-	-	-
Total amortisation of non-current assets		1,079,490	73,906	-	-
Total depreciation and amortisation expenses		1,596,554	497,825	7,121	2,645
Borrowing costs expensed					
- Interest expense - other persons/corporations		132,097	128,663	100,542	125,565
Total borrowing costs		132,097	128,663	100,542	125,565
Bad and doubtful debts expense including movements in provision for doubtful debts - trade debtors		230,880	113,789	-	-
Provision for Diminution of investments		-	-	2,351,363	-
Goodwill write off		1,341,318	-	-	-
Brand name write off		300,000	-	-	-
Operating lease rental					
- minimum lease payments		121,183	159,192	9,260	25,277
Total operating lease rental		121,183	159,192	9,260	25,277
(b) Losses/(gains)					
Net loss/(gain) on disposal of property, plant and equipment		(12,100)	10,817	-	-

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(c) Individually significant expenses / revenues

Profit from ordinary activities before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Proceeds from disposal of investments	2	6,900,000	-	6,900,000	-
Carrying amount of investment sold	10	(5,040,000)	-	(5,040,000)	-
Net gain on disposal of investment		1,860,000	-	1,860,000	-

4. AUDITORS' REMUNERATION

Amounts received or due and receivable by

Pricer Partners for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity		85,000	55,000	55,000	55,000
- other services in relation to the entity and any other entity in the consolidated entity		11,490	50,831	41,490	50,831
		96,490	105,831	96,490	105,831

5. INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:

Prima facie tax on profit from ordinary activities		325,028	76,823	(146,299)	(44,747)
Tax effect of permanent differences					
- Research & Developments concessional deduction		(178,037)	-	-	-
- Non-deductible expenditure		3,488	-	135	-
- Current year tax losses not recognised as a future benefit		(344,515)	-	723,409	11,570
- Depreciation of buildings		-	7,182	-	-
- Amortisation of intangible assets		10,973	22,172	-	-
- Tax losses transferred to controlled entities		-	-	-	33,177
- Tax losses transferred from controlled entity	5(a)	(43,776)	(33,177)	(577,245)	-
- Intangible write offs		497,092	-	-	-
- Reconciliation of carried forward tax losses		(270,253)	(73,000)	-	-
Income tax expense attributable to ordinary activities		-	-	-	-

(a) Tax losses were transferred for \$nil consideration (2002: \$nil).

Income tax losses

Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain

		2,287,403	243,570	-	243,570
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This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

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6. RECEIVABLES (CURRENT)

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Trade debtors	6(b)	6,079,000	2,010,827	-	-
Provision for doubtful debts		(280,269)	(83,314)	-	-
		5,798,731	1,927,513	-	-
Other receivables	6(b)	116,773	-	116,773	-
Amounts other than trade debts receivable from related parties	6(a)				
- Directors and director-related entities					
- director-related		362,001	1,202,155	-	-
		6,277,505	3,129,668	116,773	-
(a) Related party receivables					
Directors and director-related entities					
- director-related	27	362,001	1,202,155	-	-
		362,001	1,202,155	-	-

(b) Terms and conditions

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Sundry debtors and other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.

7. INVENTORIES (CURRENT)

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Raw materials and stores					
- Raw materials at cost		667,152	805,227	-	-
		667,152	805,227	-	-
Work-in-progress					
- At cost		400	1,550	-	-
		400	1,550	-	-
Finished goods					
- Finished Goods at Cost		649,117	1,029,740	-	-
- Electronic Warehousing Inventory at Cost		2,758,794	-	-	-
		3,407,911	1,029,740	-	-
Total inventories at lower of cost and net realisable value		4,075,463	1,836,517	-	-

8. OTHER CURRENT ASSETS

Prepayments		6,279	69,859	1,264	55,383
Other current assets		-	304,612	-	277,000
		6,279	374,471	1,264	332,383

9. RECEIVABLES (NON-CURRENT)

Other receivables	9(a)	-	300,000	-	300,000
		-	300,000	-	300,000
Related party receivables					
Wholly-owned group					
- controlled entities	20	-	-	8,276,291	4,087,274
Directors and director-related entities					
- loans to director-related entities	27	-	144,202	-	64,200
		-	144,202	-	4,131,474
		-	444,202	8,276,291	4,433,474

(a) Other receivables are non-interest bearing.

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30 June 2003	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
10. OTHER FINANCIAL ASSETS (NON-CURRENT)					
<i>Investments at cost comprise:</i>					
Shares					
- Unlisted shares in other entities	10(a)	-	5,040,000	-	5,040,000
- Controlled entities - unlisted					
- Electronic Warehousing segment	2B	-	-	2,450,000	-
- Controlled entities - unlisted					
- Food and Beverage segment	2B	-	-	3,851,363	3,851,363
- Provision for diminution on unlisted shares					
- Food and Beverage segment		-	-	(2,351,363)	-
		-	5,040,000	3,950,000	8,891,363

(a) 2002

Terms and conditions relating to the above investment in Technology Business Holdings Pty Ltd (formerly On Q Holdings Pty Ltd):

- (i) Unlisted shares in other entities did include an investment in Technology Business Holdings Pty Ltd (then a director related entity), of \$5,040,000. Australian Pure Fruits Limited did not control or have significant influence over Technology Business Holdings Pty Ltd as at 30 June 2002. This investment was disposed of during the period.
- (ii) The carrying value of the investment was calculated by the number of Australian Pure Fruits Limited shares issued at the market price at the date of issue, 28 February 2001 (6 million @ 84 cents).

11. PROPERTY, PLANT AND EQUIPMENT	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
<i>Buildings on freehold land</i>					
At fair value	11(b)	740,057	740,057	-	-
Accumulated depreciation		(61,147)	(40,730)	-	-
	11(c)	678,910	699,327	-	-
Total land and buildings		678,910	699,327	-	-
<i>Plant & machinery</i>					
At cost		5,757,070	5,050,630	-	12,485
Accumulated depreciation		(1,843,145)	(1,380,539)	-	(4,364)
	11(c)	3,913,925	3,670,091	-	7,121
<i>Furniture, fixtures and fittings</i>					
At cost		125,000	-	-	-
Accumulated depreciation		(12,500)	-	-	-
	11(c)	112,500	-	-	-
<i>Computer equipment</i>					
At cost		57,626	-	-	-
Accumulated depreciation		(21,750)	-	-	-
	11(c)	35,876	-	-	-
Total plant and equipment		4,062,301	3,670,091	-	7,121
Total property, plant and equipment					
Fair value		740,057	740,057	-	-
Cost and fair value		5,939,696	5,050,630	-	12,485
		6,679,753	5,790,687	-	12,485
Accumulated depreciation and amortisation		(1,938,542)	(1,421,269)	-	(4,364)
Total written down amount		4,741,211	4,369,418	-	7,121

(a) Assets pledged as security

Included in the balances of freehold land and buildings are assets over which first mortgages have been granted as security over bank loans (see note 19). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Assets under Hire Purchase are pledged as security for the associated Hire Purchase liabilities.

The value of assets pledged as securities are:

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Buildings on freehold land		678,910	699,327	-	-
Plant and equipment under hire purchase		611,169	622,068	-	-

(b) Valuations

The fair values of buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

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	Notes	ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
		2003	2002	2003	2002
		\$		\$	
(c) Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
<i>Buildings on freehold land</i>					
Carrying amount at beginning		699,327	-	-	-
Depreciation expense		(20,417)	-	-	-
		678,910	-	-	-
<i>Plant and machinery</i>					
Carrying amount at beginning		3,670,091	7,121	7,121	-
Additions		717,925	-	-	-
Depreciation expense		(474,091)	(7,121)	(7,121)	-
		3,913,925	-	-	-
<i>Office equipment</i>					
Additions through acquisition of entities / operations		125,000	-	-	-
Depreciation expense		(12,500)	-	-	-
		112,500	-	-	-
<i>Computer equipment</i>					
Additions		1,856	-	-	-
Additions through acquisition of entities / operations		44,076	-	-	-
Depreciation expense		(10,056)	-	-	-
		35,876	-	-	-

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12. INTANGIBLES

Notes	Economic Entity		Australian Pure Fruits Limited	
	2003	2002	2003	2002
Goodwill - deemed cost	-	533,200	-	-
Accumulated amortisation	-	(100,312)	-	-
	-	432,888	-	-
Goodwill on consolidation - Electronic Warehousing segment	2,400,000	-	-	-
Goodwill on consolidation - Food and Beverage segment	-	995,000	-	-
Accumulated amortisation - Food and Beverage segment	-	(49,992)	-	-
	2,400,000	945,008	-	-
Brand names & Trademarks - deemed cost	700,893	1,000,893	-	-
	700,893	1,000,893	-	-
	3,100,893	2,378,789	-	-

13. OTHER NON-CURRENT ASSETS

Deferred research and development costs				
- At cost	7,819,088	-	-	-
- Accumulated amortisation	(1,079,716)	-	-	-
Balance at end of year	6,739,372	-	-	-

14. PAYABLES (CURRENT)

Trade creditors	20,893,912	2,281,017	148,048	260,400
Other creditors	1,071,706	654,041	395,568	90,069
	21,965,618	2,935,058	543,616	350,469
Aggregate amounts payable to related parties:				
Other related parties				
- subsidiaries	28	-	226,341	-
	-	-	226,341	-

15. INTEREST-BEARING LIABILITIES (CURRENT)

Hire purchase liability	88,068	89,200	-	-
Borrowings secured by mortgage				
- bank loans	29	799,885	14,165	-
Borrowings secured by floating charge				
- bank overdraft	120,531	-	15,172	-
- bills of exchange and promissory notes	210,000	352,000	-	352,000
	1,218,484	455,365	15,172	352,000

16. PROVISIONS (CURRENT)

Employee benefits	21	184,394	125,238	-
		184,394	125,238	-

17. OTHER CURRENT LIABILITIES

Deferred income	-	10,000	-	-
	-	10,000	-	-

18. PAYABLES (NON-CURRENT)

Other payables	3,537	454,084	3,537	454,084
	3,537	454,084	3,537	454,084
Aggregate amounts payable to related parties:				
Director and director related parties				
- Director related entities	845	454,084	845	454,084
	845	454,084	845	454,084

19. INTEREST-BEARING LIABILITIES (NON-CURRENT)

Hire purchase	94,593	140,311	-	-
Borrowings secured by mortgage				
- bank loans	161,686	174,854	-	-
Borrowings secured by floating charge				
- bills of exchange and promissory notes	1,500,000	1,736,500	1,500,000	1,736,500
	1,756,279	2,051,665	1,500,000	1,736,500

(a) Terms and conditions relating to the above financial instruments

- (i) The bank overdrafts of the parent entity and subsidiaries are secured by a registered first mortgage over certain freehold properties of controlled entities as well as a deed of cross guarantee between Australian Pure Fruits Ltd, Australian Pure Fruits (SA) Pty Ltd, MON Beverages Pty Ltd and Dial Time Pty Ltd.
- (ii) The bank loan is secured by a registered first mortgage given by Australian Pure Fruits (SA) Pty Ltd over the land and buildings situated at Gomeracha Road, Lobethal, South Australia. With further security over the bank facility in Australian Pure Fruits (SA) Pty Ltd provided by a director and director related entities.
- (iii) The commercial bill facility is reviewed annually. The current discount rate is 4.9% (2002: 5.29%)
- (iv) A bank loan facility expires in June 2010. The current rate is 8.4% (2002: 8.4%)
- (v) The following security is provided over the bills of exchange:

Cross guarantee is given between Australian Pure Fruits Limited, Australian Pure Fruits (South Australia) Pty Ltd, M.O.N. Beverages Pty Ltd and Dial Time Pty Ltd

Registered Mortgage Debenture over all the assets and undertakings of Australian Pure Fruits Limited, Australian Pure Fruits (South Australia) Pty Ltd, M.O.N. Beverages Pty Ltd and Dial Time Pty Ltd

A first ranking Registered Mortgage is given by Australian Pure Fruits (SA) Pty Ltd, over the land and buildings situated at Gomeracha Road, Lobethal, South Australia

- (vi) A standard authority to appropriate and set off a Term deposit has been given by Dial Time Pty Ltd as security for a credit facility to purchase electronic PINs.

Notes	Economic Entity		Australian Pure Fruits Limited	
	2003	2002	2003	2002
20. PROVISIONS (NON-CURRENT)				
Employee benefits	21	47,717	54,903	-
		47,717	54,903	-
21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS				
Employee Benefits				
The aggregate employee benefit liability is comprised of:				
Provisions (current)		184,394	125,238	-
Provisions (non-current)		47,717	54,903	-
		232,111	180,141	-

The consolidated entity employed 38 employees as at 30 June 2003 (2002: 32 employees).

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22. CONTINGENT LIABILITIES

(a) Contingent liabilities

Controlled entities

Australian Pure Fruits Ltd has a contingent liability in respect of the acquisition of Dial Time Pty Ltd and its subsidiaries. As a condition of the purchase contract for Dial Time Pty Ltd and its subsidiaries the final purchase price is dependent on the achievement of Sales Revenue Thresholds. The final purchase price can be increased by an amount of up to \$200,000 should the Sales Revenue of Dial Time Pty Ltd exceed a predetermined level. The predetermined level of sales revenue has been reached subsequent to 30 June 2003, resulting in \$100,000 being payable. Refer to Note 30 for details.

Australian Pure Fruits Ltd has a contingent liability of \$500,000 resulting from a cross guarantee and indemnity between Australian Pure Fruits Ltd, Australian Pure Fruits (South Australia) Pty Ltd, M.O.N. Beverages Pty Ltd and Dial Time Pty Ltd in relation to security for the purchasing of electronic warehousing inventory.

23. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid

Notes	Economic Entity		Australian Pure Fruits Limited	
	2003	2002	2003	2002
	11,441,665	11,441,665	11,441,665	11,441,665
	11,441,665	11,441,665	11,441,665	11,441,665

(b) Movements in shares on issue

	2003		2002	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	16,074,448	11,441,665	16,074,448	11,441,665
Issued during the year				
- sale of Technology Business Holdings Pty Ltd	382,000	-	-	-
- bonus share issue	2,018,000	-	-	-
End of the financial year	18,474,448	11,441,665	16,074,448	11,441,665

(c) Share Options

Options over ordinary shares:

A bonus issue of one option over one ordinary share was issued with a record date of 4 June 2003. This issue resulted in 18,474,448 options over ordinary shares being issued. These options have an exercise price of \$0.30, are exercisable on or before 30 May 2008 and the options are non-renounceable. The options are to be listed for quotation on the Australian Stock Exchange subject to the relevant regulatory approval.

(d) Terms and conditions of contributed equity

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

24. RESERVES AND RETAINED PROFITS

Notes	Economic Entity		Australian Pure Fruits Limited	
	2003	2002	2003	2002
Retained profits	1,194,395	110,968	(1,159,662)	(672,000)
(a) Retained profits				
Balance at the beginning of year	110,968	(145,109)	(672,000)	(522,843)
Net profit attributable to members of Australian Pure Fruits Limited	1,083,427	256,077	(487,662)	(149,157)
Total available for appropriation	1,194,395	110,968	(1,159,662)	(672,000)
Balance at end of year	1,194,395	110,968	(1,159,662)	(672,000)

25. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2003	2002
Net profit	1,083,427	256,077
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	1,083,427	256,077
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	18,125,955	16,074,448
Effect of dilutive securities:		
Share options	1,670,293	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	19,796,248	16,074,448

Conversions, calls, subscription or issues after 30 June 2003

Subsequent to reporting date 3,200,000 ordinary shares were issued as consideration for services rendered. Refer to Note 30 for details. These shares have not been included in the calculation of basic EPS or diluted EPS as at 30 June 2003.

Classification of securities as ordinary shares

The following securities have been classified as ordinary shares and included in basic earnings per share:

(a) ordinary shares

Classification of securities as potential ordinary shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share for ordinary shares only:

(a) options over unissued shares issued 28 May 2003.

26. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net profit after tax to the net cash flows from operations

Note	Economic Entity		Australian Pure Fruits Limited	
	2003	2002	2003	2002
Net profit	1,083,427	256,077	(487,662)	(149,157)
Non-Cash Items				
Depreciation of non-current assets	517,064	423,919	7,121	2,645
Amortisation of non-current assets	1,079,490	73,906	-	-
Lease interest reclassified as financing	16,216	-	-	-
Profit on sale of investments recognised as loan movement	(1,860,000)	-	(1,860,000)	-
Bad and doubtful debts expenses	230,880	-	-	-
Goodwill write off	1,341,318	-	-	-
Brand name write off	300,000	-	-	-
Provision for diminution of investments	-	-	2,351,363	-
Net (profit)/loss on disposal of property, plant and equipment	(12,100)	10,817	-	-
Operating income reclassified as movement in investing loan account	-	-	(421,602)	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(4,947,819)	(384,615)	(116,773)	-
(Increase)/decrease in inventory	(2,123,580)	769,278	-	-
(Increase)/decrease in prepayments	367,998	(189,866)	331,119	(242,246)
(Decrease)/increase in trade and other creditors	17,077,977	(244,149)	(30,502)	(42,530)
(Decrease)/increase in deferred income	(10,000)	10,000	-	-
(Decrease)/increase in HP liability	-	(76,890)	-	-
(Decrease)/increase in related party loan trade accounts	143,616	(718,214)	-	-
(Decrease)/increase in employee entitlements	51,970	(44,911)	-	(4,100)
Net cash flow from operating activities	13,256,457	(114,648)	(226,936)	(435,388)

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(b) Reconciliation of cash

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Cash balance comprises:					
- cash on hand		12,871,366	65,881	-	377
- bank overdraft		(120,531)	-	(15,172)	-
Closing cash balance		12,750,835	65,881	(15,172)	377

(c) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities

- bank overdraft	100,000	50,000	-	-
- bank loans	7,225,000	2,304,092	1,500,000	2,114,500

Facilities used at reporting date

- bank overdraft	33,178	-	-	-
- bank loans	2,669,226	2,294,519	1,500,000	2,105,500

Facilities unused at reporting date

- bank overdraft	66,822	50,000	-	-
- bank loans	4,555,774	9,573	-	9,000

(d) Non-Cash Financing and Investing Activities

Hire Purchase Transactions

During the financial year the consolidated entity acquired Plant & Equipment to the value of \$66,000 through a hire purchase agreement. As this transaction had no cash flow effect it has not been included in the statement of cash flows.

(e) Acquisition of Controlled Entity

Australian Pure Fruits Limited acquired 100% of the shares in Dial Time Pty Ltd and its wholly owned subsidiaries effective 1 July 2002. The operating results from that date have been included in the consolidated operating profit. The entity operates an electronic warehousing operation.

	2003
Consideration	\$
- decrease in loan payable to Australian Pure Fruits Ltd by the disposing entity	50,000
	<u>50,000</u>
Fair value of net assets of Dial Time Pty Ltd and its subsidiaries at 01 July 2002:	\$
- cash	598,668
- trade debtors	1,104,739
- inventories	115,365
- property, plant and equipment	169,075
- deferred research & development expenditure	5,408,463
	<u>7,396,310</u>
- loans and other payables	(7,346,310)
	<u>50,000</u>
Net cash effect	
Cash included in net assets acquired	598,668
	<u>598,668</u>

As a condition of the purchase contract for Dial Time Pty Ltd and its subsidiaries the final purchase price is dependent on the achievement of Sales Revenue Thresholds. As at 30 June 2003 a deferred payment amount of \$2,400,000 was recognised for the achievement of Sales Revenue Threshold requirements up to that date. This amount has not been reflected in the above acquisition calculation. A further deferred payment amount has been recognised subsequent to year end and is discussed in Note 30.

(f) Disposal of Controlled Entity

No controlled entities were disposed of during the year.

There were no acquisitions or disposals in 2002.

27. RELATED PARTY DISCLOSURES

Director-related entity transactions

Loans

A short term interest free loan was made to a director-related party in the amount of \$362,001 (since repaid).

Sales and Purchases

Transactions between director-related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

	ECONOMIC ENTITY		AUSTRALIAN PURE FRUITS LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
Australian Pure Fruits (SA) Pty Ltd to Brentwood Pty Ltd				
- Management fees from Brentwood	-	75,000	-	-
- Reimbursement of expense	-	38,472	-	-
- Sale of stock	-	15,192	-	-
MON Beverages Pty Ltd to Brentwood Pty Ltd				
- Royalty & distribution agreement commission on sales	163,602	162,456	-	-
- Sale of stock	30,058	196,008	-	-
- Purchase of stock	-	46,172	-	-
- Management fees	-	14,300	-	-
- Purchase of Plant & Equipment	642,000	-	-	-
MON Beverages Pty Ltd to Aloe Vera Australia Pty Ltd				
- Sale of stock	67,506	(72,748)	-	-
Australian Pure Fruits (SA) Pty Ltd to Aloe Vera Australia Pty Ltd				
- Sale of stock	203,682	351,098	-	-
- Purchase of stock	-	5,125	-	-
Australian Pure Fruits (SA) Pty Ltd to Auldwood Pty Ltd				
- Purchase of stock	-	9,156	-	-
- Sale of stock	-	1,781	-	-
- Distribution agreement commission on sales	-	24,378	-	-
Australian Pure Fruits Ltd from On Q Business Pty Ltd				
- Management fees	150,000	95,000	150,000	-
- Commission on financing package	-	150,000	-	150,000
Australian Pure Fruits Ltd from Aloe Vera Australia Pty Ltd				
- Management fees	108,000	72,000	108,000	72,000

Aggregate amounts receivable from, and payable to the director-related parties are detailed in Notes 6, 9, 14 and 18 respectively.

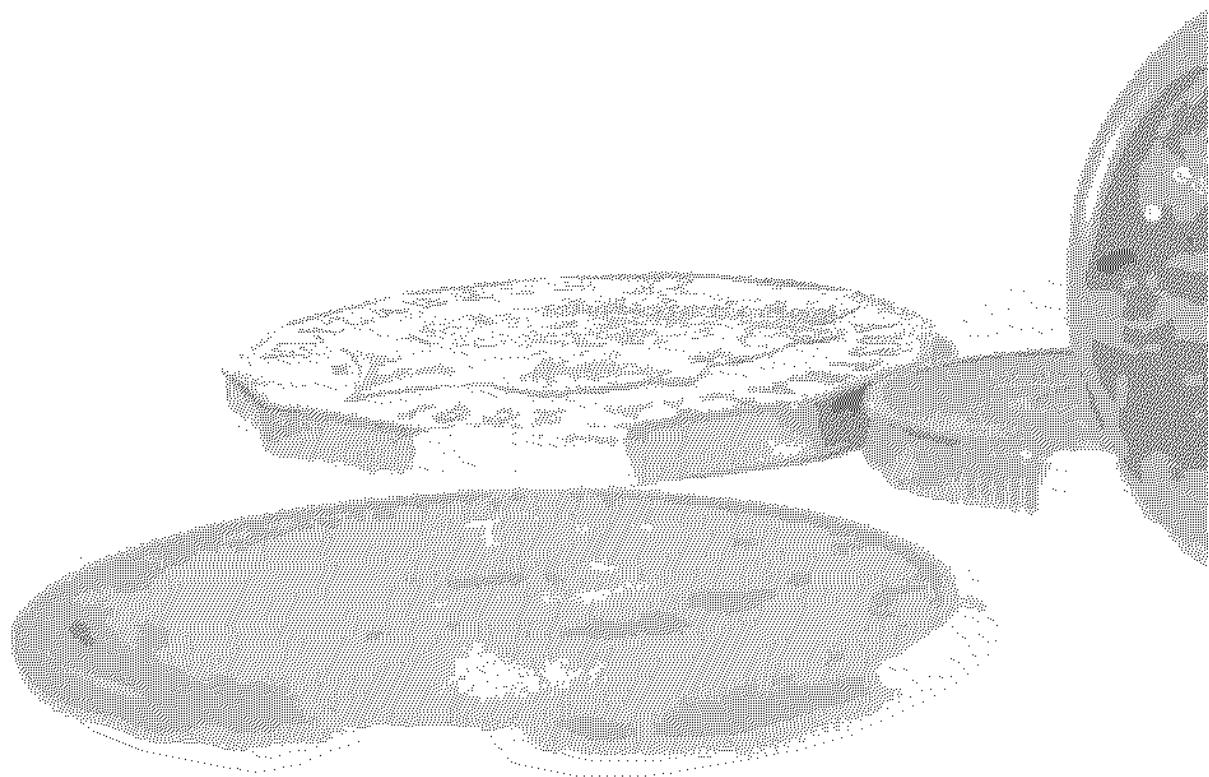
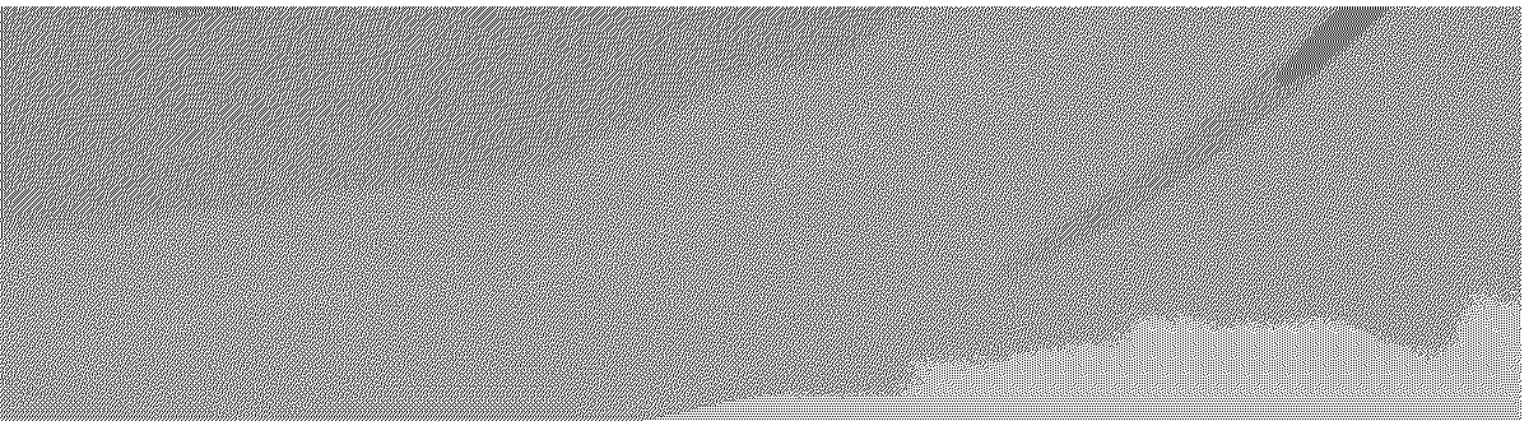
FINANCIAL INFORMATION

28. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity	
		2003	2002
		%	%
Australian Pure Fruits (SA) P/L	Australia	100	100
MON Beverages Pty Ltd	Australia	100	100
Ozzie Juices Pty Ltd	Australia	100	100
Ozzie Pure Foods P/L (formerly Ozzie Foods P/L)	Australia	100	100
Ozzie Pure Fruits Pty Ltd	Australia	100	100
Aussie Pure Fruits Pty Ltd	Australia	100	100
On Q Group Pty Ltd	Australia	100	100
DialTime Pty Ltd	Australia	100	-b
On Q Technology Pty Ltd	Australia	100	-a
Motorlink Systems Pty Ltd	Australia	100	-a
Cash4Biz Pty Ltd	Australia	100	-a

(a) These investments are held by Dial Time Pty Ltd.

(b) This investment is held by the On Q Group Pty Ltd.



