
CITROFRESH INTERNATIONAL LIMITED

ABN 76 064 551 426

FINANCIAL REPORT

2004 - 2005

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CORPORATE DIRECTORY

Directors

Ron Gajewski (Non – executive chairman)
Ravi Narain (Managing Director/Chief Executive Officer)
Andrew Michael
Mathew Walker

Company Secretary

Jeffrey Hanlon

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia, 6000
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Registered Office

8 Rodney Road
North Geelong, Victoria 3215
Telephone: (61 3) 5272 3013
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Principal Business Office

8 Rodney Road
North Geelong, Victoria 3215
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Auditor

PKF
Level 11, CGU Tower
485 La Trobe Street
Melbourne, Victoria

Bankers

St. George Bank Limited
Shop 27
Central Square shopping Centre
Ballarat VIC 3350

Stock Exchange Listing

Australian Stock Exchange:-

Trading code: CTF– ordinary shares

CTFO – options exercisable at 25 cents each on or before 15 May 2008

www.citrofresh.com

The directors present their report together with the financial report of Citrofresh International Limited ("the Company") ("CTF") for the year ended 30 June 2005 and the auditor's report thereon.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the sale, marketing and distribution of the Citrofresh range of products which have widespread use in the fight to control bacteria, viruses and fungi. The Company acquired the worldwide sales, marketing and distribution rights to this organic anti-bacterial product range in August 2004. In the previous financial year the Company had no operating business. Due to the changes described above the prior financial year information is not comparative.

CORPORATE STRUCTURE

The Company is limited by shares, incorporated and domiciled in Australia.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

OPERATING RESULT

The loss of the Company after providing for income tax amounted to \$1,645,578 (2004: \$541,383 loss).

REVIEW OF OPERATIONS

The Company generated revenue of \$296,964 compared to \$47,298 in 2003/04, and reflects the change in the Company's activities to sales, marketing and distribution. Revenue in the 2003/04 year comprised mainly of interest income.

The Company's ability to achieve profitability in 2004/05 was hampered in the 1st half of the year by legacy issues associated with the change of the Company's activities.

In the 2nd half of 2004/05 the Company incurred lost profit margin as a result of the deferment of initial sales orders while regulatory approvals were sought or pending. The Company has excluded the initial sale of \$830,334 to its Chilean distributor from the FY05 results. The sale remains outstanding while the Company awaits regulatory approval in that country.

Expenses of \$1,752,144 for the 2004/05 year included a number of one-off costs and other items associated with the establishment of the new business activities, recruitment of staff, re-location of the corporate operations interstate and corporate costs with re-instatement of the Company's shares on the ASX. Total expenses also include a provision of \$101,848 for future rentals in relation to unused office space in Melbourne and a provision of \$35,000 for non-budgeted expenses which relate back to 2000/01.

While the revenues and profits have not yet materialised as quickly as the Company would like, management has made important progress towards commercialising its world class, organic, non-toxic and safe Citrofresh product range.

OVERVIEW

During 2004/05, the Company moved towards strengthening its position in the global markets for organic alternatives to chemically based products.

BUSINESS STRATEGY AND PROSPECTS

The Company has a unique position in the global infection control, sanitizing and cleaning markets. The Citrofresh® micro-biocide technology has applications in a number of markets including: 1) Food & Agriculture 2) Cleaning, Sanitizing & Disinfection 3) Human health & Personal hygiene 4) Animal Health.

There is a growing global acknowledgment of the long term health side-effects associated with using chemically based products in the farming, agriculture, food processing and personal hygiene sectors. Citrofresh® provides a safe, non-toxic, alternative and we are communicating its benefits to the market and making significant progress towards building our global distribution network.

The Organics Market and Citrofresh

There is a growing global acknowledgment of the long term health side-effects associated with using chemically based products. As a result the organics movement has gathered considerable pace in recent years. As knowledge builds organic replacements to chemicals found in preservatives, disinfectants, sanitisers, antiseptics, fertilizers and pesticides, are becoming more visible in the marketplace. Consumers are demanding it. The Company believes it is well positioned to capitalise on this trend. Citrofresh® provides a safe, non-toxic, organic alternative and the Company is communicating its benefits to the market.

CTF achieved a number of major milestones and strengthened its position in the global market for organic alternatives to chemically based products.

Citrofresh® Products

Citrofresh® is a unique, certified organic, broad-spectrum micro-biocide used in a range of dilutions and applications as a disinfectant and sanitizer. It is the 'base product' from which many Citrofresh® products are derived such as Citrofresh®, CropLife, Derm-E-San, San-E-Foam and Citrofresh® Feed Additive. The disinfectant product is unique in that Citrofresh® has no harmful side effects. It is biodegradable, non-carcinogenic, nonallergenic and non-toxic. Even in its concentrated form, it is not harmful to the skin. Solutions may be disposed of by pouring down the drain without harm to the environment. Due to its synergistic activity created from a Bioflavonoid complex and naturally occurring organic acids, the compound has had significant impact in the food, pharmaceutical and biotechnology industries, by acting as an effective anti-viral/anti-bacterial disinfectant and anti-fungal agent.

CTF operates in the following four markets:

- Food & Agriculture
- Cleaning, Sanitizing and Disinfectant
- Human Health & Personal Hygiene
- Animal Health

Food & Agriculture

In the food (food processing, shelf-life extension & bacterial control) and agriculture (crop-health) markets Citrofresh® is expanding its relationships with local and international distributors. The Company has completed numerous successful field trials which it believes will provide the basis for significant growth. In Australia, Citrofresh® is used to extend the shelf life of seafood, meat and chicken, particularly for export. In the Australian agricultural market, the Company has completed agreements for distribution subject to receiving APVMA approval. Internationally the Company has progressed significantly with its South African distributor. On the 18th September 2005 the company announced a major expansion in the South African market with the signing of a three year \$4.5m distribution expansion agreement with its South African distributor, Citrofresh South Africa Pty Ltd. (Citrofresh SA). Under the terms of the agreement, Citrofresh SA will act as Master Distributor for all Citrofresh products for the South African and African regions for an initial period of three years. The conditions of the agreement require Citrofresh SA to purchase minimum sales quantities of Citrofresh® products equal to \$1.0m in the first year, increasing to \$1.5m in the second year, and \$2.0m in the third year.

The signing of the agreement follows the success of a comprehensive trial program completed by Citrofresh SA with its local customers, particularly in the animal health (livestock) and crop-health (agricultural) markets. The Citrofresh® "total plant health management system" is a cutting edge nutrient technology designed to improve plant health and increase yield and profit to the grower. The benefits are a reduction in the number of fertilisers and insecticides required and higher grade quality produce for the grower. Local customers have observed improved health and yields, greater productivity and lower costs when using the Citrofresh® product range. Sales from South Africa accounted for roughly 40% of CTF's total sales in 2004/05 and they are expected to grow strongly in 2005/06 as per the new agreement.

Cleaning, Sanitizing and Disinfectant**Food Industry**

The Company has trialed Citrofresh® and San-E-Foam with a number of leading Australian food companies. The products are being used as industrial sanitisers and detergents. They replace chlorine, caustic soda and other chemically based products. The natural advantage of Citrofresh® is its safe, non-toxic characteristics. Protective clothing or equipment is not required with Citrofresh® unlike chemically derived products and there is no withholding period post application. There is

also a much faster cleaning/sanitising turn-around time for customers. Citrofresh® is becoming recognised as a leading organic alternative in the field.

Hospitals/healthcare

In May 2005 CTF announced a significant milestone with the Therapeutic Goods Administration (TGA) approving Citrofresh® as a Hospital Grade Disinfectant. The Company believes the approval is significant because it is the first time a certified organic product has received this level of accreditation. Australian hospitals are reporting an increasing number of acquired infections or "super-bugs" such as MRSA and VRE. Citrofresh® products proactively control and reduce the incidences of such common pathogens. The Company has developed a comprehensive hand and surface hygiene program for hospitals to address the problem.

Human Health & Personal Hygiene

In July 2005 CTF announced that it was preparing to market a range of personal hygiene products, including baby care products, mouthwash, acne treatment, cold sore cream, tinea ointment (athlete's foot), wound cleanser and wet towel wipes. The products are organically produced and offer advantages to chemically derived products. The Company is still preparing its marketing and packaging for the product range. The company is looking towards a major expansion of the division.

Consistent with the use of Citrofresh® as a sanitiser and particularly in light of the recent independent virucidal testing which suggests Citrofresh® exhibits significant virucidal activity against HIV (in-vitro), the company announced on the 27th September 2005 that it will develop a product that will target Men's Health (as a post coital application). World health authorities have expressed a priority to develop a microbicidal product that would provide protection against HIV. CTF is currently exploring opportunities in the HIV and STD market due to the withdrawal of Nonoxly-9 from the market due to concerns that it increases susceptibility to HIV and STD's, a huge market gap has appeared. CTF intends to take full advantage of this market opportunity and will seek to register the Men's Health product before launching to the market.

To secure a quick and effective path to market, Citrofresh® is undertaking discussions with several market leaders for the distribution of the Men's Health product range. Collaboration is also being sought by CTF to undertake further trials for applications in the Women's Health market segment i.e. a vaginal biocide.

Animal Health

Emergence Disease Control & Bio-Security

In August 2005 CTF received confirmation of the efficacy of Citrofresh against Avian Influenza (in vitro). A report completed by The Onderstepoort Veterinary Institute (OVI) of South Africa, showed Citrofresh® to be effective against the virulent H5N2 strain of Avian Influenza Virus. The OVI was chosen for the tests because it is a leading Virology laboratory and one of few with access to the H5N2 strain. This result is impressive in that it is the first known organic and non-toxic product in the world to achieve such a result. CTF has commenced benchmarking the product against current chemical market leaders. It is giving consideration to which partners may be the best avenue to global distribution in this market.

Summary

Directors' acknowledge that despite a tough year since listing in August 2004 and acquiring the "Citrofresh®" distribution and marketing rights the vision and goals of the Company have only strengthened. The Company is making progress towards building a global distribution network and attaining approvals in key markets. The organics movement is gathering pace and Citrofresh® is positioning itself as a brand leader. The strategy is to continue to raise global awareness of the benefits of the Citrofresh® product range and where appropriate partner with international distributors for placement into world-markets. The company expects to make further progress with the rolling out of its international distribution network and collaboration partnerships in the year ahead.

FINANCIAL POSITION

The acquisition of Citrofresh® marketing rights was completed on 2 August 2004 and the Company is now focussed on this activity.

Prior to making the acquisition, the Company was focused during 2003/04 and 2002/03 on assessing various new business opportunities. Given the changes described above the prior period financial information is not comparable.

CASH FLOW AND CAPITAL RAISING

Net cash outflows from operations was \$2,058,209 (2004:\$ 584,421) and is inclusive of \$975,000 paid to the manufacturer of Citrofresh for product to cover pending sales in the ordinary course of business. Payments to other suppliers and employees were \$1,468,537 (2004: \$576,291).

Funds from financing activities include \$2,108,447 raised from the issue of 10,542,234 fully paid ordinary shares at 20 cents each and 5,271,117 free attaching options (on the basis of one option for every two shares subscribed) pursuant to the prospectus issued in May 2004. During the year, a total of 101,071 shares raising \$25,268 were issued as a result of the exercise of 101,071 May 2008 options at 25 cents per share.

Significant Changes In The State Of Affairs

During the financial year 2004/05 the following significant changes in the state of affairs of the Company occurred:

- (a) On 26 July 2004, a change of Company name to Citrofresh International Ltd (formerly Plexus International Limited) became effective.
- (b) On 30 July 2004, the Company's share capital was consolidated on the basis of two new shares for every five shares previously held. Consequently, options on issue at that date were also consolidated on a two for five basis, with the exercise price increasing from 10 cents to 25 cents.
- (c) On 2 August 2004, the Company successfully completed a capital raising of \$2,108,447 by issuing 10,542,234 fully paid ordinary shares at 20 cents each and 5,271,117 free attaching options (on the basis of one option for every two shares subscribed).
- (d) On 2 August 2004, the Company issued 7,500,000 options exercisable at 25 cents on or before 15 May 2008 to nominees of Sage Capital Group for their assistance with the successful capital raising.
- (e) In August 2004, the Company successfully acquired the exclusive worldwide marketing and distribution rights to the Citrofresh range of products and the Company's shares were reinstated for trading on the Australian Stock Exchange.
- (f) The consideration paid for the "Citrofresh" rights was satisfied by way of the allotment and issue of 2,500,000 fully paid ordinary shares at 20 cents each. A further 2,000,000 fully paid ordinary shares at 23 cents each and 1,000,000 options at 5.5 cents each, exercisable at 25 cents on or before 15 May 2008, were allotted as consideration to acquire the Citrofresh marketing and distribution rights in Chile and Japan.
- (g) On 2 August 2004, Mr Cordes was appointed Managing Director as agreed under the terms of the Heads of Agreement dated February 2004 for the purchase of the Citrofresh marketing and distribution rights. Mr Cordes retired as Managing Director on 9 September 2004.

Upon completion of the matters referred to above, the Company commenced its new activity of marketing and distribution of Citrofresh products in August 2004.

- (h) On 27 September 2004, Mr Narain was appointed to the Board as Managing Director and Chief Executive Officer. Mr Narain conceived and developed the Citrofresh range of products.
- (i) In October 2004, an agreement was concluded for the distribution of Citrofresh products in South America.
- (j) In November and December 2004, a total of 101,071 shares were issued as a result of the exercise of 101,071 May 2008 options at 25 cents per share.
- (k) In May 2005, "Citrofresh" was approved by the Therapeutic Goods Administration (TGA) for Citrofresh as a Hospital Grade Disinfectant and paves the way for the Company's entry into new markets in the hospitals and personal hygiene sectors.
- (l) On 27 June 2005, the Company granted 500,000 unlisted options exercisable at 30 cents any time after 27 December 2005 or before 27 June 2008 under the Citrofresh International Limited Employee Option Plan

SIGNIFICANT POST BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of operations, or the state of affairs of the Company in future financial years except for the following items:

1. On 8 August 2005, the Company issued 500,000 fully paid ordinary shares as a result of the exercise of 500,000 May 2008 options at a price of 25 cents each to raise a total of \$125,000 for the Company.
2. On 30 September 2005, the Company issued 512,500 fully paid ordinary shares as a result of the exercise of 512,500 May 2008 options at a price of 25 cents each to raise a total of \$128,125 for the Company.
3. On 12 September 2005, the Company signed a three year \$4.5 million distribution expansion agreement with its South African distributor, Citrofresh South Africa Pty Ltd.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will continue to develop the Citrofresh[®] business by establishing further distributors to support the marketing and sales of Citrofresh[®] products worldwide. No further information is included on the likely developments of the operations or the business strategies of the Company and the expected results of those operations, as it is the opinion of the Directors the disclosure of this information would prejudice the future interests of the Company.

ENVIRONMENTAL REGULATIONS

The Company is not subject to any significant environmental regulations.

DIRECTORS

The names of directors in office at any time during or since the end of the financial year are:

Mr. Ron Gajewski	
Mr. Ravi Narain	(Appointed 27/09/2004)
Mr. Andrew Michael	(Appointed 27/09/2004)
Mr. Mathew Walker	
Mr. Darrold Cordes	(Appointed 2/08/2004, Retired 9/09/2004)
Mr. Anthony Brennan	(Retired 31/07/2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS' QUALIFICATIONS, EXPERIENCE, AND RESPONSIBILITIES

Mr. Ron Gajewski	—	Chairman (Non-executive) Age 45
Qualifications	—	B.Bus, CPA
Experience	—	Mr. Gajewski joined the board in 2003. He was managing director in 2004 and an executive director until December 2004. He is an accountant by profession, with many years experience as a director of public listed companies and as a corporate advisor to public companies. Since March 2004 he has been a director of the ASX listed Contact Resources Ltd
Mr Ravi Narain	—	Managing Director /CEO Age 40
Qualifications	—	Food technologist
Experience	—	Mr Narain joined the board in September 2004 as Managing Director and Chief Executive Officer. He is qualified in all aspects of thermal food processing. He conceived and developed Citrofresh, which is an organic and non-toxic antibacterial product with universal applications. Mr Ravi Narain is a shareholder of GDM Technologies Pty Ltd, which owns the Manufacturing and IP rights of Citrofresh.
Mr. Andrew Michael	—	Executive Director Age 45
Qualifications	—	B.Bus, FNTAA, ASCPA
Experience	—	Mr. Andrew Michael joined the board in September 2004. He is a Certified Practising

Accountant and business consultant, with over 20 years experience in the accounting profession and in the provision of business advisory services. He is a Fellow of the NTAA. He is a long term Business Associate and partner of Mr Ravi Narain and is a Director of GDM Technologies Pty Ltd, which owns the Manufacturing and IP rights of Citrofresh.

Mr. Mathew Walker Qualifications Experience	—	Non- Executive Director Age 35
	—	B.Bus
	—	Mr. Walker joined the board in 2003 and has extensive experience in the provision of financial advice to individuals and corporations. He is currently executive director of boutique investment banking firm Delta Capital Pty Ltd and since May 2005, an executive director of the publicly listed Louisiana Petroleum Limited.
Mr. Darrold Cordes Experience	—	Former Managing Director Age 62
	—	Mr. Cordes joined the board in August 2004 as Managing Director of Citrofresh International limited. He holds a Bachelor of Technology, Electronic engineering – University of Adelaide (1970) and a Graduate Diploma Mathematics – University of South Australia (1972). Mr Cordes is an experienced executive with experience in a diverse range of industries including those in the food and beverage sector. He resigned in September 2004.
Mr. Anthony Brennan Qualifications Experience	—	Former Director (Non-executive) Age 48
	—	ACA
	—	Mr. Brennan joined the board in 2003. He is a Chartered Accountant by profession with a career of more than 25 years. He was previously a partner in a national accounting firm in Australia and has extensive experience in financial management. He resigned in July 2004.