FINANCIAL INFORMATION

29. FINANCIAL INSTRUMENTS

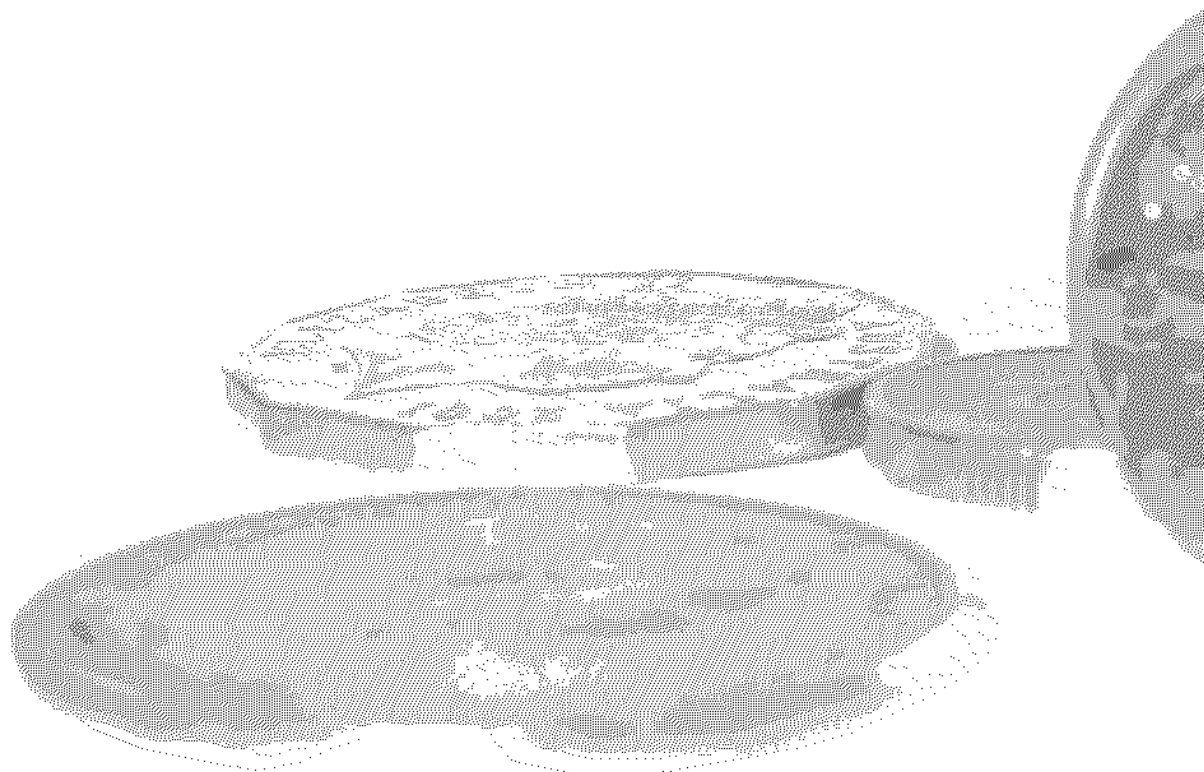
29(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Fixed interest rate maturing in:

Financial Instrument	Floating interest rate		1 year or less		Over 1 to 5 years	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
<i>(i) Financial assets</i>						
Cash	11,699,393	65,881	500,000	-	-	-
Trade and other receivables	-	-	-	-	-	-
Receivables - director related entities	-	-	-	-	-	-
Unlisted shares	-	-	-	-	-	-
Total financial assets	11,699,393	65,881	500,000	-	-	-
<i>(ii) Financial liabilities</i>						
Bank overdraft	120,531	-	-	-	-	-
Trade creditors	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
Hire purchase liability	-	-	88,068	89,200	94,593	140,311
Bills of exchange and promissory notes	-	-	1,710,000	2,088,500	-	-
Bank and other loans	-	-	799,885	-	161,686	189,019
Payable - director & director related parties	-	-	-	-	-	-
Employee benefits	232,111	180,141	-	-	-	-
Total financial liabilities	352,642	180,141	2,597,953	2,177,700	256,279	329,330

2003	More than 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2002	2003	2002	2003	2002	2003	2002	2003
\$	\$	\$	\$	\$	\$	\$	%	%
-	-	671,973	-	12,871,366	65,881	2.4	2.5	
-	-	5,915,504	2,227,513	5,915,504	2,227,513	-	-	
-	-	362,001	1,346,357	362,001	1,346,357	-	-	
-	-	-	5,040,000	-	5,040,000	-	-	
-	-	6,949,478	8,613,870	19,148,871	8,679,75	-	-	
-	-	-	-	120,531	-	12.0	-	
-	-	20,893,912	2,281,017	20,893,912	2,281,017	-	-	
-	-	1,074,398	1,108,125	1,074,398	1,108,125	-	-	
-	-	-	-	182,661	229,511	9.2	9.0	
-	-	-	-	1,710,000	2,088,500	4.9	5.3	
-	-	-	-	961,571	189,019	7.8	8.6	
-	-	845	-	845	-	-	-	
-	-	-	-	232,111	180,141	4.4	4.9	
-	-	21,969,155	3,389,142	25,176,029	6,076,313			



FINANCIAL INFORMATION

29(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values, except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value (i), (ii)	
	2003 \$	2002 \$	2003 \$	2002 \$
Financial assets				
Unlisted shares	-	5,040,000	-	Refer 29 (b) (i)

(i) Financial assets carried at an amount in excess of net fair value

Australian Pure Fruits Limited was unable to determine the fair value of the investment in Technology Business Holdings Pty Ltd as at 30 June 2002. The investment was valued at cost. Refer note 10.

(ii) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments:

The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables, trade creditors and dividends receivable:

The carrying amount approximates fair value.

Short-term borrowings:

The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans receivable:

The fair values of long-term loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Long-term bank borrowings and debentures:

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

29(c) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

30. SUBSEQUENT EVENTS

(a) 2003

As discussed at Note 26 (e) as a condition of the purchase contract for Dial Time Pty Ltd and its subsidiaries the final purchase price is dependent on the achievement of Sales Revenue Thresholds. Subsequent to 30 June 2003 a further deferred payment amount of \$100,000 was recognised for the achievement of Sales Revenue Threshold requirements. A contingent liability exists under the terms of the purchase contract and this is discussed further at Note 22.

On 10 August 2003 at a general meeting of shareholders a motion was approved to issue 3,200,000 shares in Australian Pure Fruits Limited for the consideration of the development of software used by the company to operate the Bill Express service.

The financial effect of each of the above events has not been recognised.

(b) 2002

Subsequent to year end Australian Pure Fruits Ltd entered into an agreement to acquire 100% of the shares of Dial Time Pty Ltd.

Dial Time gives merchants automated ordering, delivery and inventory control for pre-paid mobile, landline and internet services. The acquisition involved the payment of \$50,000 for the shares, along with a management contract where On Q will manage the operations of the Dial Time business and retain the right to earn a profit share of up to \$2.6 million during the next 30 months.

Dial Time electronic terminals are the preferred equipment in many national chain stores and a multitude of smaller retail outlets. Dial Time occupies a significant profile in the rapidly expanding market of prepaid electronic transactions. This innovation of the prepaid electronic phone billing is a rapidly expanding section of the telephony market.

Subsequent to year end, on 16 August 2002, 382,000 shares were issued to the investors of On Q. The basis of the issue was a share swap for 955,000 On Q shares. The swap of 955,000 On Q to 382,000 APF Ltd shares was on the same terms and conditions as the Founders share swap that occurred in February 2001.

Subsequent to year end, on 23 August 2002, it was resolved by the directors to issue bonus shares. Details of the bonus share issue were approved at the Annual General Meeting in October 2002.

31. EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

(i) Operating leases (non-cancellable):

	Notes	Economic Entity		Australian Pure Fruits Limited	
		2003	2002	2003	2002
Minimum lease payments					
- not later than one year		-	143,012	-	-
- later than one year and not later than five years		-	155,930	-	-
- aggregate lease expenditure contracted for at reporting date		-	298,942	-	-
Aggregate expenditure commitments comprise:					
Aggregate lease expenditure contracted for at reporting date		-	298,942	-	-

Notes

(b) The consolidated entity previously leased property under non-cancellable operating leases expiring in under 5 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

FINANCIAL INFORMATION

32. REMUNERATION OF DIRECTORS

For the year ended 30 June 2003 the total remuneration to directors was Nil (2002: Nil).

For the year ended 30 June 2003 the total executive remuneration was Nil (2002: Nil).

33. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide, with each segment offering different productions and serving different markets.

The Food and Beverage segment is involved in the manufacture and marketing of high quality shelf stable vegetable and fruit products, carbonated beverages, premium fruit juices and manufactured foods.

The Technology (Electronic Warehousing) division is involved in the management and development of automated ordering, delivery and inventory control for pre-paid mobile, landline and internet services.

The "other" segment includes revenue and expenses associated with general head office activities. Geographically, the group operates predominately in Australia.

Segment accounting policies

The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

33. SEGMENT INFORMATION - PRIMARY SEGMENT

Business segments

	Food and Beverage	Food and Beverage	Electronic Warehousing
	2003	2002	2003
	\$	\$	\$
Revenue			
- Sales to customers outside the consolidated entity	8,575,850	10,557,579	118,722,889
- Intersegment revenues	251,636	-	-
Total segment revenue	8,827,486	10,557,579	118,722,889
Non-segment revenues			
Unallocated revenue	220	-	32,718
Total consolidated revenue			
Results			
Segment result	(2,366,552)	256,077	2,281,869
Individually significant items			
- Goodwill write off	907,818	-	-
- Brand name write off	50,000	-	-
- Carrying amount of investment sold	-	-	-
- Provision for Diminution of investment	-	-	-
Unallocated expenses			
Consolidated entity profit from ordinary activities before income tax expense			
Income tax expense			
Consolidated entity profit from ordinary activities after income tax expense			
Extraordinary item			
Net profit			

Electronic Warehousing	Food and Beverage Other	Eliminations Economic Segment	Economic Entity	Economic Entity
2002	2003	2003	2003	2002
\$	\$	\$	\$	\$
-	-	-	127,298,739	10,557,579
-	-	(251,636)	-	-
-	-	(251,636)	127,298,739	10,557,579
-	7,321,712	-	7,354,650	-
-	-	-	134,653,389	10,557,579
-	(487,662)	1,655,772	1,083,427	256,077
-	-	433,500	1,341,318	-
-	-	250,000	300,000	-
-	5,040,000	-	5,040,000	-
-	2,351,363	(2,351,363)	-	-
-	-	-	1,083,427	256,077
-	-	-	1,083,427	256,077
-	-	-	1,083,427	256,077

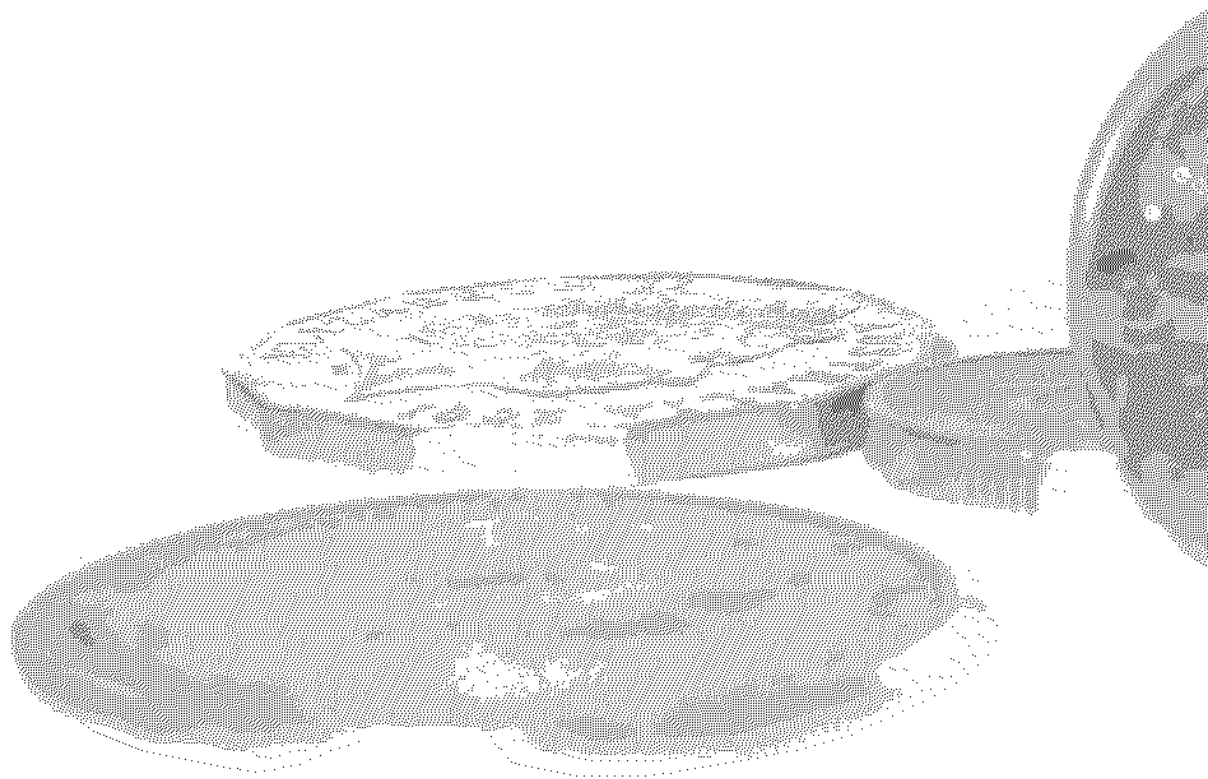
FINANCIAL INFORMATION

33. SEGMENT INFORMATION - PRIMARY SEGMENT (cont'd)

Business segments

	Food and Beverage 2003 \$	Food and Beverage 2002 \$	Electronic Warehousing 2003 \$
Assets			
Segment assets	8,756,188	17,638,946	27,724,134
Non-segment assets			
Unallocated assets			
Total assets			
Liabilities			
Segment liabilities	7,183,804	6,086,313	25,392,362
Non-segment liabilities:			
- Non-allocated liabilities			
Total liabilities			
Other segment information:			
Acquisition of property, plant and equipment, intangible assets and other non-current assets	717,925	-	1,856
- Depreciation	487,387	423,919	22,556
- Amortisation	24,578	73,906	1,042,912
Non-cash expenses other than depreciation and amortisation	957,818	-	-

Electronic Warehousing	Other	Eliminations Food and Beverage Segment	Economic Entity	Economic Entity
2002	2003	2003	2003	2002
\$	\$	\$	\$	\$
	12,344,328	(11,012,561)	37,812,089	17,638,946
			-	-
			37,812,089	17,638,946
	2,062,326	(9,462,463)	25,176,029	6,086,313
			-	-
			25,176,029	6,086,313
	-	2,450,000	3,169,781	-
	7,121	-	517,064	423,919
	-	12,000	1,079,490	73,906
	6,891,363	683,500	8,532,681	-



9 FINANCIAL REVIEW AND ASSUMPTIONS FOR OFFER 1 AND OFFER 2

FINANCIAL INFORMATION

The forecast for the 12 month period ending the 30th of June 2004 has been prepared by the directors, and represents their best estimates of likely results. However by their very nature, forecasts are subject to significant uncertainties and contingencies, many of which are outside the control of the Company and its directors. These uncertainties include general economic and political factors and the actions of competitors. Events and circumstances often do not occur as anticipated and therefore actual results may differ from the forecast and these differences may be material. Accordingly, the directors cannot and do not guarantee that the forecast will be achieved.