Company Secretaries

Mr. Jeffrey Hanlon Qualifications Experience	—	Chief Financial Officer and Company Secretary Age 42
	—	B.Ec, ACA, FICD, FSIA, FICS, Grad. Dip.Fin, Grad. Dip CSP
	—	Mr. Hanlon is a qualified Chartered Accountant and Chartered Secretary and has more than 20 years experience, including previous positions as the CFO/Secretary of various ASX listed entities in the energy, technology, environmental and biotechnology sector. He commenced his career with KMG Hungerfords, in the audit division. He is a fellow of the Institute of Securities Finance and Banking and a regular lecturer for their graduate diploma and master courses.
Mr. Susmit Shah Qualifications Experience	—	Company Secretary, Age 49
	—	BSc. Econ, A.CA
	—	Mr. Shah is a qualified Chartered Accountant with over 20 year's experience. Over the last 12 years, Mr Shah has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He resigned as company secretary on 4 August 2005.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

During the financial year, six meetings of Directors were held and six decisions were taken by circulatory resolutions.

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Mr R. Gajewski	6	6	-	-
Mr. R. Narain	5	5	-	-
Mr. A. Michael	4	5	-	-
Mr. M. Walker	6	6	-	-
Mr. A Brennan	1	1	-	-
Mr. D. Cordes	1	1	-	-

A= number of meetings attended

B= is the number of meetings held during the time the director held office during the period.

No Director has any specific area of responsibility other than the Chief Executive Officer.

AUDIT COMMITTEE

As at the date of this report, the Company has formed an Audit Committee which is to be activated in the year 2005/06.

The directors discussed the Company's activities with the auditors throughout the year. Due to the size and early stage of the Company's business operations, previously it has not been considered necessary to form an audit committee of the board of directors.

REMUNERATION REPORT

Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and senior executives. 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 senior executives.

Principles used to determine the nature and amount of remuneration

Executive remuneration and other terms of employment are reviewed by the Board on an ongoing basis having regard to comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Remunerations and other terms of employment for certain specified directors and executives are formalised in service agreements. Each agreement may provide for the provision of other benefits including car allowances. Major provisions of the agreements relation to the remuneration are set out below:

Current remuneration packages for Executive Directors and Senior Executives include superannuation, retirement and termination entitlements. There is currently no performance related remuneration for Directors. Executives and employees, other than directors are eligibility to participate in the Citrofresh International Limited Employee Option Plan. Details regarding the issue of options under this plan are provided in note 17 of the accounts. Remuneration and other terms of employment for the Executive Directors and Senior Executives of Citrofresh International Limited are formalised in service agreements. Currently the terms of engagement of Directors and senior executives continue on a month by month basis subject to satisfactory annual reviews. (Refer note 23)

Details of remuneration and service Agreements

Mr. R. Narain, Managing Director and Chief Executive Officer

- Term of agreement – No fixed term of agreement or amount payable on termination. There are no incentive terms within the agreement.
- Base consulting fee - \$150,000 per annum inclusive

Mr. A. Michael, Executive Director

- Term of agreement – No fixed term of agreement or amount payable on termination. There are no incentive terms within the agreement.
- Base consulting fee - \$120,000 per annum inclusive

Mr. J. Hanlon, Chief Financial Officer and Secretary

- Term of agreement – No fixed term of agreement and entitled to the equivalent of payment of one months salary on termination. Incentive included entitlement to participate in the EOP
- Base salary - \$120,000 per annum plus statutory superannuation

Mr. R. Gajewski, Non Executive Director/Chairman

- Term of agreement – No fixed term of agreement or payout on termination. There are no incentive terms within the agreement.
- Base directors fee - \$40,000 per annum inclusive.

Mr. W. Walker, Non- Executive Director

- Term of agreement – No fixed term of agreement or payout on termination. There are no incentive terms within the agreement.
- Base directors fee - \$30,000 per annum inclusive.

Details of the nature and amount of each element of the emoluments of each specified Director of the Company and of the specified executive officers of the Company for the financial year are as follows:

Emoluments of Directors of the Company:

Name	Primary Salary & fees	Directors' Fees	Equity Options	Total
	\$	\$	\$	\$
Executives				
Mr. R. Narain	112,500	-	-	112,500
Mr. A. Michael	90,000	-	-	90,000
Mr. D. Cordes	42,824	-	-	42,824
Non-executives				
Mr. R Gajewski	-	91,456	-	91,456
Mr. M Walker	-	30,000	-	30,000
Mr. A. Brennan	-	4,360	-	4,360
	245,324	125,816	-	371,140

Mr. Narain and Mr. Michael were each appointed directors on 27 September 2004. Mr Cordes was appointed on 2 August 2004 and resigned on 9 September 2004. Mr Brennan resigned on 31 July 2004.

Mr. Gajewski was executive chairman until 30 November 2004 and non-executive chairman thereafter.

During the financial year, no percentage of the remuneration paid to the specified directors was performance based and no options were issued to any of the directors as part of their remuneration.

The emoluments of executive officers of the Company not noted above are as follows:

Name	Base Salary	Motor Vehicle	Superannuation	Equity Options (i)	Total
Mr. J. Hanlon *	\$ 92,820	\$ 9,452	\$ 9,204	\$ 315	\$ 111,791

Note (i): These options are valued using the Black-Scholes Options Pricing Model. These 500,000 options were granted under the Citrofresh International Limited Employee Option Plan as described in note 17 of the accounts (Contributed Equity). The options were granted on 27 June 2005 as part of the specified executive's contract of employment. The value of emolument recorded represents the apportionment of the unrealised option value from the date of issue to the date available for exercise, 27 December 2005. The value of the options represents less than 1% of the remuneration of the specified executive. The value of the options at the grant date was assessed on the basis described above to be \$38,290. No portion of the options vested during the year. The options were issued to assist align executive remuneration with the goals of the Company and to ensure retention of high quality executive's.

Further information on Directors' and officers remuneration and benefits are set out in note 23 (Remuneration and Retirement benefits) and note 17 (Contributed Equity) of the accounts.

INFORMATION ON OTHER DIRECTORS BENEFITS

Information on other directors' benefits is set out in note 23 Related Party Transactions.

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

There are no material contracts involving directors' interests at the end of the financial year nor have any been entered into since the end of the previous financial year not otherwise disclosed in this report or as follows:

- 1) Mr Ravi Narain and Mr Andrew Michael are both directors of Citrofresh Pty Ltd and GDM Technologies Pty Ltd and have an interest in a Heads of Agreement ("HOA") between Citrofresh International Ltd, Food and Beverage Brands Pty Ltd ("FBB), GDM Technologies Pty Ltd and Mr Ravi Narain dated 13 February 2004.
Under the terms of the HOA, FBB is entitled to be issued ordinary shares in the Company in the future upon the achievement by the Company of specified Earnings before Interest and Tax ("EBIT") targets in the financial years 2004/05 to 2007/2008 as follows:

Number of Shares	12 Month Period ending 30 June	EBIT(\$ million)
12.5 million	2005	1.5
12.5 million	2006	5.0
10.0 million	2007	8.0
10.0 million	2008	10.0

FBB has assigned its rights up to 34,170,000 ordinary shares under this arrangement to Mr Narain (or his Nominee) i.e. if Specified EBIT targets are achieved by the Company in the financial years 2004/05 to 2007/2008, up to 34,170,000 shares will be issued to Mr Narain (or his nominee).

Under the terms of the HOA, Citrofresh Pty Ltd is also entitled to be issued up to 4,500,000 ordinary shares in the Company in the future upon the achievement by the Company of specified Earnings before Interest and Tax ("EBIT") targets in the financial years 2004/2005 to 2007/2008.

- 2) Mr Ravi Narain and Mr Andrew Michael are both directors of GDM Technologies Pty Ltd which is the sole supplier of the Citrofresh range of products to which the Company has the exclusive worldwide Marketing and Distribution Rights.

DIRECTORS' INTERESTS

As at the date of this report the interests of the directors held either directly or through entities they control, in the securities of the Company are as follows:

	Ordinary Shares	Options
Mr. R. N. Gajewski	1,348,000	2,400,000
Mr. R. A. Narain	2,800,000	500,000
Mr. A. J. Michael	2,887,500	500,000
Mr. M.D. Walker	-	1,000,000

Mr Narain and Mr Michael's relevant interests (partly in the case of Mr Michael) arise through their directorships and shareholdings in Citrofresh Pty Ltd, which is the registered holder of 2,800,000 shares.

During the current financial year, no options were granted to Directors of the Company as part of their remuneration.

The Company does not have any executive officers other than the Directors and officers noted above.

SHARE OPTIONS

Options outstanding at the date of this report are:

Share Option Plan	Number of Options	Term	Exercise Price
Employees	500,000	Exercisable prior to 27 June 2008	\$0.30
Total	500,000		
Other Options			
Various	34,012,085	Exercisable prior to 15 May 2008	\$0.25
Others Total	34,512,085		
Total	34,512,085		

Since the end of the financial year no options have been issued. Option holders do not have any right, by virtue of the option, to vote, to participate in dividends or to the proceeds on winding up of the Company. Further information on options is set out in note 17 of the accounts.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

101,071 shares raising \$25,268 were issued during the year ended 30 June 2005 and 1,012,500 shares raising \$253,125 have been issued since the end of the financial year as a result of the exercise of options.

No person entitled to exercise the options had or has any right by virtue of the options to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the period under review the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all the Directors and Officers against liabilities for costs and expenses incurred by them in defending any claims arising out of their conduct while acting in the capacity of Director of the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS AND OFFICERS INDEMNITY

The Company has entered into an Indemnity Deed with each of the Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of the conduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Directors' Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director Ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

NON AUDIT SERVICE

The Auditor did not provide any other services during the year other than the audit of the accounts

AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 at the end of this report.

Signed in accordance with a resolution of the Board of Directors.



R. Narain
Managing Director - CEO

Dated this day of 30th September 2005

CITROFRESH INTERNATIONAL LIMITED
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Revenue from ordinary activities	2	249,584	-
Cost of Sales and other charges		(195,150)	-
Gross Profit		54,434	-
Other revenue from ordinary activities	2	47,380	47,298
Less expenses			
Consulting costs		(113,183)	-
Corporate costs		(114,637)	(36,081)
Borrowing costs		-	(4,032)
Depreciation and amortisation		(77,891)	-
Directors fees and remuneration		(371,140)	(276,466)
Employee costs excluding directors fees and remuneration		(295,376)	-
Professional services including accounting & corporate		(49,558)	(171,648)
Insurance and legal costs		(32,138)	(20,685)
Occupancy and other costs		(35,012)	(1,229)
Provision for surplus lease rentals	16	(101,848)	-
Provision for prior period expenses in 2000/01		(35,000)	-
Sales and marketing		(155,864)	-
Staff recruitment		(75,972)	-
Telecommunication & IT costs		(69,571)	(1,906)
Travel and accommodation		(192,626)	(18,564)
Write down of other financial assets		-	(72,417)
Other expenses from ordinary activities		(32,328)	14,347
Expenses		(1,752,144)	(588,681)
Loss from ordinary activities before income tax expense		(1,650,330)	(541,383)
Income tax refund	4	4,752	-
Loss from ordinary activities after income tax expense		(1,645,578)	(541,383)
Net loss attributable to members of Citrofresh International Limited	18	(1,645,578)	(541,383)
Share Issue costs		(139,186)	(160,030)
Total changes in equity other than those resulting from transactions with owners as owners	18 (b)	(1,784,764)	(701,413)
Basic earnings per share (cents per share)	6	(4.7)	(2.88)
Diluted earnings per share (cents per share)	6	(4.7)	(2.88)

The accompanying notes form an integral part of this Statement of Financial Performance

CITROFRESH INTERNATIONAL LIMITED
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Current assets			
Cash assets	8	91,556	167,642
Receivables	9	105,129	565,555
Inventory	10	716,567	-
Other	11	6,699	-
Total current assets		919,951	733,197
Non-current assets			
Office Plant and Equipment	12	38,623	-
Intangibles – Citrofresh Marketing and Distribution Rights	13	1,445,566	-
Total non-current assets		1,484,189	-
Total assets		2,404,140	733,197
Current liabilities			
Payables	14	312,300	153,253
Other Provisions	15	72,713	-
Total current liabilities		385,013	153,253
Non- Current liabilities			
Other Provisions	16	75,232	-
Total Non-current liabilities		75,232	-
Total liabilities		460,245	153,253
Net assets		1,943,895	579,944
Equity			
Contributed equity	17	3,841,544	13,463,294
Accumulated losses	18 (a)	(1,897,649)	(12,883,350)
Total equity		1,943,895	579,944

The accompanying notes form an integral part of this Statement of Financial Position

**CITROFRESH INTERNATIONAL LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005**

		2005	2004
		\$	\$
		INFLOWS	INFLOWS
		(OUTFLOWS)	(OUTFLOWS)
Cash flows from operating activities			
Receipts from customers & GST refunds		339,686	-
Payments to suppliers and employees		(2,443,537)	(576,291)
Income tax overpayment received		4,752	2,807
Interest received		40,890	24,341
Interest expense		-	(4,032)
Refund AusIndustry grant monies		-	(31,246)
Net cash outflow from operating activities	7	(2,058,209)	(584,421)
Cash flows from investing activities			
Payment for purchase of equity investment		-	(7,447)
Payment for purchase of plant and equipment		(53,578)	-
Proceeds from disposal of plant and equipment		6,490	-
Reduction in cash due to deconsolidation of controlled entity		-	(224)
Loans to other entities		41,381	(500,000)
Other – security deposit		(6,699)	-
Net cash outflow from investing activities		(12,406)	(507,671)
Cash flows from financing activities			
Proceeds from share issues		2,133,715	1,131,236
Proceeds from borrowings		-	2,000
Share issue costs		(139,186)	(172,228)
Net cash inflow from financing activities		1,994,529	961,008
Net decrease in cash held		(76,086)	(131,084)
Cash at the beginning of the financial year		167,642	298,726
Cash at the end of the financial year	8	91,556	167,642

The accompanying notes form an integral part of this Statement of Cash Flows

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account, except where stated, current valuations of non-current assets. The accounting policies are consistent with those of the previous year. The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial reports.

(a) Basis of accounting

Going Concern

The accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. During 2004/05, income from the sale of products has been insufficient to service the Company's running expenses and the Company incurred a loss for the year. The operations of the Company for the year were funded out of the proceeds of share issues.

The Company's management are committed to a number of initiatives to expand customer numbers, source additional distributors and increase the level of future sales to achieve profitability. Since balance date additional funding of \$253,128 has been received as a result of the exercise of options. The directors are exploring opportunities to raise further working capital.

In view of the circumstances outlined above, the directors are of the opinion that the Company will have sufficient funding and that it is appropriate to prepare the accounts on a going concern basis. Accordingly no adjustments have been made to the financial report relating to recoverability and the classification of the asset carrying amounts.

(b) Income tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating loss before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating loss before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of the realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Foreign currency translation

Foreign currency transactions are initially translated into Australian currency at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange rate differences are brought to account in determining the result for the year.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The sales, marketing and distribution rights to the Citrofresh range of products is brought to account on the basis described in note 1 (g).

(e) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. In assessing the recoverable amount the net cash flows have not been discounted to their present values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT....

Where the carrying amount of a non-current asset exceeds its recoverable amount the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still standing to the credit of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised in the statement of financial performance.

(f) Plant and equipment

Plant and equipment is recorded at costs less accumulated depreciation. Depreciation is calculated on a straight-line basis so as to write off the net cost or re-valued amount of each item of plant and equipment over its expected useful life to the Company. Estimates of expected useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rates used are as follow:

Class	Depreciation rates
Office plant and equipment	10-33%
Motor Vehicles	20%

(g) Intangible assets

Marketing and Distribution Rights

The Marketing and Distribution rights to the Citrofresh range of product has been recorded at cost. The acquired rights are currently being amortised on a straight-line basis over twenty years, being the period over which the benefits are expected to arise.

(h) Leases

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight-line basis over their useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Payments under a non-cancellable operating lease for surplus leased space are recognised as a liability and expensed when it is probable that a loss will be incurred. The amount recognised is the total expected outlay, net of any sub lease revenue discounted at the interest rate implicit in the lease.

(i) Leasehold improvements

The cost of improvements, to or on leasehold properties, is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the company, whichever is the shorter. Leasehold improvements held at the reporting date have been fully amortised.

(j) Employee entitlements

Wages and Salaries and Annual Leave

Liabilities in respect of wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation

The company contributed to multi-employer industry funds which provide retirement, disability and death benefits for employees. The company is under no legal obligation to make up any shortfall in any of these funds.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont....

Employee Equity based benefit arrangements

Details of the Citrofresh International Limited Employee Option Plan are set out in Note 17.

(k) Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at call deposits with banks or other financial institutions and investments in money market instruments maturing within less than two months.

(l) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and tax paid. Revenue from the sale of goods is recognised when control of the goods passes to the customer.

Where regulatory approvals are pending or involved in new markets (such as foreign currency control or product application approvals) in particular with overseas customers not previously dealt with revenue is not recognised or the goods despatched even though the goods have been ordered, packed and are capable of despatch, until the Company has satisfactorily confirmed that the necessary approvals such as product application approvals and foreign currency control requirements are in place and, if considered necessary, that the customer has provided payment.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(m) Inventory

Inventory is recorded at the lower of cost and net realisable value.

(n) Trade and other creditors

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

(o) Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(p) Receivables

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs on delivery of services to customers. Trade debtors are recorded at nominal amounts. Credit terms are 30 days. The collection of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt exists as to collection.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(r) Comparative Information

Comparative information presented in this report is for the 12 months ended 30 June 2004. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	2005 \$	2004 \$
NOTE 2. REVENUE		
Revenue from operating activities		
Sale of goods	234,637	-
Recovery of delivery and freight changes	14,947	-
	<u>249,584</u>	<u>-</u>
Revenue from outside the operating activities		
Interest	40,890	24,528
Other revenue	-	22,770
Proceeds from disposal of plant and equipment	6,490	-
	<u>47,380</u>	<u>47,298</u>
Revenue from ordinary activities	<u>296,964</u>	<u>47,298</u>

NOTE 3. OPERATING LOSS

Expenses

Loss from ordinary activities before income tax expense includes the following specific expenses:

Cost of goods sold and other charges	195,150	-
Depreciation		
Office plant and equipment, motor vehicles	7,158	-
Motor vehicle	1,298	-
Borrowing costs		
Interest paid or payable to other persons	-	4,032
Rental expense relating to operating leases	24,399	-
Other charges against assets		
Amortisation of Marketing and Distribution Rights	69,435	-
Write down of other financial assets (Inscan Ltd convertible loan stock)	-	72,417

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 4. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss.