FINANCIAL REVIEW AND ASSUMPTIONS

The forecast must be read in conjunction with this prospectus in its entirety, and in particular after reviewing the assumptions, the sensitivity analysis, risk factors, and the report by the Directors.

1. General Assumptions

The Statement of Movement in Equity and Cash Flow set out at 9.2 below assumes that the Share Purchase Plan will be fully subscribed and Shareholders will exercise prior to 30 June 2004, the Bonus Options that are to be issued pursuant to Offer 1.

If all of the Bonus Options were exercised, the cash flow would be \$5,544,334.40 (before issue costs) and the effect of those monies being received before 30 June 2004, on the financial position of the Company, would be additional amounts as follows:

Cash Assets (Funds)	\$5,544,334.40
Contributed Equity	\$5,544,334.40

If all the Share Purchase Plan was exercised, the cash flow would be \$700,000.

If all the options allocated as a commercial settlement was exercised, the cash flow would be \$240,000.

If all the options to Directors was exercised, the cash flow would be \$1,080,000.

There will be no significant change to the prevailing industrial, political, or economic conditions in Australia.

There will be no significant change to the current income tax legislation.

There are no material beneficial or adverse effects from changes in technology.

2. Revenue from Ordinary Activities

The Directors are forecasting revenue from ordinary activities of \$321 million for the financial year ending 30 June 2004. The sales forecast is based upon analysing each of the Company's expected monthly sales by product category at each location. This is after taking into account actual sales and sales growth for the 12 months ended 30 June 2003 and taking into account the current market conditions. No effect of the Bill Express transaction fee has been incorporated in the forecast as there was only one month's transactions in the previous financial year.

3. Salaries

Salaries have been forecast to increase by 4% for the financial year 2004.

Turnover of professional and administrative staff is assumed to be consistent with historical rates.

4. Other Costs

Operating expenses, marketing costs, overheads and corporate costs have been based upon the Directors' assessment, according to historical expenditure levels and anticipated requirements, having regard to forward production projections and technology requirements.

Occupancy costs to remain constant in the food and beverage division with a 4% increase in the technology arm of the Company.

5. Dividend

No dividends will be payable in the current year.

6. Sensitivity Analysis

The forecast for the year is based upon certain economic and business assumptions about future events. The Operating Profit before Tax is sensitive in varying degrees to movement in a number of key business drivers. A summary of the effect that variations in key assumptions may have on the forecast is shown in the table below. Care should be taken in interpreting these sensitivities. The sensitivities are shown in isolation whereas in most cases the variations are inter-dependant. The effects of movement in a variable may be offset or compounded by

movements in other variables. The effect on the Operating Profit before Tax presented for each sensitivity is not intended to be indicative or predictive of the likely range of outcomes to be experienced with respect to each sensitivity.

The following sensitivities summarise the financial effect of changes in the specified variables for the Forecast Period to the 30th June 2004

	% Change	Impact on Operating Profit before Tax 2004 Forecast (\$'000s)
Sales (Volume)	+/- 1%	+/- 80
Gross Margin	+/- 1%	+/- 139 (Food and Beverage division only)

The Directors believe the results of a tender for hardware and software will be announced late in January 2004, and are reasonably confident of being awarded the contract.

Full year effect of this transaction would be as follows:

	Change (\$'000s)	Impact on Operating Profit before Tax 2004 Forecast (\$'000s)
Sales	\$5,200	
Net Profit before Tax		\$2,340

9.1 Statement of Financial Performance

Below is the actual audited Financial Performance for the years ended 30th June 2001, 2002 and 2003, together with pro forma figures for the year ended 30th June 2004.

	2004 Forecast	2003	2002	2001
	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities	321,486	127,753	10,594	13,417
Proceeds from disposal of investments		6,900		
Changes in inventories of finished goods and work in progress		2,377	(651)	22
Raw materials and consumables used	(311,556)	(122,075)	(5,050)	(7,182)
Employee Benefit Expense	(3,245)	(1,946)	(1,973)	(2,347)
Depreciation and amortisation expense	(2,227)	(1,597)	(498)	(530)
Borrowing costs expense	(196)	(132)	(129)	(299)
Termination payments		(240)		
Goodwill write off		(1,341)		
Brand name write off		(300)		
Carrying amount of investment sold		(5,040)		
Other expenses from ordinary activities	(2,245)	(3,276)	(2,037)	(3,179)
Profit from ordinary activities before income tax expense	2,017	1,083	256	(97)
Income tax expense relating to ordinary activities	0	0	0	0
Profit from ordinary activities after income tax expense	2,017	1,083	256	(97)
Net profit	2,017	1,083	256	(97)
Net profit attributable to members of Australian Pure Fruits	2,017	1,083	256	(97)
Total changes in equity other than those resulting from transactions with owners as owners attributed to members of Australian Pure Fruits	2,017	1,083	256	(97)
Basic earnings per share (cents per share)	4.314	6.000	1.600	(0.010)
Diluted earnings per share (cents per share)	4.314	5.500	1.600	(0.010)

9.2 Statement in Movement in Equity and Cash Flow

	Contributed Equity		Cash Assets	
	Change Number	Cumulative Number	Change \$	Cumulative \$
01/7/ 2003 Opening Balance		18,474,448		
24/9/03 Shares to Equip Rentals P/L	2,300,000	20,774,448		
24/9/03 Shares to Winword Mack Production P/L	900,000	21,674,448		
17/12/03 Share Placement	650,000	22,324,448	\$ 325,000	\$ 325,000
24/12/03 Directors shares ex Options Directors Tranche 1	400,000	22,724,448	\$ 120,000	\$ 445,000
Forecast				
30/6/04				
Share Purchase Plan	1,400,000	24,124,448	\$ 700,000	\$ 1,145,000
Options allocated as commercial settlement	960,000	25,084,448	\$ 240,000	\$ 1,385,000
Options Directors Tranche 1	600,000	25,684,448	\$ 180,000	\$ 1,565,000
Options Directors Tranche 2	2,600,000	28,284,448	\$ 780,000	\$ 2,345,000
Bonus Options	18,474,448	46,758,896	\$ 5,542,334	\$ 7,887,334
Cost Of Issue			-\$ 143,250	\$ 7,744,084

10

INDEPENDENT ACCOUNTANTS
REPORT ON FINANCIAL
FORECASTS FOR OFFER 1
AND OFFER 2

DMR CORPORATE

DMR

D M R Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
Victoria 3000 Facsimile (03) 9629 4598
Australia Email admin@dmrcorporate.com.au

24 December 2003

The Directors
Australian Pure Fruits Ltd
Suite 5
97 Lewis Road
Wantirna South
VIC 3152

Dear Sirs,

RE: Independent Review of Directors' Financial Forecasts

1. Introduction

This report has been prepared at the request of the Directors of Australian Pure Fruits Limited ("the Company") for inclusion in a Prospectus to be dated on or about 24 December 2003 for a non-renounceable bonus issue of 18,474,448 free options (Offer 1) and the issue of up to 1,400,000 shares pursuant to a Share Purchase Plan to raise a maximum of \$700,000 (Offer 2).

Every shareholder as at the record date of 4 June 2003 will receive one free option for every share held. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at a subscription price of \$0.30 on or before 30 May 2008.

Shareholders are also being invited to subscribe for a minimum of \$1,000 and a maximum of up to \$5,000 of shares at an issue price of \$0.50 per share. The maximum aggregate subscription pursuant to this Offer is \$700,000, or 1,400,000 shares.

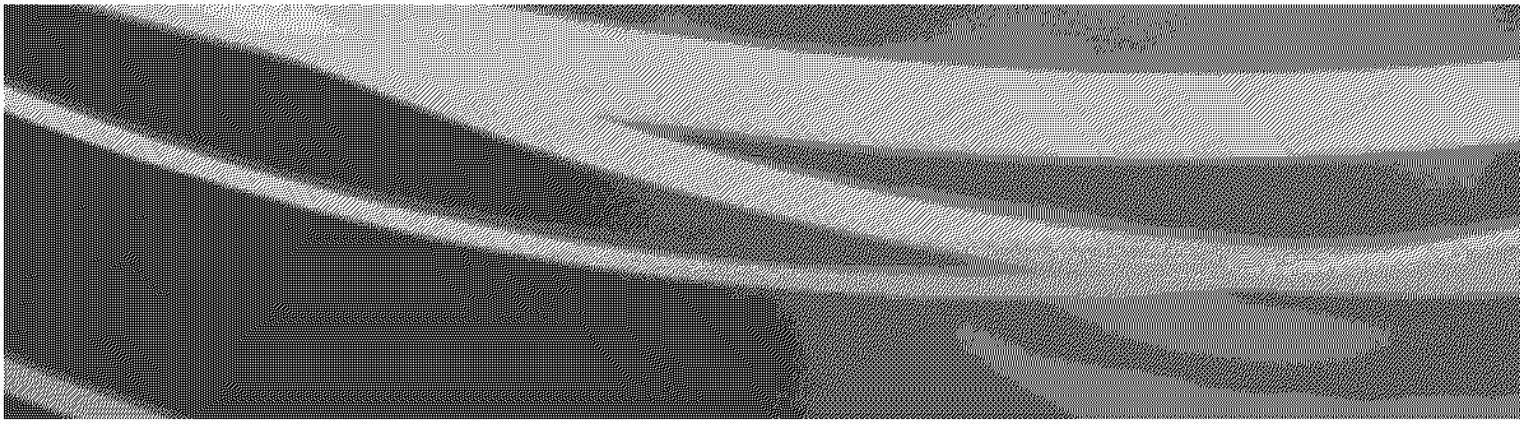
The directors have advised us that the issue of the 18,474,448 options exercisable at \$0.30 per option is to provide shareholders with a reward for their loyalty and support given to the Company and also to enable the Company to raise up to \$5,542,334.40, based on all of the options being exercised. Any capital raised from the exercise of the options and the Share Purchase Plan will be utilised by the Company for ongoing working capital and to assist the Company in the funding of its expansion program.

Expressions defined in the Prospectus have the same meaning in this report.

2. Scope of Review

In accordance with Australian Auditing Standards appropriate to review engagements (AUS 902), you have requested DMR Corporate Pty Ltd ("DMR Corporate") to review the forecast financial information set out in Section 9 to determine whether, in all material respects:

- the methodology by which the profit forecasts were prepared was reasonable;
- the forecasts have been properly prepared on the basis of the stated assumptions;



DME

- the assumptions are reasonable and provide reasonable grounds for the preparation of the profit forecasts;
- the information itself is reasonable; and
- the forecasts are prepared on a basis consistent with the accounting policies stated in Section 8 of the Prospectus.

We have conducted an independent review of the forecasts in order to express an opinion on them to the Directors. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecasts and the evaluation of accounting policies. These procedures have been undertaken to form an opinion as to whether anything has come to our attention which causes us to believe that the Directors' assumptions do not provide a reasonable basis for the preparation of the forecasts, and whether, in all material respects, the forecasts are properly prepared and are presented on a basis consistent with the accounting policies adopted.

Our review was substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit and accordingly we do not express an audit opinion on the forecasts included in the Prospectus.

The opinion expressed in this report has been formed on the above basis.

3. Statement on Directors' Forecasts

The forecasts have been prepared by the Directors to provide investors with a guide to the potential future profitability of the Company, based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of forecasts.

The Directors are responsible for the establishment of adequate procedures to identify, appraise and manage the risks set out in Section 11 of the Prospectus. Investors should also have regard to these risk factors.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Directors and the Company. If events and actions do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the forecasts.

Accordingly, we do not express an audit opinion on the forecasts, nor can we confirm or guarantee the achievements of the forecasts, as future events, by their very nature, are not capable of independent substantiation.



DMR

4. Opinion

Based on our examination of the evidence supporting the financial forecasts, nothing has come to our attention, which causes us to believe that the following statements are incorrect:

- the methodology by which the profit forecasts were prepared was reasonable;
- the forecasts have been properly prepared on the basis of the stated assumptions;
- the assumptions are reasonable and provide reasonable grounds for the preparation of the profit forecasts;
- the information itself is reasonable; and
- the forecasts are prepared on a basis consistent with the stated accounting policies.

5. Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

6. Declarations

DMR Corporate is the holder of an Australian Financial Services Licence pursuant to Section 913B of the Act.


DMR Corporate does not have any pecuniary interests that would reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter.