The differences are recorded as follows:

	2005 \$	2004 \$
Loss from ordinary activities	1,650,330	541,383
Prima facie tax / (benefit) on operating loss before income tax @ 30%	(495,099)	(162,415)
Add tax effect of:		
- Permanent differences	20,830	-
- tax losses and timing differences not brought to account	474,269	162,415
- overprovision of tax in prior years	4,752	-
Income Tax Credit	4,752	-

The Directors estimate the potential tax losses available to be approximately \$514,269 (2004: \$40,000).

The tax benefits will only be obtained if:

- a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) the Company continues to comply with the conditions for deductibility imposed by the relevant tax legislation;
- c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for losses.

The Company has no franking credits available.

NOTE 5. AUDITORS' REMUNERATION

During the year the auditor of the Company earned the following remuneration:

	2005 \$	2004 \$
Audit and review of financial reports	20,175	-
Other services	-	-
Total remuneration	20,175	-
Other practices (previous /former auditor)		
Audit and review of financial reports	-	6,433
Other services	-	9,748
Total remuneration	-	16,181

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 6. EARNINGS PER SHARE

	2005 Cents	2004 Cents
Basic (loss) / Earnings per share *	(4.7)	(2.88)
Diluted (loss) / Earnings per share	(4.7)	(2.88)
	2005 Number	2004 Number
Weighted average number of shares used as the denominator *		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	34,974,160	18,820,959
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	34,974,160	18,820,959
The number of share options not included in the calculation of diluted loss per share	33,769,180	18,799,797
	2005 \$	2004 \$
Loss used in calculating basic loss per share	(1,645,578)	(541,383)

Note:

*The comparative information presented above has been adjusted for the 2 for 5 capital consolidation in July 2004.

Shares options granted are considered to be potential ordinary shares to the extent that the then historic trading price of the shares is significantly greater than the exercise price of the options.

As the Company made a loss for the years ended 30 June 2005 and 2004, potential ordinary shares are not considered dilutive. Potential shares have also not been considered dilutive as the historic trading price of the shares was less than the exercise price of the options.

NOTE 7. STATEMENTS OF CASH FLOWS

(a) Reconciliation of operating loss after income tax to net cash used in operating activities

	2005 \$	2004 \$
Operating loss after income tax	(1,645,578)	(541,383)
Depreciation	8,456	-
Write down of intercompany loans	-	105
Amortisation of marketing rights	69,435	-
Write down of other investment	-	72,417
Change in operating assets and liabilities		
(Increase)/ decrease in trade debtors	(73,717)	-
(Increase)/ decrease in other debtors	(12,227)	(60,948)
(Increase)/ decrease in inventory	(716,567)	-
Increase /(decrease) in provisions	147,945	(62,000)
Increase /(decrease) in accounts payable	116,666	(14,239)
Increase /(decrease) in accrued liabilities and other creditors	47,378	21,627
Net cash outflows from operating activities	(2,058,209)	(584,421)

(b) Non cash financing and investing activities

Share issue expenses

On 2 August 2004, the Company issued 7,500,000 options exercisable at 25 cents on or before 15 May 2008 to nominees of Sage Capital Group as a fee for assistance with the successful capital raising.

Acquisition of Citrofresh marketing rights

On 2 August 2004, the Company allotted and issued 2,500,000 fully paid ordinary shares at 20 cents each as consideration for the acquisition of the worldwide Citrofresh Marketing and Distribution rights, except for China and Japan. On 31 August 2004, the Company allotted 2,000,000 fully paid ordinary shares at 23 cents each and 1,000,000 options at 5.5 cents each, exercisable at 25 cents on or before 15 May 2008 as consideration for the acquisition of the Citrofresh Marketing and Distribution rights for Chile and Japan.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

2005
\$

2004
\$

NOTE 8. CURRENT ASSETS – Cash assets

Cash at bank and on hand (see note below)	91,556	167,642
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Note: At 30 June 2004 monies of \$1,066,447 were held in trust in the Company's subscription account in accordance with the terms of the Company's prospectus dated 25 May 2004. These funds were not accounted for in the previous year.

NOTE 9. CURRENT ASSETS – Receivables

Trade debtors	73,717	-
GST receivable	30,014	22,189
Other debtors	1,398	43,366
Loan to Food & Beverage Brands Pty Ltd	-	500,000
	105,129	565,555

Due to difficulties encountered with overseas customers in obtaining the necessary regulatory approvals to pay for product, an amount of \$830,334 recognised as revenue at 31 December has been reversed in the 2nd 6 months. This sale will be recognised when the necessary approvals have been received. (See note 1 summary of significant accounting policies)

In the previous financial year, the Company funded Food & Beverage Brands Pty Ltd's ('FBB') acquisition of the distribution and marketing rights ('Rights') to the Citrofresh range of products from GDM Technologies Pty Ltd. The agreement was that if the Company's subsequent acquisition of those Rights from FBB could not be completed, then the \$500,000 would be refunded by FBB to the Company. In August 2004, the Company completed its acquisition of the Rights and the loan amount has been reclassified in the current financial year as cost of the acquisition of the Rights.

NOTE 10. CURRENT ASSETS – Inventory

Inventory – at cost	716,567	-
	716,567	-

NOTE 11. CURRENT ASSETS – Other

Security deposits	6,699	-
	6,699	-

NOTE 12. NON-CURRENT ASSETS

Plant and equipment and motor vehicle

Plant and Equipment - at cost	29,389	
Less accumulated depreciation	(7,158)	
Total plant and equipment	22,231	
Motor Vehicles - at cost	17,690	-
Less accumulated depreciation	(1,298)	-
Total Motor Vehicle	16,392	
Total Plant and equipment and motor vehicle	38,623	-

Movements during the year

	Plant & Equipment	Motor Vehicles
Beginning of year	-	-
Additions at cost	35,879	17,690
Disposals at cost	(6,490)	-
Depreciation expense	(7,158)	(1,298)
End of year	22,231	16,392

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

2005 2004
\$ \$

NOTE 13. INTANGIBLE ASSETS

Citrofresh Marketing and Distribution Rights

At cost

1,515,000 -

Less accumulated amortisation

(69,434) -

1,445,566 -

The value to the Company of the Marketing and Distribution Rights is dependent upon the ability of the Company to generate income from the asset over a period of time and upon the extent of that income. Sales revenue to date has been significantly lower than expected and it is difficult to evaluate the future success and timing of sales. The directors are confident that over time the expected net cash flows, which are discounted to their present value, will at least equal the carried value of the rights which are recorded at cost less amortisation.

The Company has entered into a number of agreements with distributors for the sale of products. The expected cash flows used in the determination of the recoverable amount of the rights incorporates existing and expected sales income generated from such distribution agreements:

The Company is currently assessing distribution partners and alliances in several other markets and further distribution agreements are pending. In addition, the Company markets directly to wholesalers and is continual building on its existing sales base, within the segments of Food & Agriculture, Cleaning, Sanitising and disinfection, Human Health/Personal Hygiene and Animal Health.

At the date of this report the reliability of the expected cash flows associated with the determination of the recoverable amounts is dependent upon a number of future events including entering further distribution agreements and obtaining regulatory approvals for different product applications.

Whilst the directors are confident of the successful outcome of these future events, the outcomes represent inherent uncertainties in relation to the recoverable amount of the marketing rights. Accordingly, no adjustment has been made to the carrying value as represented by the cost of the rights net of accumulated amortisation. The possible effect on the financial report if the outcomes of these uncertainties were known may be material.

NOTE 14. CURRENT LIABILITIES – Payables

Trade creditors

118,586 95,043

Amounts owing to directors / outstanding fees

105,372 48,543

Other creditors

31,955 667

Accrued expenses

56,387 9,000

312,300 153,253

Included in trade accounts payable is an unhedged amount of A\$19,261 which is payable in Euro, unhedged and translated at the spot rate at year ended

NOTE 15. CURRENT LIABILITIES – Provisions

Employee entitlements

11,097 -

Provision – other (see note)

35,000 -

Provision for future rentals on unused office space (see note 16)

26,616 -

72,713 -

Note: The Company has received a claim for \$47,112 allegedly arising from unpaid services provided in 2000/01 when the Company was previously known as Plexus International Limited and engaged in other activities. It was thought appropriate to make a provision of \$35,000 to take account of this claim until the matter is satisfactorily resolved or quantified.

Employee Numbers

Total number of equivalent full time employees at reporting date

2005 2004
2 Nil

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 16. NON CURRENT LIABILITIES – Provisions

	2005 \$	2004 \$
Provision for future rentals on unused office space	75,232	-
	<u>75,232</u>	<u>-</u>

On 13 December 2004, a decision was taken to vacate the office premises in Melbourne and the surplus office space is currently unoccupied.

The Property lease is a non-cancellable lease with a five year term ending 31 May 2009. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the lease at the end of the five year term for an additional term of years. The lease allows for sub-letting of the area.

In accordance with UIG 100 “Lessee Accounting for Surplus Leased Space Under Non- Cancellable Operating lease”, the Company has recognised the lease costs payable over the remaining term of the lease as an expense in the statement of financial performance and as a liability in the statement of financial position.