The Company has agreed to indemnify DMR Corporate and its staff from any claims arising out of any misstatement or omission in any material supplied by the Company.

Yours faithfully



Paul Lom
Director



11 RISK FACTORS FOR OFFER 1 AND OFFER 2

General Risks

The following matters, as well as others described elsewhere in the Prospectus, should be considered by each Optionholder or Shareholder before they decide how to act with respect to Offer 1 and Offer 2. While the Directors will use prudent management to minimise risks to Security holders, Security holders should consider that actual operating performance may be affected by a number of business risks and may vary significantly from any forecasts or other estimates and expectations. Security holders should be aware that there are risks associated with any investment in the stock market. The value of the Company's Shares and Options can be expected to fluctuate depending upon various factors including general worldwide economic conditions and general stock market conditions as well as the performance of the Company.

There are a number of risk factors, both specific to the Company and relating to the general business environment, which may impact upon the operating performance and financial position of the Company. Some of these risks can be mitigated by the use of contingency plans and safeguards, however, many are outside the control of the Company and cannot be mitigated.

Risk factors include, but are not limited to:

Dependence on General Economic Conditions

The Company, like all businesses, is affected by general economic conditions including the level of interest rates, inflation and consumer spending. Any prolonged downturn in economic activity could be expected to have a negative impact on the Company. As a Company having a smaller market capitalisation, the market in the Company's securities may suffer periods of illiquidity.

Loss of Key Clients

The Company has a number of important client relationships. The loss of one or more key clients is likely to adversely affect the operating results of the Company.

Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company is substantially dependent upon its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or a number of these employees cease their employment.

The Company's future success also depends upon its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect upon the Company's business, results of operations and financial condition.

New Products

The long term growth of the Company is dependent upon its ability to develop and successfully commercialise new products.

Technological Developments

A failure by the Company to adapt to technological developments could lead to a loss of opportunities and adversely impact the Company's operating results and financial position.

Competition

There can be no assurance given in respect of the Company's ability to continue to compete profitably in the competitive markets in which the Company operates. The potential exists for change in the competitive environment in which the Company operates.

Management of Growth

The expansion of the Company will depend upon the ability of management to implement and successfully manage the Company's growth strategy. Further, the Company may, in the future, make acquisitions. The capacity of the Company to manage and properly integrate those acquisitions may also play an important role in its financial performance.

Funding

While the Company believes it currently has sufficient funds to meet its operational requirements, there can be no assurance that the Company will not seek to exploit opportunities of a kind which will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms or at all. If the Company is unable to obtain such additional capital, it may not be able to exploit such opportunities.

Protection of Proprietary Technology

While the Company has taken measures to protect its proprietary technology, there can be no assurance that these measures have been, or will be, sufficient.

Product Liability

The Company's contracts with its clients generally contain provisions drafted to limit the Company's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence, there can be no assurance that the Company will not be subject to such claims.

The Company carries what the Directors believe to be adequate insurance. However, there can be no assurance that a significant claim, if successful, would not adversely impact the Company's operating results and financial position.

Environmental Considerations

Any material change in the environmental conditions may affect the profitability of the Company. However, if there were to be a change, the Directors believe that any such change would also apply to competitors, thus negating any competitive gain.

Summary

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or its Security holders. The above factors and other factors not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of its Shares and Options.

The Options issued pursuant to Offer 1, and Shares issued as a result of exercise of Options or pursuant to Offer 2, carry no guarantee with respect to the payment of dividends, return of capital or market value.

Investment in the Company's securities should be regarded as speculative and neither the Company nor any of its Directors guarantee that any specific objective of the Company will be achieved.

Potential applicants should consult their professional advisors before deciding whether to respond to these Offers. Any person who responds to either of these Offers pursuant to this Prospectus does so in recognition of the above factors.

Rights Attaching to Shares and Options

The rights of a shareholder or option holder are set out in the Company's Constitution and Options. This summary is for information only and does not constitute a definitive statement of the rights and liabilities of Shareholders and Optionholders. To obtain such a statement, persons should seek independent legal advice.

All details of the rights attaching to shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. The following is a summary of the major provisions:

Voting

At a general meeting, every member present in person or by proxy or attorney has one vote on a show of hands and on a poll, one vote for each fully paid share held and in respect of which a member may vote. On a poll, partly paid shares convert a fraction of a vote pro rata to the amount paid up on the share.

General Meetings

Each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required or to be sent to members under the Company's constitution or the Corporations Act.

Dividends

Subject to any special terms and conditions of issue, the profits of the Company which the Company's Directors from time to time determine to distribute by way of dividend are divisible amongst the members in proportion to the amount paid up on the shares held by them.

Issue of Further Shares

The Company's Directors may, subject to the restrictions on allotment contained in the Company's constitution, the Listing Rules and the ASX's Business Rules and the Corporations Act, issue shares in their discretion and on such conditions they see fit.

Transfer of Shares

The Company's constitution does not prevent a transfer effected in accordance with the ASX's Business Rules, the Securities Clearing Rules, the Listing Rules and any arrangements by Directors and as required by the Corporations Act.

The Company's Directors may, if still to apply, a holding lock to prevent a proper SMI transfer or to limit or restrict a transfer of shares where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the SMI Business Rules or Listing Rules of the ASX. If the Company's Directors request a holding lock or restrict a transfer, the Company must give the same notice of the request or the refusal and the precise reasons for it.

Winding Up

Subject to the Company's constitution and any special or preferential rights attaching to any shares or class of shares, members will be entitled on winding up to share in any surplus assets of the Company in proportion to the capital at the commencement of the winding up paid up or which ought to have been paid up, on the shares held by them respectively.

Small Holdings

Provided the Company complies with certain requirements, the Company may sell the shares of a holder who has less than a marketable parcel of shares.

Directors

The detailed powers and duties of Directors are contained in the constitution of the Company.

Dividend Reinvestment Plan

The Company's constitution contains a provision allowing Directors to implement a dividend reinvestment plan. It is not currently intended that a dividend reinvestment plan will be implemented.

Directors' Indemnity

The Company, on a full indemnity basis and to the extent permitted by law, indemnifies each Director, alternate Director or executive officer (and any person who has previously served in any such capacity) against any loss or liability incurred by the person as an officer of the Company or as a director or officer of the Company, including, but not limited to, liability for negligence or costs incurred in the course of proceedings in which judgment is given in favour of the person or in which the person is acquitted or tried and a verdict is returned in favour of such proceedings, or in which the court grants relief or sets

Corporations Act. The indemnity may be extended to other officers or the auditor at the discretion of the Directors.

Share Buy Backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act.

Terms and Conditions of Options-Offer 1

The terms and conditions of the Options issued pursuant to Offer 1 are:

- (a) the Options are exercisable at a price of 30 cents each (Exercise Price) at any time prior to 5.00 pm AEST on 30 May 2008 (the Expiry Date). Any options not exercised on or before the Expiry Date will automatically lapse;
- (b) the Options may be exercised at any time wholly or in part by delivering a duly completed notice of exercise form together with a cheque for the Exercise Price to the Company at any time prior to the Expiry Date;
- (c) upon the valid exercise of an Option and payment of the Exercise Price, the Company will issue a fully paid ordinary Share ranking pari passu with the then issued ordinary Shares;
- (d) holders may only participate in new issues of securities to holders of ordinary shares in the Company if the Options have been exercised and shares allotted in respect of the Options before the record date for determining entitlements to the issue. The Company must give to holders at least 7 business days notice of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX;
- (e) there will be no changes to the exercise price of the Options or the number of shares over which the Options are exercisable in the event of the Company making a pro-rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue);
- (f) if there is a bonus issue to the holders of ordinary shares in the Company, the number of shares over which the Options are exercisable will be increased by the number of shares the holder would have received if the Options had been exercised before the record date for the bonus issue (bonus shares);
- (g) the bonus shares must be paid by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and upon issue rank equally in all respects with the other shares of that class on issue on the date of issue of the bonus shares;
- (h) in the event of a reorganization (including restructure,

consolidation, subdivision, reduction or return) of the capital of the Company, the terms of the Options will be changed to the extent necessary to comply with the requirements of the ASX Listing Rules (in force at the time of the reorganization) for the reorganization of capital;

- (i) the Options may be transferred in whole or in part, subject to the provisions of the Constitution of the Company; and
- (j) application will be made to ASX for quotation of the Options.

Employee Option Plan

The Company's Employee Option Plan was approved by Shareholders at the Annual General Meeting held 28 November 2003.

The objectives of the Employee Option Plan are as follows:

- (a) to assist in giving an incentive to employees of the Company and its subsidiaries to lift the performance of the Company and maximise the price of the Company's shares; and
- (b) to assist in attracting and retaining employees.

The key terms of the Employee Option Plan are summarised below.

1. Eligibility

The Board may issue options under the Plan to any employee of the Company and its subsidiaries, including executive directors and non-executive directors;

2. General Terms of the Options

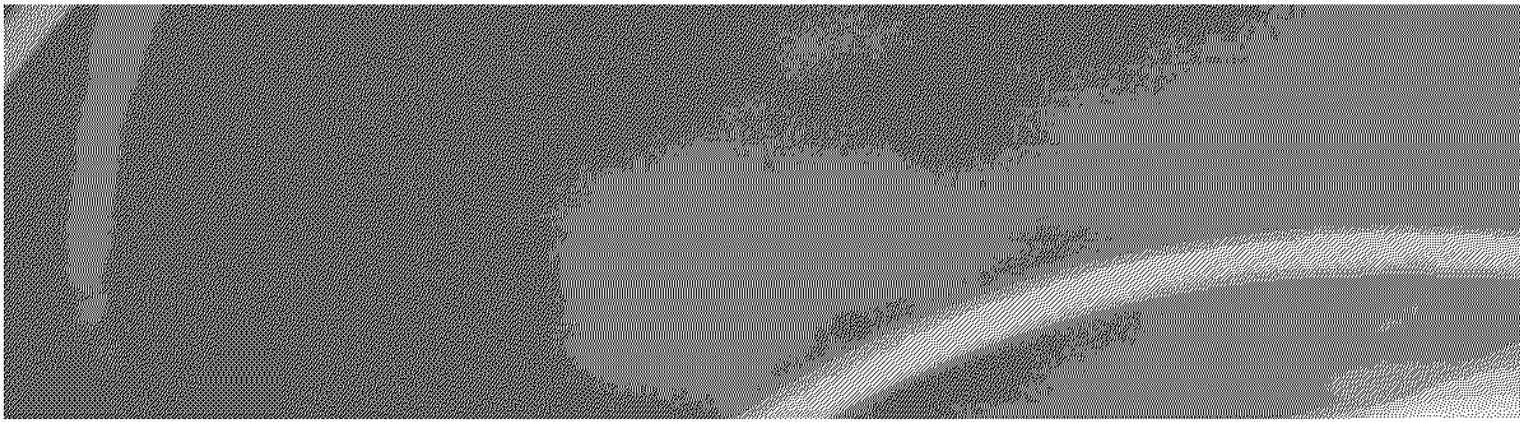
Options will be issued free of charge, unless the Board determines otherwise. Each option is to subscribe for one Share and, when listed, the Share will rank equally with other Shares.

The options are not transferable.

Quotation of the options on the ASX will not be sought but the Company will apply to the ASX for official quotation of Shares issued on the exercise of options. Options may be granted subject to conditions specified by the Board which must be satisfied before the option can be exercised.

3. Exercise of Options

Unless the terms on which an option was offered specify otherwise, an option may be exercised at any time after two years from the date it is granted, provided the employee is still employed by the Company.



An option may also be exercised in special circumstances, that is, at any time within six months after the employee's death, total and permanent disablement, retirement or retrenchment.

An option lapses upon termination of the employee's employment by the Company and, unless the terms of the offer of the option specify otherwise, lapses five years after the date upon which it was granted.

4. Exercise Price

The exercise price per Share for an option will be the amount determined by the Board at the time of the grant of the option.

5. New Issues of Securities

Option holders will not be entitled to participate in any new issue of securities in the Company unless they exercise their options prior to the record date for the determination of entitlements to the new issue.

6. Bonus Issues

If the Company makes a bonus issue of securities to ordinary shareholders, each unexercised option will, on exercise, entitle its holder to receive the bonus securities as if the option has been exercised before the record date for the bonus issue.

7. Rights Issues

If the Company makes a pro-rata rights issue of Shares for cash to its ordinary shareholders, the exercise price of unexercised options is adjusted to reflect the diluting effect of the issue.

8. Capital Reorganisations

If there is any reorganisation of the capital of the Company, the number of options and their exercise price will be adjusted in accordance with the Listing Rules.

9. Limit on Number of Options

The maximum number of options on issue under the Plan must not at any time exceed 10% of the total number of Shares on issue at that time.

telecommunications companies, and the distributors of these products.

DialTime's key agreements are with major telecommunications companies such as Telstra, Optus, Vodafone, AAPT, Apple, Alpha Telecom, Boost-Tel, Escape, Telecorp, World Telecommunications, Yes, OzEmail and Big Blue Internet.

DialTime's agreements with telecommunications companies generally provide as follows:

The telecommunications company appoints DialTime as a non-exclusive distributor of PINs to credit prepaid mobile telephones through DialTime terminals. DialTime distributes those PINs to participatory merchants.

DialTime's obligations generally include the following:

- Promote and conduct the DialTime program;
- Upon delivery of the PINs from the telecommunications company, DialTime must promptly load the PINs onto the DialTime program host;
- Procure participatory merchants to enter into a Merchant Agreement with DialTime;
- Maintain the security of the PINs at all times;
- Meet or exceed certain prescribed service levels.

The agreements generally include standard termination provisions, and further, upon the termination or expiration of the appointment of DialTime the relevant telecommunications company may in certain circumstances appoint the participating merchant to continue to sell that company's prepaid mobile telephone products.

DialTime's key agreements with distributors are with Caltex, Harvey Norman, Coles Myer and a range of other smaller merchants including a number of newsagents.