The financial impact is an increase in the net loss for the year 2004/05 of \$101,848, an increase in current liabilities of \$26,616 and an increase in non-current liabilities of \$75,232.

Any future rentals recovered as a result of assigning or subletting the premises will be applied in subsequent reporting periods to reduce the expense and liability recorded in the accounts.

NOTE 17. CONTRIBUTED EQUITY

	2005 No of Shares	2004 No of Shares	2005 \$	2004 \$
Share capital				
Fully paid ordinary shares	36,497,836	21,354,531	3,786,544	13,437,908
Option premium reserve	-	-	55,000	25,386
	<u>36,497,836</u>	<u>21,354,531</u>	<u>3,841,544</u>	<u>13,463,294</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movements in ordinary share capital over the past two years were as follows:

Date	Details	Number of Shares	Issue Price	\$
01 July 2003	Opening balance	24,818,412		12,480,588
24 July 2003	Placement issue	1,875,000	\$0.04	75,000
24 September 2003	Non-renounceable rights issue	26,693,412	\$0.04	1,067,736
30 June 2004	Share issue costs			(160,030)
30 June 2004	Closing balance	<u>53,386,824</u>		<u>13,463,294</u>
30 July 2004	Accumulated losses as at 31 December 2003 *	-		(12,631,279)
30 July 2004	2 for 5 capital consolidation	(32,032,293)		-
2 August 2004	Share issue costs	-		(139,186)
2 August 2004	Placement issue pursuant to prospectus	10,542,234	\$0.20	2,108,447
2 August 2004	Share issue as part consideration for the acquisition of the Citrofresh marketing and distribution rights	2,500,000	\$0.20	500,000
30 August 2004	Share issue as consideration for the acquisition of the Citrofresh marketing and distribution rights in Chile and Japan	2,000,000	\$0.23	460,000
	Options			
10 November 2004	Conversion of options	13,571	\$0.25	3,393
29 November 2004	Conversion of options	87,500	\$0.25	21,875
30 June 2005	Closing balance	<u>36,497,836</u>		<u>3,786,544</u>
<i>Movements subsequent to year end:</i>				
8 August 2005	Conversion of options	500,000	\$0.25	125,000
30 September 2005	Conversion of options	512,500	\$0.25	128,125
	Closing balance as at the date of this Financial Report	<u>37,510,336</u>		<u>4,039,669</u>

*In accordance with a resolution approved by shareholders at the general meeting held on 31 May 2004, the Company's issued capital was reduced on a prorata basis per issued share by \$12,631,279 and the resulting amount of cancelled paid up capital applied against accumulated losses as at 31 December 2003. Funds raised during the 2005 financial year were to enable the Company to carry on the business of marketing and sale of Citrofresh products. Funds raised from the issue of shares during the previous financial year were used for working capital purposes.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

Contributed Equity - Continued

Options outstanding as at 30 June 2005

Options do not entitle the holders to voting rights, to participate in dividends or the proceeds on winding up of the Company. Each option entitles the holder to one ordinary share upon exercise of that option upon payment of the relevant exercise price prior to the date of expiry of the option.

The following options to purchase fully paid ordinary shares in the Company were outstanding at balance date. These issues of options are identified as to whether they were granted under the Company's option Plan or otherwise.

For the financial year ended 30 June 2005 the following movements occurred:

Share options	<u>No of options</u>
Balance at 30 June 2005	35,524,585
Balance at 30 June 2004*	21,354,539
Net movement for the year	<u>14,170,046</u>

*adjusted for 2 for 5 capital consolidation, which became effective on 30 July 2004.

35,524,585 shares are reserved for issuance upon issue of the above options.

Employee Option Plan

Dated Granted	Note	Opening balance 30/06/04	Number of options Granted	Number of options exercised	Closing balance 30/06/05
27 June 2005	(I)	-	500,000	-	500,000
Sub Total		-	500,000	-	500,000
Other Options					
1 July 2004	(II)	21,354,539			21,354,539
2 August 2004	(III)	-	12,771,117	(101,071)	12,670,046
30 August 2004	(IV)	-	1,000,000	-	1,000,000
Sub Total		21,354,539	13,771,117	-	35,024,585
TOTAL FOR ALL OPTIONS		21,354,539	14,271,117	(101,071)	35,524,585

Movements in options over the past two years were as follows:

		2005	2004
		Number	Number
1 July 2003	Number of Options brought forward	53,386,412	24,818,000
24 July 2003	Free attaching options with placement issue of shares	-	1,875,000
24 September 2003	Free attaching options pursuant to non-renounceable rights issue	-	26,693,412
30 July 2004	2 for 5 capital consolidation (see below note)	(32,031,873)	-
2 August 2004	Free attaching options pursuant to prospectus	5,271,117	-
2 August 2004	Options issued as a fee for assistance with capital raising	7,500,000	-
30 August 2004	Part consideration for the acquisition of the Citrofresh marketing and distribution rights in Chile and Japan issued at 5.5 cents per share	1,000,000	-
10 November 2004	Conversion of options	(13,571)	-
29 November 2004	Conversion of options	(87,500)	-
27 June 2005	Options pursuant to EOP	500,000	-
30 June 2005	Number of Options carried forward	35,524,585	53,386,412

Movements subsequent to year end:

8 August 2005	Conversion of options	(500,000)
30 September 2005	Conversion of options	(512,500)
	Closing balance as at the date of this Financial Report	<u>34,512,085</u>

Following the 2 for 5 capital consolidation, which became effective on 30 July 2004, the exercise price of options has increased from 10 cents each to 25 cents each.

Notes

- (I) The exercise price is \$0.30. The options are unlisted exercisable any time after 27 December 2005 and prior to 27 June 2008.
- (II) The exercise price is \$0.25. The options are listed exercisable any time on or prior to 15 May 2008.
- (III) The exercise price is \$0.25. The options are unquoted and subject to ASX escrowed until 11 August 2006. The options may be exercised on or prior to 15 May 2008.
- (IV) The exercise price is \$0.25. The options are listed and exercisable any time on or prior to 15 May 2008.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

Contributed Equity (Continued)

Employee Option Plan

The Company adopted an employee option plan on 29 November 2004. The EOP provides an incentive for full-time employees with the Company, to encourage optimum involvement in the Company's future progress and to enhance the alignment of the interests of employees with the interests of shareholders.

Since its inception on 29 November 2004, 500,000 options have been issued to employees under the EOP. The options are unlisted and do not entitle the holder to voting rights, to participate in dividends or the proceeds on winding up of the Company. During the current financial year and subsequent to the financial year nil options have lapsed or been exercised.

The full terms and conditions applying to the granting of these options are outlined in the Company's option plan dated November 2004. Directors of the Company are not eligible to participate in the Plan. Subject to the discretion of the Board, options granted will be exercisable after the first anniversary of the date of grant but before the third anniversary of the date of grant. The total number of shares issued under the plan is not to exceed 5% of the number of the Company's issued shares after the exercise of options. Each option grants the right to purchase one share in the Company. The options are not quoted on ASX

	2005	2004
	\$	\$

NOTE 18. EQUITY AND ACCUMULATED LOSSES

18 (a) Accumulated Losses

Accumulated losses at the beginning of the financial year	(12,883,350)	(12,341,967)
Reduction in share capital applied against accumulated losses (see note 17)	12,631,279	-
Net loss attributable to the members of Citrofresh International Limited	(1,645,578)	(541,383)
Accumulated losses at the end of the financial year	(1,897,649)	(12,883,350)

18 (b) Total Equity Reconciliation

Total equity at the beginning of the year	579,944	138,621
Total changes in equity recognised in the Statement of Financial Performance	(1,784,764)	(701,413)
Transactions with owners as owners:		
Contributions as equity	3,148,715	1,142,736
Total equity at the end of the year	1,943,895	579,944

	2005	2004
	\$	\$

NOTE 19. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share	1.42 cents	2.82 cents
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The comparative information presented above has been adjusted for the 2 for 5 capital consolidation which became effective on 30 July 2004.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 20. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

2005	Floating interest rate \$	Fixed interest maturing in			Non-Interest bearing \$	Total \$
		1 year or less \$	over 1 year less than 5 \$	more than 5 years \$		
Financial Assets						
Cash at bank	91,556	-	-	-	-	91,556
Trade debtors					105,129	105,129
Other debtors	6,699	-	-	-	-	6,699
	98,255	-	-	-	105,129	203,384
Weighted average interest rate	5.2%					
Financial Liabilities						
Trade creditors	-	-	-	-	255,913	255,913
	-	-	-	-	255,913	255,913
Net financial assets	98,255	-	-	-	(150,784)	(52,529)

2004	Floating interest rate \$	Fixed interest maturing in			Non-Interest bearing \$	Total \$
		1 year or less \$	over 1 year less than 5 \$	more than 5 years \$		
Financial Assets						
Cash at bank	167,642	-	-	-	-	167,642
Other debtors	-	-	-	-	565,555	565,555
	167,642	-	-	-	565,555	733,197
Weighted average interest rate	2.07%					
Financial Liabilities						
Trade creditors	-	-	-	-	144,253	144,253
	-	-	-	-	144,253	144,253
Net financial assets	167,642	-	-	-	421,302	588,944

Reconciliation of net financial liabilities / assets to net assets

	2005 \$	2004 \$
Net financial assets as above	(52,529)	588,944
Non-financial assets and liabilities:		
Inventory	716,567	-
Office plant & Equipment	38,623	-
Intangible Assets	1,445,566	-
Provisions	(147,945)	-
Accrued expenses	(56,387)	(9,000)
Net assets per balance sheet	1,943,895	579,944

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 20. FINANCIAL INSTRUMENTS (continued)

(b) Terms, conditions and accounting policies

The Company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Financial assets

- Trade receivables are carried at nominal amounts less any provision for doubtful debts.
- Other receivables are carried at nominal amounts due. Interest is taken up as income on an accruals basis.
- Commercial Bills are stated at the lower of cost and net realisable value.

Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Equity

Ordinary share capital is recognised at the fair value of the consideration received by the company.

(c) Credit risk exposures

The credit risk on financial assets of the company, which have been recognised on the statement of financial position, is generally the carrying amount, net of any provisions for doubtful debts

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into

(d) Net fair value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

For financial instruments traded on organised markets, fair value is the current quoted market bid price for an asset or to settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is calculated on expected cash flows.

NOTE 21. SEGMENT INFORMATION

Business Segment

The Company operates in one major market segment being the sale, marketing and distribution of the Citrofresh range of products.

In the previous financial year, the Company was involved mainly in corporate activity including the restructuring and recapitalisation of its financial position and assessing various new business opportunities.

Geographical Segment

The Company's business segment is located in Australia and the Company markets its products worldwide. Sales to customers in South Africa accounted for 40% of total sales revenue in 2004/05.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 22. ECONOMIC DEPENDENCY

The Company is economically dependent on a continuity of supply of product being made available to it from GDM Technologies Pty Ltd which is the sole manufacturer of the Citrofresh range of products.

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The names of persons who were directors of Citrofresh International Limited at any time during the financial year are as follows:

Ron N Gajewski
Ravi Narain
Darold Cordes
Andrew Michael
Mathew D Walker
Anthony T Brennan

Executives (other than directors) with the greatest authority for strategic direction and management:

Jeffrey Hanlon – Chief Financial Officer & Company Secretary

There were no other specified executives during the current financial year and there were no specified executives in the previous financial year.

Remuneration of directors and specified executives

Principles used to determine the nature and amount of remuneration

Executive remuneration and other terms of employment are reviewed by the Board on an ongoing basis having regard to comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Remunerations and other terms of employment for certain specified directors and executives are formalised in service agreements. Each agreement may provide for the provision of other benefits including car allowances. Major provisions of the agreements relation to the remuneration are set out below:

Details of remuneration and service Agreements

Mr. R Narain, Managing Director and Chief Executive Officer

- Term of agreement – No fixed term of agreement or amount payable on termination. There are no incentive terms within the agreement.
- Base consulting fee - \$150,000 per annum inclusive

Mr. A Michael, Executive Director

- Term of agreement – No fixed term of agreement or amount payable on termination. There are no incentive terms within the agreement.
- Base consulting fee - \$120,000 per annum inclusive

Mr. J. Hanlon, Chief Financial Officer and Secretary

- Term of agreement – No fixed term of agreement and entitled to the equivalent of payment of one months salary on termination. Incentive included entitlement to participate in the EOP
- Base salary - \$120,000 per annum plus statutory superannuation

Mr. R. Gajewski, Non Executive Director/Chairman

- Term of agreement – No fixed term of agreement or payout on termination. There are no incentive terms within the agreement.
- Base directors fee - \$40,000 per annum inclusive.

Mr. W. Walker, Non- Executive Director

- Term of agreement – No fixed term of agreement or payout on termination. There are no incentive terms within the agreement.
- Base directors fee - \$30,000 per annum inclusive.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

Details of the remuneration of each director and specified executives of the Company paid are;

	Primary Salary or Fees \$	Post-Employment Superannuation \$	Other Fees \$	Total \$
Directors				
Ravi Narain				
Year ended 30 June 2005	112,500	-	-	112,500
Year ended 30 June 2004	-	-	-	-
Andrew Michael				
Year ended 30 June 2005	90,000	-	-	90,000
Year ended 30 June 2004	-	-	-	-
Ron N Gajewski				
Year ended 30 June 2005	91,456	-	-	91,456
Year ended 30 June 2004	163,500	-	-	163,500
Mathew D Walker (resigned 28 September 2005)				
Year ended 30 June 2005	30,000	-	-	30,000
Year ended 30 June 2004	25,968	-	11,355	37,323
Anthony T Brennan (resigned 31 July 2004)				
Year ended 30 June 2005	4,360	-	-	4,360
Year ended 30 June 2004	52,320	-	-	52,320
Darrold Cordes (Resigned 9 September 2004)				
Year ended 30 June 2005	42,824	-	-	42,824
Year ended 30 June 2004	-	-	35,000	35,000
Total Year ended 30 June 2005	371,140	-	-	371,140
Total Year ended 30 June 2004	241,788	-	46,355	288,143

The other fees noted above were for specific consulting services provided by the directors, primarily in relation to identification and assessment of new business opportunities.

Remuneration of directors and specified executives (cont .)

Specified executives	Primary Salary & Fees	Post-Employment Superannuation\$	Options issued as remuneration	Total
Jeffrey Hanlon (appointed 19 July 2004)				
Year ended 30 June 2005	102,272	9,204	315	111,476
Year ended 30 June 2004	-	-	-	-
Total Year ended 30 June 2005	102,272	9,204	315	111,791
Total Year ended 30 June 2004	-	-	-	-

Other than the specified directors noted above, the Company had only one specified executive during the year 2004/05 and there were no specified executives in 2003/04.

Shares and options provided as remuneration

J. Hanlon received a total of 500,000 unlisted options, granted on 27 June 2005 at the value of 7.6 cents per option at grant date under the EOP to the specified executive noted above. Exercisable between 27 December 2005 and 27 June 2008.

There were no shares or other options issued as remuneration to the Directors in the financial year ending 30 June 2005 or 2004.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

Shareholdings

The numbers of shares and options in the Company held during the financial year by directors and specified executives, including shares held by entities they control, are set out below.

Ordinary Shares	Balance 1 July 04 (1)	Shares acquired	Shares (Sold/disposed)	Net Change Other (2)	Balance 30 June 05
Specified Directors					
Ravi Narain		2,300,000	-	-	2,300,000
Andrew Michael		2,375,000	-	-	2,375,000
Ron N Gajewski	1,208,000	100,000	-	-	1,308,000
Anthony T Brennan			-		
Mathew D Walker	800,000	200,000	-	-	1,000,000
Anthony T Brennan	1,189,445	-	(1,189,445)	(1,189,445)	-
Darrold Cordes	-	1,227,667	-	(1,227,667)	-
Specified Executives					
Jeffrey Hanlon	-	56,659	-	-	56,659

Note

(1) Shareholdings noted above are after the 2 for 5 capital consolidation which became effective on 30 July 2004.

(2) Mr Anthony T Brennan resigned as a director in July 2004, and Mr. Darrold Cordes resigned as director in September 2004.

(3) Mr Narain and Mr Michaels interests arise as a result of their interest in Citrofresh Pty Ltd.

During the year Directors of the Company acquired the following ordinary shares in the Company. These shares were acquired as follows:

-Participation in share issue pursuant to prospectus	275,000
-On-market acquisitions	200,000
-Issue approved by shareholders as consideration for acquisition Citrofresh Marketing and Distribution Rights	3,427,667

Option holdings

Options exercisable at 25 cents on or before 15 May 2008	Balance 1 July 04 (1)	Options acquired/ (disposed)	Options Exercised	Net Change Other (2)	Balance 30 June 05
Specified Director					
Ravi Narain	-	1,000,000	-	-	1,000,000
Andrew Michael	-	1,012,500	-	-	1,012,500
Ron N Gajewski	2,900,000	-	-	-	2,900,000
Mathew D Walker	400,000	600,000	-	-	1,000,000
Anthony T Brennan	1,040,000	(1,040,000)	-	(1,040,000)	-
Darrold Cordes	-	-	-	-	-
	Balance 1 July 04 (1)	Options acquired/ (disposed)	Options issued as remuneration	Net Change Other (2)	Balance 30 June 05
Options exercisable at 25 cents on or before 15 May 2008					
Jeffrey Hanlon		37,500	-	-	37,500
Options exercisable at 30 cents on or before 27 June 2008					
Jeffrey Hanlon	-	-	500,000	-	500,000

Note

(1) Option holdings noted above are after the 2 for 5 capital consolidation which became effective on 30 July 2004

(2) Mr Anthony T Brennan resigned as a director in July 2004, and Mr. Darrold Cordes resigned as director in September 2004

(3) Mr Narain and Mr Michaels interest arises as a result of their interest in Citrofresh Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

During the year Directors of the Company acquired the following options to acquire ordinary shares in the Company. These options were acquired as follows:

-Participation in issue pursuant to prospectus	12,500
-On-market acquisitions	-
-Issue approved by shareholders as consideration for acquisition of Citrofresh Marketing and Distribution Rights	1,000,000

Other transactions with directors and specified executives

(i) As at 30 June 2005, accrued remuneration and fees were payable to: Mr Ravi Narain (\$20,000), Mr. Michael (\$40,000), Mr Gajewski (\$20,000) and Mr. Walker (\$15,000).