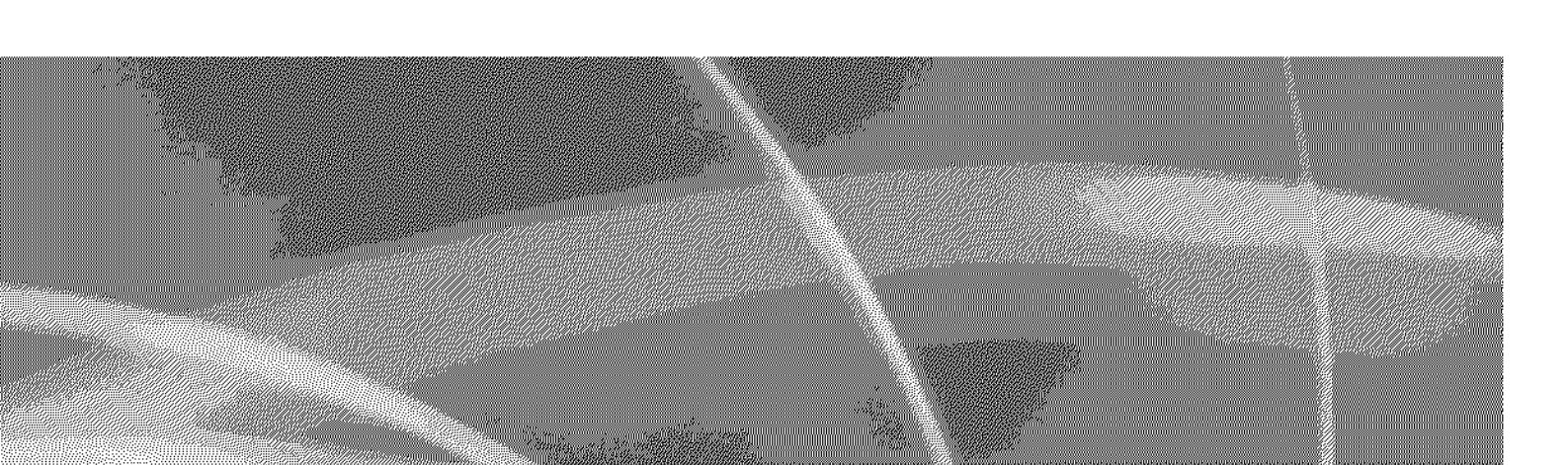
Material Agreements Summary

1. DialTime – Sale of prepaid mobile phone and internet products

DialTime has a number of agreements with providers of pre-paid mobile telephone and internet products, namely

2. DialTime – Bill Payment Business

In April 2003 DialTime entered into an agreement with Coles Myer Limited to acquire its Service ATM network located in over 400 Coles Supermarkets across Australia. The acquisition of the Service ATM network was completed in October 2003.



These Service ATMs enable the in-person payment of various bills at Coles Supermarkets via an automated online process.

DialTime has a 3 year agreement with Coles Supermarkets (executed in October 2003) pursuant to which DialTime operates the service ATM's in Coles Supermarkets.

3. Australian Newsagents Federation Agreement (ANF)

DialTime has expanded its bill payment business using the Service ATMs as a base. DialTime has entered into an agreement with the ANF which has facilitated the distribution of bill payment terminals in over 1000 newsagents across Australia.

The terms of the agreement provide for ANF to use its best endeavours to promote the delivery of EFTPOS facilities, bill payment services and prepaid telecommunication services by DialTime to members of ANF. ANF promotes the program to its member newsagents as an exclusive bill payment service, prepaid telecommunication service and EFTPOS facility. ANF is responsible for the recruitment of its member newsagents. Member newsagents enter into a merchant agreement with DialTime.

DialTime warrants to ANF that it has the authority to vend communications products for all major telecommunications suppliers.

4. Biller agreements

DialTime has entered into agreements with a variety of billers which enable DialTime to process bills on their behalf in the Bill Express business.

Participating Billers currently include:

- AGC
- AGL
- Alinta Gas
- Aurora Energy
- Australian Unity
- Barwon Regional Water Authority
- Bayside City Council
- Carlton Football Club
- Country Energy
- City of Casey
- Energex
- Energy Australia
- Frankston City Council

- Gold Coast City Council
- Lower Murry Water
- Melton Shire Council
- MooneyValley City Council
- Norlink Communications
- Hutchinson Telecommunications
- Optus
- South East Water
- South West Water
- Strata Pay
- Sydney Water
- Thuringowa City Council
- Vodafone
- Western Australian Cricket Association
- Western Power
- Yarra Valley Water

Each Biller Agreement allows for customers to pay bills using the Service ATMs in Coles Supermarkets or over the counter at terminals in selected newsagents, convenience stores, petrol stations and other Bill Express outlets.

DialTime acts as the agent for the relevant Biller for the purpose of processing bill payments.

The Biller Agreements typically allow either DialTime or the Biller to terminate the Agreement on the giving of 6 months notice.

DialTime typically charges the relevant Biller a fixed cost for each transaction and a card processing fee for processing credit card payments (charged by the relevant card transaction acquirer), which is generally calculated as a percentage of the total amount payable on the bill.

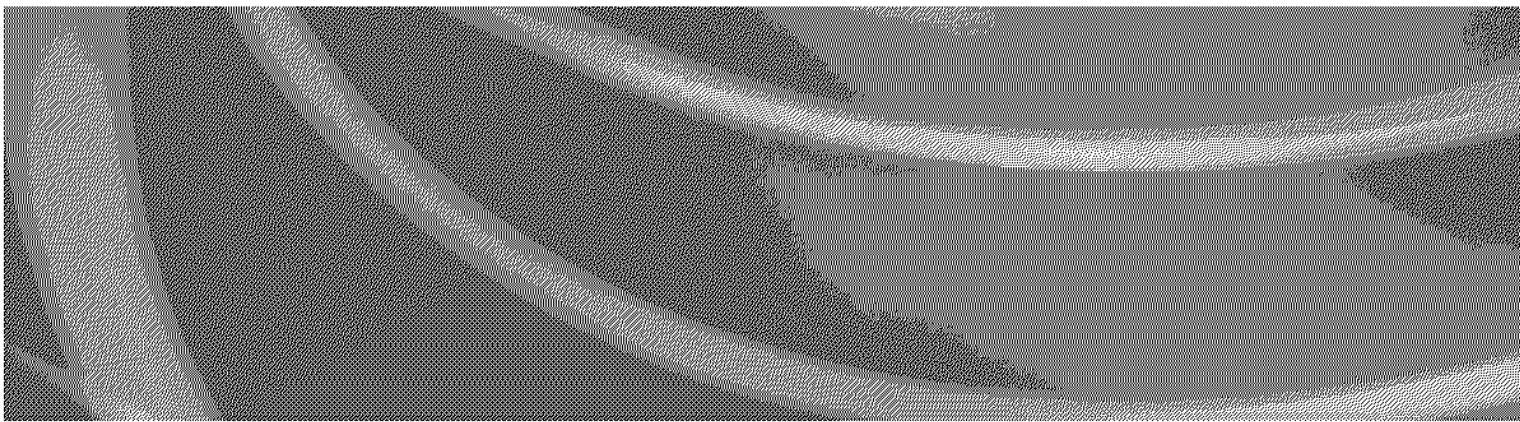
Since DialTime acquired the Service ATM bill payment system no Billers have withdrawn from their Biller Agreement with DialTime.

5. Merchant Agreements

DialTime has agreements with the various merchants who offer the Bill Express Service. Participating merchants include various newsagents and service stations.

DialTime's standard Merchant Agreement offers the Bill Express, Cash4Biz, loyalty points and Motorlink programs. Merchants identify which of these services they wish to receive.

The services provided to Merchants include prepaid, charge



card, loyalty and rewards, Bill Pay or other services and includes the provision of communication systems software, database and accounting management systems.

Under the Merchant Agreement, the Merchants purchase products and/or act as DialTime's agent to promote and sell products on behalf of selected telecommunications network providers, internet service providers, utility operators and other suppliers.

The standard Merchant Agreement is for a term of 36 months and may be renewed for a further period of 24 months unless DialTime or the Merchant provides 180 days written notice of its intention to terminate the agreement at the expiration of the initial 36 month period.

The Merchant enters into an Equipment Rental Agreement and is required to pay an Equipment Rental Fee to a third party (either Focus Capital Pty Ltd or Technology Business International Pty Ltd) in return for the supply and servicing of the terminals. DialTime agrees to pay the Merchant a rebate monthly in arrears for the terminal rental fees payable under the Equipment Rental Agreement. The amount of the rebate increases in proportion to the amount of business the Merchant transacts through the DialTime program.

The Merchant agrees to participate in the service by:

- authorising the payment of invoices by direct debit or direct credit;
- facilitating transactions involving the use of the DialTime program;
- actively promoting the DialTime program;
- following procedural requirements set by DialTime from time to time in relation to the use of the service.

DialTime will provide initial training and ongoing support to the Merchant. DialTime is required to meet certain service levels.

6. Technology Business International Agreement

On 1 March 2003 DialTime entered into an Agreement with Technology Business International Pty Ltd (TBI) in relation to the provision of point of sale terminal systems to Merchants.

TBI is in the business of renting equipment and providing point

of sale terminal systems with functionalities beyond prepaid and bill payment systems including advertising, web browsing, email and EFTPOS. TBI also arranges the required funding for the purchase of point of sale terminal systems and contracting with the merchants for the rental of such equipment.

The agreement provides for TBI to carry the primary risk associated with contracting with financiers and merchants in terms of providing a physical point of sale terminal.

DialTime undertakes to introduce merchants to TBI in return for an upfront fee and the right to the ongoing prepaid and bill payment transaction fees facilitated through introduced merchants.

7. International License Agreement with Technology Business Holdings Pty Ltd

On Q Technologies Pty Ltd is a wholly owned subsidiary of DialTime Pty Ltd. On Q Technologies Pty Ltd holds intellectual property rights for DialTime, including BillExpress.

On 12 April 2003 On Q Technologies Pty Ltd granted a non-exclusive international license to Technology Holdings Pty Ltd to use On Q's intellectual property for a period of 10 years.

The license was granted in consideration of the significant contribution Technology Holdings Pty Ltd made to the development of On Q's intellectual property.

Technology Holdings and its subsidiaries currently use the licensed intellectual property for processing methodologies and in many cases make joint use of DialTime's terminal, e-commerce and communications infrastructure.

8. Electronic Payment Settlement Agreement

To facilitate the bill payment program, DialTime has an agreement with a major Australian bank. The bank's role is to facilitate the payment process. Under this agreement the bank provides electronic payment settlements to facilitate the settlement of biller transactions from service ATM's and other Bill Express outlets.

9. Contracted Settlement Manager

DialTime has an agreement with a third party to act as the contracted manager of the clearance of funds in the Bill EXPRESS™ bill payment process.

10. Contingency Agreement

This agreement provides for a leading accounting firm to run DialTimes Bill EXPRESS™ system in circumstances where an adverse event such as industrial dispute disrupt DialTimes provision of the service.

11. Lease of factory premises at Barooga, NSW

The Company currently occupies factory premises in Barooga, NSW where it manufactures MON products and fruit juices. The premises are owned by Blooms of Melbourne Pty Ltd, a company associated with a director of the Company, Peter McDougall. The premises are occupied on agreed rental terms. The Company is currently negotiating a formal lease of these premises.

12. Distribution Agreements – Australian Pure Fruits (SA) Pty Ltd

On 10 November 1999 Australian Pure Fruits (SA) Pty Ltd entered into distribution agreements with companies which were associated with two directors of the company (Messrs Peter McDougall and Dugal McDougall):

- Brentwood Fruit Juices Pty Ltd
- Auldwood Pty Ltd
- Aloe Vera of Australia Pty Ltd

The terms of these agreements are generally in line with normal commercial practice and include as principal features:

- exclusivity;
- no geographical territorial limitation
- they will operate for a specified list of products at agreed wholesale prices; and
- they may be terminated on 3 months notice or under certain conditions of default

The initial term of each of these agreements was for a period of 3 years. In November 2002 each of these agreements was renewed for an additional term of 3 years.

13. Loan Agreements

On 15 December 2003 the Company entered into loan agreements with Puppure Pty Ltd, Nelcor Pty Ltd and Maximus Investments Pty Ltd. These loan agreements were each on similar terms and provided for loans to the company in the total sum of \$445,000 for a period of 12 months. In consideration of entering into the agreements the company also agreed to issue

options to each of the above companies and some related parties at an exercise price of 25 cents, the total number of options being 960,000. These options have been issued.

14. Agreement with Macquarie Equities Limited

Macquarie Equities Limited managed the private Share Placement of 650,000 shares to raise \$325,000 which was completed on 17 December 2003. The Company agreed to pay Macquarie Equities Limited a fee of 5% of the money raised pursuant to the private placement and Share Purchase Plan. If the Share Purchase Plan is fully subscribed the total fees payable to Macquarie Equities Limited will be \$51,250.

Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

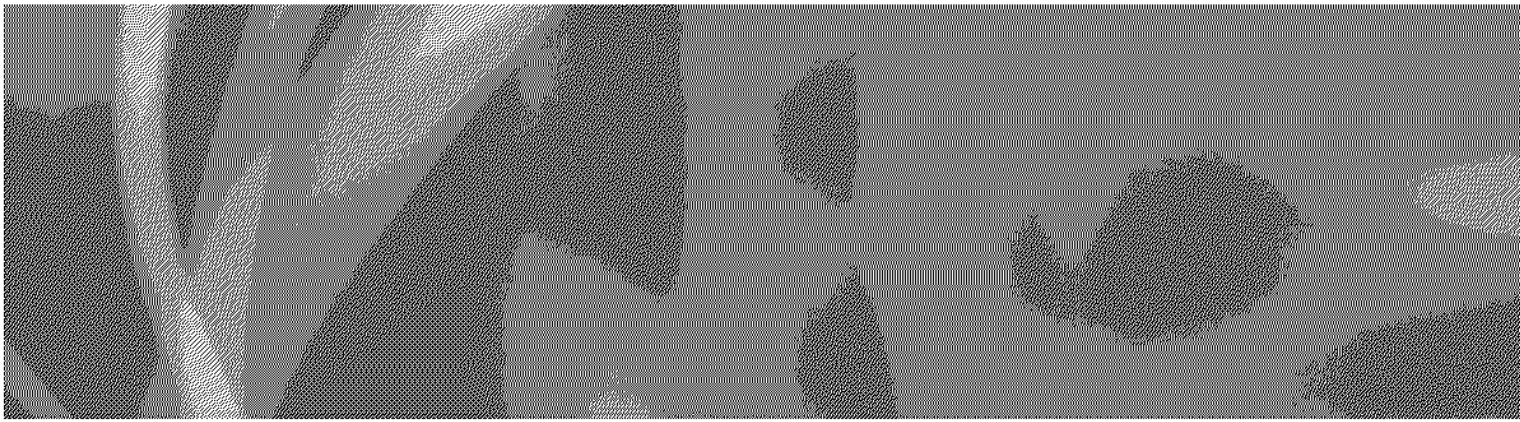
The late lodgement of the half yearly accounts for the period ended 31 December 2002 in accordance with the Listing Rules resulted in the suspension of the Company's shares from official quotation on 18 March 2003. The late lodgement of the half-year accounts occurred due to the inability to complete the audit in the prescribed time, on account of the acquisition of DialTime Pty Ltd. The Company's shares were reinstated to official quotation on 15 May 2003.

As a consequence the Company is required to make full Prospectus disclosure rather than use a transaction specific prospectus until 28 October 2004.

This Prospectus sets out the rights and liabilities attaching to the securities offered pursuant to Offer 1 and Offer 2.

Whilst this Prospectus is not a transaction specific prospectus and does not seek to rely on continuous disclosure notices lodged by the Company the following is a list of continuous disclosure notices made by the Company since lodgement of the 2003 Annual Report. Full copies of these notices are available free of charge from the Company.

Document No 49, 31 October 2003 Notice of Annual
General Meeting
Document No 50, 13 October 2003 Market Update



Document No 51, 28 November 2003 Results of AGM
Document No 52, 17 December 2003 Share Placement
Document No 53, 17 December 2003 Appendix 3B
Document No 54, 19 December 2003 Share Purchase Plan
Document No 55, 21 December 2003 Appendix 3B
Document No 56, 21 December 2003 Appendix 3B
Document No 57, 21 December 2003 Market Update
Document No 58, 23 December 2003 Appendix 3B
Document No 59, 23 December 2003 Appendix 3B
Document No 60, 24 December 2003 Appendix 3Y
Document No 61, 24 December 2003 Appendix 3Y
Document No 62, 24 December 2003 Appendix 3Y
Document No 63, 24 December 2003 Appendix 3Y
Document No 64 24 December 2003 Appendix 3B
Document No 65 24 December 2003 Appendix 3B

Residents Outside Australia

This Prospectus does not constitute an Offer or invitation under either Offer 1 or Offer 2 in any place in which, or to any person to whom it would not be lawful to make such offer or invitation. The distribution of the Prospectus in jurisdiction outside Australia may be restricted by law and persons who come into possession of the Prospectus should seek advice on and observe any such restrictions. No action has been taken to register this Prospectus in any jurisdiction outside Australia.

Taxation Implications

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of being granted Options or subscribing for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of all Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in respect of Offer 1 or Offer 2. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of Offer 1 or Offer 2.

ASX Waivers

The Company has applied to the ASX to grant waivers in relation to Listing Rules 7.1 and 10.11

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company may issue without shareholder approval in any 12 month period to 15% of its securities. If a waiver is granted in relation to Listing Rule 7.1, then the number of Shares proposed will be issued under the Share Purchase Plan as an exception to Listing Rule 7.1.

Listing Rule 10.11 requires shareholder approval if equity securities are to be issued to persons who are considered to be related parties to the Company. For example the directors, their spouses, parents and children, subsidiaries, and other companies controlled by the above. If a waiver is granted in relation to Listing Rule 10.11, the Directors may apply for Shares pursuant to the terms of Offer 2- Share Purchase Plan.

If the waiver sought under 10.11 is not granted, securities will not be issued to related parties, pursuant to Offer 2-Share Purchase Plan.

ASIC Class Order Offer 1

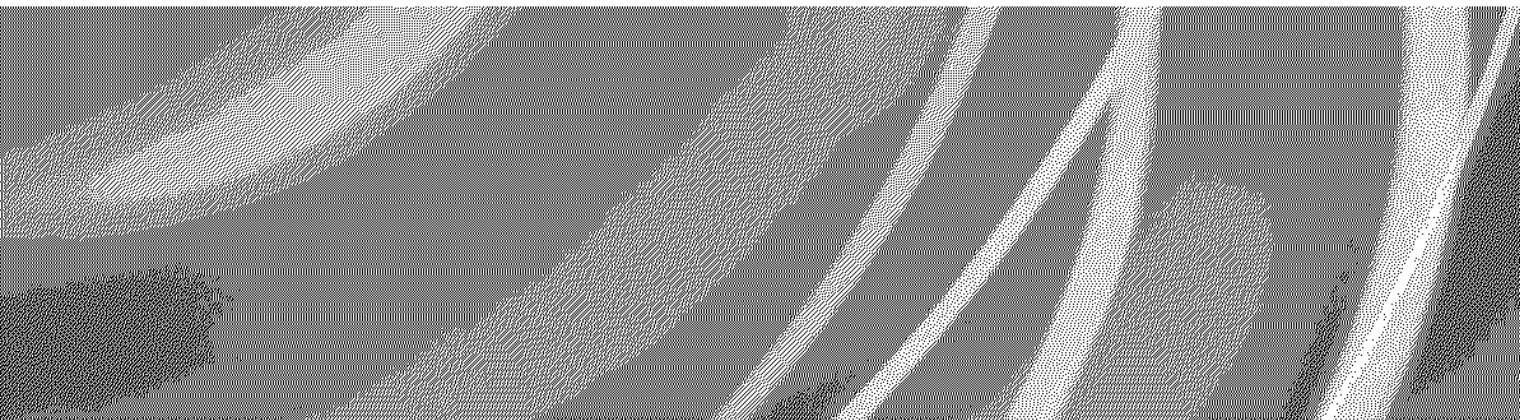
The Company has taken advantage of ASIC Class Order 00/1092 and 02/275 which exempts the Company from Section 717 and 723 of the Corporations Act 2001 to the extent that they require:

- (a) this Prospectus to include or be accompanied by an application form; and
- (b) the Company to only issue Options pursuant to this Prospectus to a person who has submitted an application form distributed with this Prospectus.

The Company is also taking advantage of ASIC Class Order 00/843 and 02/302 which exempts the issue of Options to acquire quoted securities under a disclosure document from being subject to a disclosure period pursuant to Section 727(3) of the Corporations Act.

ASIC Class Order Offer 2

The Company has taken advantage of ASIC Class Orders 00/168 and 02/146 which exempts the offering of securities which are in the same class as securities which at the time of lodgement of a Prospectus are quoted on a financial market, from being prescribed subject to a disclosure period pursuant to section 727 (3) of the Corporations Act.



ADDITIONAL INFORMATION

Holdings in Company's Securities

The following information in relation to shareholdings and the options to be issued pursuant to this prospectus is current as at 18 December 2003.

Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

Ordinary Shares

	Number of holders	Number of Shares
1 – 1,000	1,221	24,195
1,001 – 5,000	145	363,637
5,001 – 10,000	22	187,618
10,001 – 100,000	62	2,263,181
100,001 and over	20	19,885,817
	<hr/> 1,470	<hr/> 22,724,448
	<hr/> 1,209	<hr/> 18,195

The number of shareholders holding less than a marketable parcel of shares are:

Twenty largest shareholders

The names of the twenty largest holders of quoted shares as at 18 December 2003 are:

Listed ordinary shares	Number of shares	Percentage of ordinary shares
1. Kinnara Pty Limited	6,884,398	30.3
2. Walmerst Pty Ltd	2,300,333	10.1
3. Mr Harold Edward Christiansen	1,998,910	8.8
4. Mr Ian Douglas Christiansen	1,998,910	8.8
5. Mr Sandro Di Donato	1,287,549	5.7
6. Sydbye Pty Ltd	1,355,758	6.0
7. Winwoodnack Productions Pty Ltd	900,000	4.0
8. Ms Jean Christine Christiansen	866,468	3.8
9. Nelcor Pty Ltd	723,570	3.2
10. Data Progressions Pty Limited	315,474	1.4
11. Sandhurst Trustees Ltd	254,980	1.1
12. Rural Access Pty Ltd	240,000	1.1
13. Maximus Investments Pty Ltd	222,860	1.0
14. Mr Enzo Di Donato	157,500	0.7
15. Jindra Energy Conversion Pty Ltd	124,130	0.5
16. Austock Management Limited	121,430	0.5
17. Great Fingall Mining Co NL	110,000	0.5
18. Plazimum Pty Ltd	103,450	0.5
19. Mrs Kerri McKenzie	100,000	0.4
20. CJ Consulting Pty Ltd	91,570	0.4
	<hr/> 20,156,957	<hr/> 88.3

Twenty largest option holders

The names of the twenty largest holders of options (being the twenty largest shareholders as at 4 June 2003) to be issued pursuant to this prospectus are:

Listed options	Number of options	Percentage of total options
1. Kinnara Pty Limited	6,784,398	36.7
2. Mr Harold E Christiansen	1,898,910	10.3
3. Mr Ian Christiansen	1,898,910	10.3
4. Mr Sandro Didonato	1,287,549	7.0
5. Sydbye Pty Ltd	1,255,758	6.8
6. Nelcor Pty Ltd	717,570	3.9
7. Ms Jean C Christiansen	530,948	2.9
8. Mrs Christine Christiansen	335,520	1.8
9. Data Progressions Pty Limited	315,474	1.7
10. Sandhurst Trustees Limited	284,980	1.5
11. Rural Access Pty Ltd	240,000	1.3
12. Maximus Investments Pty Ltd	222,860	1.2
13. Mr Enzo Di Donato	157,500	0.9
14. Jindra Energy Conversion Pty Ltd	124,130	0.7
15. Austock Management Limited	121,430	0.7
16. Mrs Kerri McKenzie	120,000	0.6
17. Great Fingall Mining Co NL	115,000	0.6
18. Plazimum Pty Ltd	103,450	0.6
19. Mr Jef Rowilson	97,564	0.5
20. CJ Consulting Pty Ltd	79,570	0.4
	16,691,521	90.4

Director's Interests

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in: (a) the formation or promotion of the Company; or (b) the Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Issue.

Directors' interest in Shares and Options at the date of this Prospectus are:

Director	Shares	Bonus Issue Options*	Options issued post Record Date**
Mr. Peter McDougall	6,884,398	6,784,398	800,000
Mr. Dugal McDougall	6,886,398	6,786,398	
Mr. Hal Christiansen	1,998,910	1,898,910	800,000
Mr. Julian Little	1,671,232	1,571,232	800,000
Mr. Ian Christiansen	1,998,910	1,898,910	800,000
Mr. Tristan Fischer	6,200	2,000	

*The Directors will be granted Options under Offer 1.

** At the Annual General Meeting of 28 November 2003, shareholders approved the issue of these options. Each of these options are exercisable on or before 30 June and have an exercise price of 30 cents. Each of the recipients may exercise 250,000 options immediately, with the balance of 650,000 options being exercisable on the Company achieving undertakings for the installation of the 2,000 Bill Epress sites. These Options were issued on 22 December 2003 and at the date of this Prospectus 100,000 have an exercised. In addition the Company has applied for a waiver from ASX Listing Rule 10.11 so that the Directors and their related entities may subscribe for Shares pursuant to Offer 2. The Constitution of the Company provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting.

ADDITIONAL INFORMATION

Directors' Emoluments

The following salaries have been paid to directors during the 2 year period ending on the date on this Prospectus:

	01/7/2002 to 30/6/2003	01/7/2003 to 31/12/2003
Tristan Fischer	\$16,000	\$24,000

All of the directors will be remunerated for their services by the Company on terms that are consistent with remuneration paid to executive directors of public companies of a similar size and industry grouping to the Company.

Consent

Written consents to be named in this Prospectus have been given and at the time of this Prospectus have not been withdrawn by the following parties:

Tress Cocks & Maddox has given, and not withdrawn, its consent to be named as solicitors to the Offer in the form and context in which it is named, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Tress Cocks & Maddox.

DMR Corporate Pty Ltd ("DMR Corporate") has consented to being named in this Prospectus as Independent Accountants and to the inclusion of the Independent Accountants' Review of Forecasts in the form and context in which it appears. DMR Corporate does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on any statement by DMR Corporate.

Computershare Investor Services Pty Limited has given, and not withdrawn, its consent to be named as the Share Registry of the Company in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus.

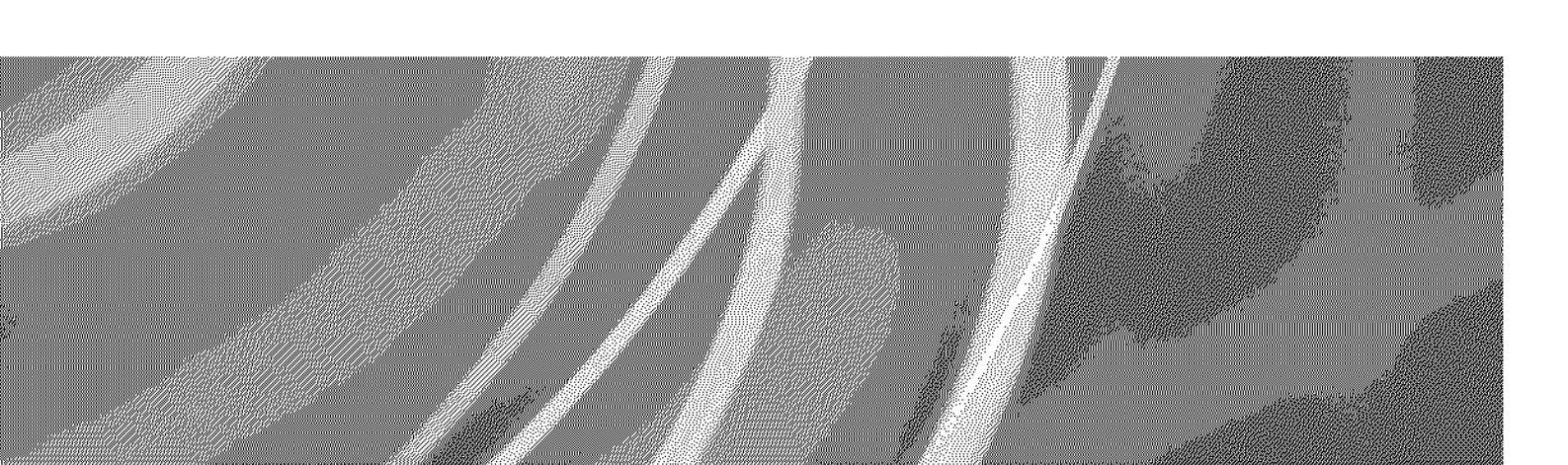
Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert nor any firm in which such a expert is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, an interest in:

- the promotion or formation of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the issue of securities pursuant to this Prospectus; or
- the issue of securities pursuant to this Prospectus.

Other than as disclosed in this Prospectus, no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert or to any firm in which any such expert is a partner, either to induce him to become, or to qualify him as, an expert or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

Tress Cocks & Maddox have acted as solicitors to the Company in relation to this Prospectus. Tress Cocks & Maddox will be paid approximately \$50,000 (plus GST) for services in relation to this Prospectus. Tress Cocks & Maddox have provided other professional services to the Company during the last two years totalling approximately \$375,000 (which includes provision for GST). DMR Corporate have acted as Investigating Accountants in relation to this Prospectus. DMR Corporate will be paid approximately \$10,000 (plus GST) for services in relation to this Prospectus.



Estimated Expenses of Issue of Offer 1 and Offer 2

The estimated expenses of the Issue are as follows:

\$	
ASIC Fees	2,000
ASX Share Register Fee	12,000
Legal Expenses	50,000
Accounting Expenses	10,000
Capital Raising Management Fee	51,250
Other Advisory Expenses	20,000
Printing and Mailing Expenses	8,000
Total\$	<u>153,250</u>

Market Price of Shares

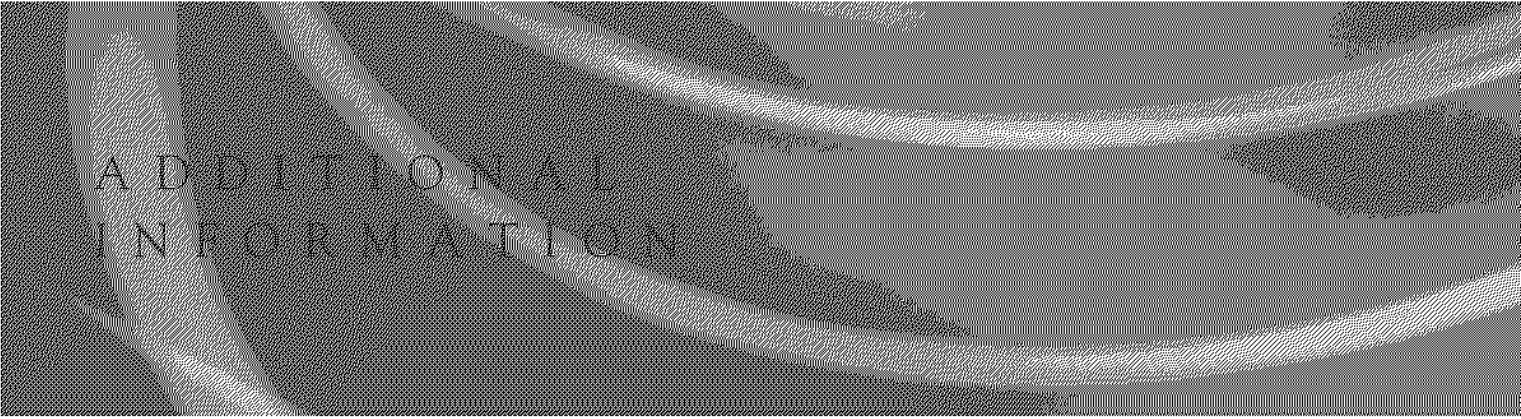
The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

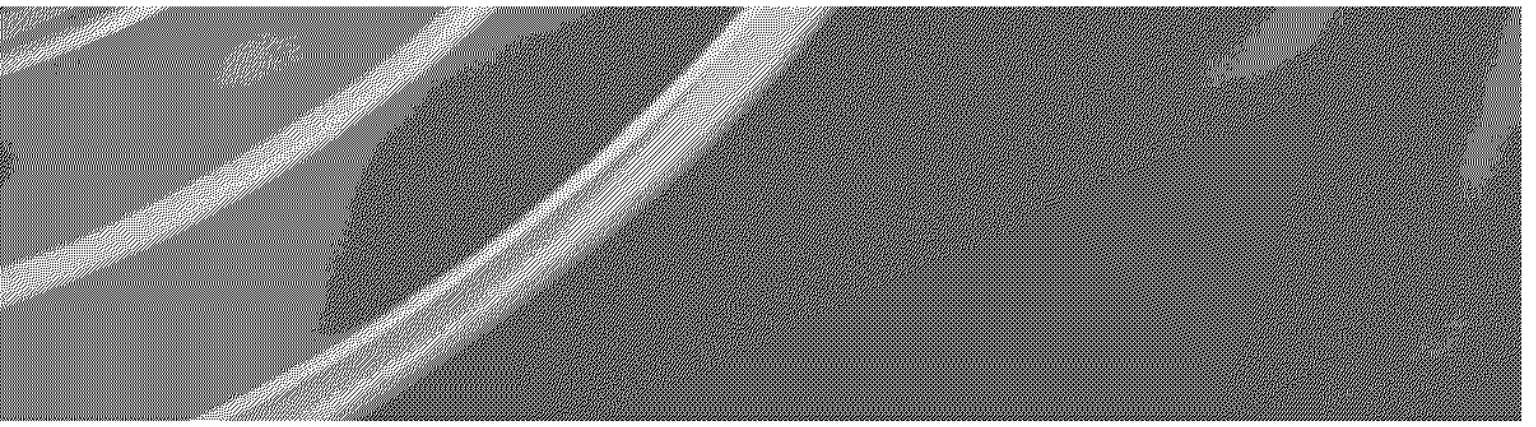
The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest \$1.05 per fully paid Share on 22 December 2003

Lowest \$0.48 per fully paid Share on 22 September 2003

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 97cents per Share on 22 December 2003. The Company currently has no listed Options on issue, however will seek quotation of the options to be issued pursuant to Offer 1.





13 GLOSSARY OF TERMS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

AEST means Australian Eastern Standard Time

ASIC means the Australian Securities and Investments Commission

ASX means Australian Stock Exchange Limited (ACN 008 624 691)

Bonus Issue means the grant of Options referred to in the "Details of Offer 1" section of this Prospectus.

Business Day means a day on which trading takes place on the stock market of ASX.

Company means Australian Pure Fruits Limited ABN 57 009 104 330

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means Directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement Date means, in respect of Offer 2, Shareholders as at 5pm AEST on 29 December 2003.

Exercise Price means \$0.30.

Expiry Date means 5.00pm AEST on 30 May 2008

Group means the Company and all its subsidiaries.

Listing Rules or ASX Listing Rules means the Listing Rules of ASX.

Option means an Option to acquire a Share and where the context permits means the Options the subject of the Issue being on the terms set out in Section 11.

Offer 1 means a Bonus Issue of 18,474,448 Options to acquire fully paid Shares in the Company on the basis of one (1) option for every one(1) share held as at the Record Date of 4 June 2003.

Offer 2 means a Share Purchase Plan for each Shareholder in the Company to subscribe for up to \$5000 maximum and \$1000 minimum at an issue price of \$0.50 per Share to issue a maximum of 1,400,000 Shares and raise a maximum of \$700,000.

OnQ Group means OnQ Group Pty Ltd, Dial Time Pty Ltd, cash4biz Pty Ltd, Motorlink Systems Pty Ltd and OnQ Technology Pty Ltd.

Prospectus means this Prospectus.

Record Date means 5.00pm (AEST) 4 June 2003.

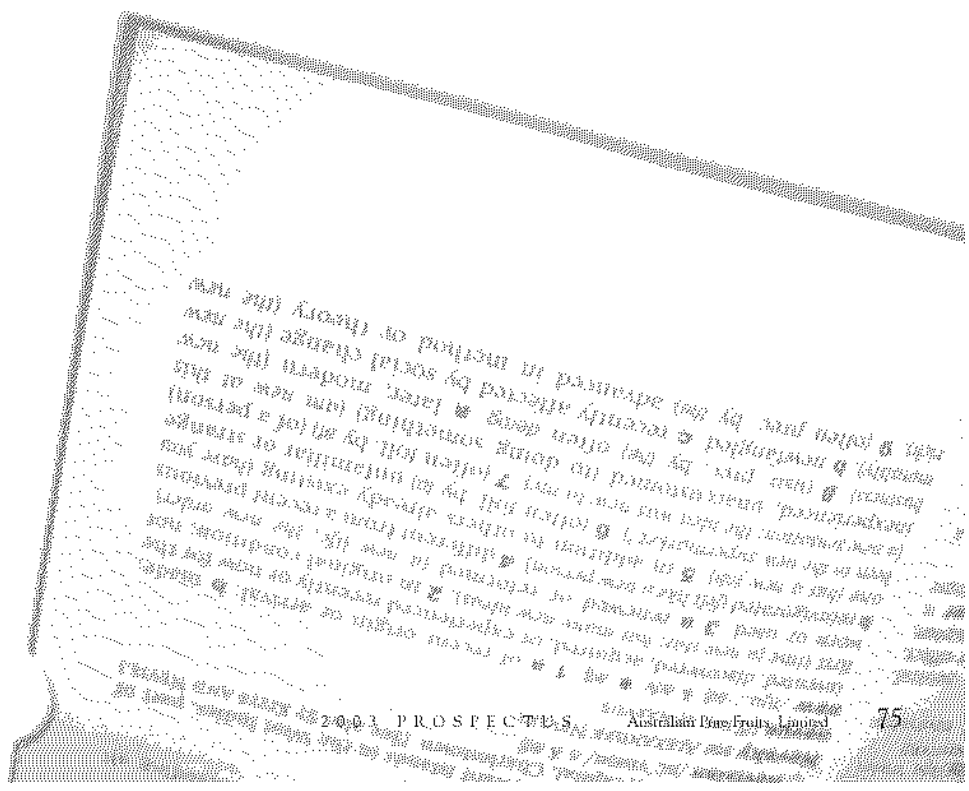
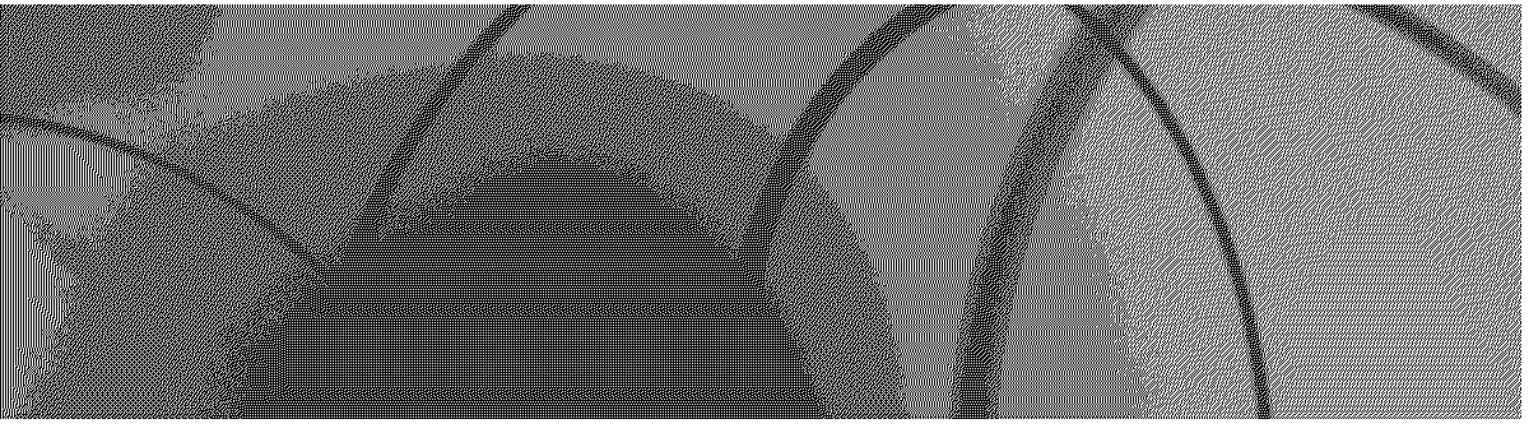
Share means a fully paid ordinary Share in the capital of the Company.

Shareholders means Shareholders of the Company.

Share Purchase Plan means the Company's Share Purchase Plan, the details of which are set out in section 5- Details of Offer 2.

Share Placement means a placement of 650,000 shares at

\$0.50 per Share to private clients of Macquarie Equities Limited to raise \$325,000 which was completed by the Company on 17 December 2003.



DIRECTOR'S AUTHORISATION

Each of the Directors has consented in writing to the lodgement of the Prospectus.
Signed by the Chairman of the Company pursuant to a resolution of the Board of Directors of the Company.



Peter McDougall
Chairman
Australian Pure Fruits Limited