(ii) GDM Technologies Pty Ltd, an entity in which Mr Narain and Mr Michael have an interest, was paid \$886,364 for the purchase of Citrofresh products during the financial year.

(iii) Under the terms of a Heads of Agreement entered into in February 2004, the Company is obliged to issue shares in the future to certain parties. Refer to Note 18 below for details of Mr Narain's and Mr Michael's interest in this future issue of shares.

(iv) Under the terms of the Heads of Agreement dated February 2004 for the purchase of the Citrofresh marketing and distribution rights, the Company was obliged to appoint Mr Darrold Cordes as a director. Mr. Cordes was appointed a director on 2 August 2004 and resigned on 9 September 2004. During the period 1 July 2004 to 30 September 2004, fees of \$42,824 were paid to Rayner AAM Pty Ltd, an entity related to Mr Cordes for his services.

(v) Corporate Consultants Pty Ltd, an entity in which Mr Gajewski has a 13.125% interest was entitled to be paid \$49,558 for providing accounting, office administration and company secretarial services to the Company during the financial year. At 30 June 2005 an amount of \$44,489 was unpaid.

In the previous financial year;

(i) Corporate Consultants Pty Ltd, an entity in which Mr Gajewski has a 13.125% interest was paid \$18,769 for services relating to the preparation of a prospectus for the non renounceable entitlement issue. Corporate Consultants Pty Ltd also provided accounting, office administration and company secretarial services to the Company during the financial year and its fees were \$89,612.

(ii) Vienna Holdings Pty Ltd ("Vienna"), an entity in which Mr Gajewski has an interest, was paid \$3,600 fees pursuant to a sub-underwriting agreement with the underwriter of the Company's non-renounceable entitlement issue.

(iii) The Company Formerly Known as Prince Pty Ltd, an entity in which Mr Walker has an interest, was paid \$6,000 sub-underwriting fees.

(iv) Under the terms of the Heads of Agreement dated February 2004 for the purchase of the Citrofresh marketing and distribution rights, the Company was obliged to appoint Mr Darrold Cordes as a director, subject to completion of that transaction. During the period April 2004 to June 2004, fees of \$35,000 were paid or are payable to Rayner AAM Pty Ltd, an entity related to Mr Cordes for services rendered by Mr Cordes in the setting up of infrastructure and processes for the marketing and sale of Citrofresh products.

No other benefits have been received or are receivable by Directors or specified executives or entities they control, other than those already disclosed in the notes to the accounts.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 24. CAPITAL AND LEASE COMMITMENTS

Operating lease commitments related to non – cancellable leases contracted but not capitalised in the financial statements

	2005 \$	2004 \$
Operating lease (a)		
Payable:		
Not later than one year	3,024	-
Later than one year but not later than five years	6,300	-
Commitments not recognised in the financial statements	9,324	-

(a) Communication equipment leased over a four year term ending 31 July 2008.

Security deposits and credit facilities

The Company has provided a bank guarantee of \$6,655 in favour of the owner of premises rented by the Company.

NOTE 25. CONTINGENT LIABILITIES

There were no contingent liabilities or capital commitments of the Company, other than as disclosed below:

Under the terms of the Heads of Agreement entered into in February 2004 for the acquisition of the Citrofresh Marketing and Distribution Rights which was completed in August 2004, the Company is obliged to issue shares ("Performance Shares") in the future if the Company's Earnings before Interest and Tax ("EBIT") (following the acquisition of the Citrofresh Rights and arising principally from the conduct of the business of marketing and distributing Citrofresh Products) achieve the following levels in respect of the following periods:

Number of Shares	12 Month Period ending 30 June	EBIT(\$ million)
12.5 million	2005	1.5
12.5 million	2006	5.0
10.0 million	2007	8.0
10.0 million	2008	10.0

If EBIT does not reach the level set out in the above table in respect of the relevant period:

- (a) a proportion of the Performance Shares will still be issued;
- (b) for the purposes of calculating the number of Performance Shares to be issued, the EBIT will be rounded down to the nearest half million dollars;
- (c) the number of Performance Shares to be issued:
 - (i) will be a proportion of the number of Performance Shares specified in the above table;
 - (ii) that proportion will be the same proportion as the rounded down EBIT for the period bears to the target EBIT for that period; and
 - (iii) the resulting number will then be divided by 2.

If the total EBIT (rounded down to the nearest hundred thousand dollars) for any combined consecutive annual periods exceeds the aggregate of the levels set out in the above table in respect of those same periods:

- (a) Performance Shares will be issued before the end of the period;
- (b) The number of Performance Shares to be issued will be calculated as if that total EBIT had been earned in the relevant periods as set out in the above table.

The Company has been advised that Food & Beverage Brands Pty Ltd, the entity entitled to the above Performance Shares has assigned its rights to a portion of those Performance Shares to Mr Ravi Narain. Consequently, Mr Narain is entitled to up to 34,170,000 Performance Shares out of the 45 million Performance Shares referred to in the above table.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 26. MATTERS SUBSEQUENT TO THE END OF THE YEAR

The following significant events have occurred after the balance date:

- (a) On 8 August 2005, the Company issued 500,000 fully paid ordinary shares as a result of the exercise of 500,000 May 2008 options at a price of 25 cents each to raise a total of \$125,000 for the Company.
- (b) On 30 September 2005, the Company issued 512,500 fully paid ordinary shares as a result of the exercise of 512,500 May 2008 options at a price of 25 cents each to raise a total of \$128,125 for the Company.
- (c) On 12 September 2005, the Company signed a three year \$4.5 million distribution expansion agreement with its South African distributor, Citrofresh South Africa Pty Ltd.

Other than the above, there are no matters or circumstances that have arisen since 30 June 2005 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

NOTE 27. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS

The Company is preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings as 1 July 2004.

The Company's management, along with the assistance of its advisors and external consultants has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adopting of Australian Equivalents to International Financial Reporting Standards has been considered where applicable of the AIFRS.

The directors are of the opinion that the key material differences in the Company's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are set out below. However users of the financial statements should note that the amounts disclosed could change if there are any amendments by standards-setters to the current AIFRS or interpretations of the AIFRS requirements changes from the continuing work of the Company.

Income taxes

Under AASB 112 Income Tax" the Company will be required to use a balance sheet liability method which recognises deferred tax balances where there is a difference between carrying value of an asset or liability, and its tax base. Any initial adjustment to calculate deferred tax assets and liabilities on transition using the new basis will be made through opening balances of accumulated losses at 1 July 2004. Deferred tax assets and liabilities at 1 July 2004 can only be calculated once all other opening balance sheet amounts have been finalised at that date.

Impairment of Assets -intangibles

Under AASB 136 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of the net selling price and value in use utilising forecast discounted cash flows. This may result in a change in the Company's accounting policy that currently determines the recoverable amount of a non-current asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner, will be assessed for all assets and not just non-current assets and that the amount of write down will be greater and will result in a greater volatility in future earnings. Due to the uncertainties mentioned in note 13 the Directors have not fully assessed whether the changes will have a material impact on the FY05 accounts.

Share Based Payments

Under Accounting Standard AASB 2, the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the statement of financial performance.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 27. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS

Reconciliation with AIFRS	2005
	\$
Net loss reported under Australian Accounting standards	1,645,578
Key transitional adjustments:	
Reinstatement of amortisation of intangibles /Marketing rights	(69,434)
Recognition of share based payments	315
Total transitional adjustments	<u>(69,119)</u>
Net Loss under AIFRS	<u>1,576,459</u>
Reconciliation of Equity	
Total equity reported under Australian Accounting Standards	1,943,895
Decrease in current year loss resulting from transition to AIFRS	<u>69119</u>
Total Equity under AIFRS	<u>2,013,014</u>

Currently the Company amortises the “Citrofresh” Marketing and Distribution Rights over 20 years, application of the requirements of AIFS will instead require that the intangible asset be tested for impairment annually.

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Citrofresh International Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the result of its operations and cash flows, for the year ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001, and

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

(c) The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295 A.

On behalf of the Board



Ravi Narain
Managing Director - CEO

Melbourne, Victoria
30 September 2005



Chartered Accountants
& Business Advisers

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Auditors' Independence Declaration

Directors of Citrofresh International Limited

Dear Sirs

As lead auditor for the audit of Citrofresh International Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the above-mentioned company.

Yours faithfully

PKF

A handwritten signature in black ink, appearing to read 'R A Dean', is written over the PKF logo.

R A Dean
Partner
Melbourne

30 September 2005

**INDEPENDENT AUDIT REPORT TO MEMBERS OF
CITROFRESH INTERNATIONAL LIMITED**

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Citrofresh International Limited (the company), for the year ended 30 June 2005.

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

Audit Approach

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

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

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

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

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

Audit Opinion

In our opinion, the financial report of Citrofresh International Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Carrying Value Of Intangible Asset

Included in Non Current Assets is an intangible asset with a written down value of \$1,445,566 which represents the Marketing and Distribution Rights held by the company. As discussed in Note 13 there is inherent uncertainty over the recoverability of this asset which is dependent upon the successful negotiation of distribution agreements and regulatory approvals.



PKF
Chartered Accountants



R A Dean
Partner

30 September 2005
Melbourne

A Victorian Partnership