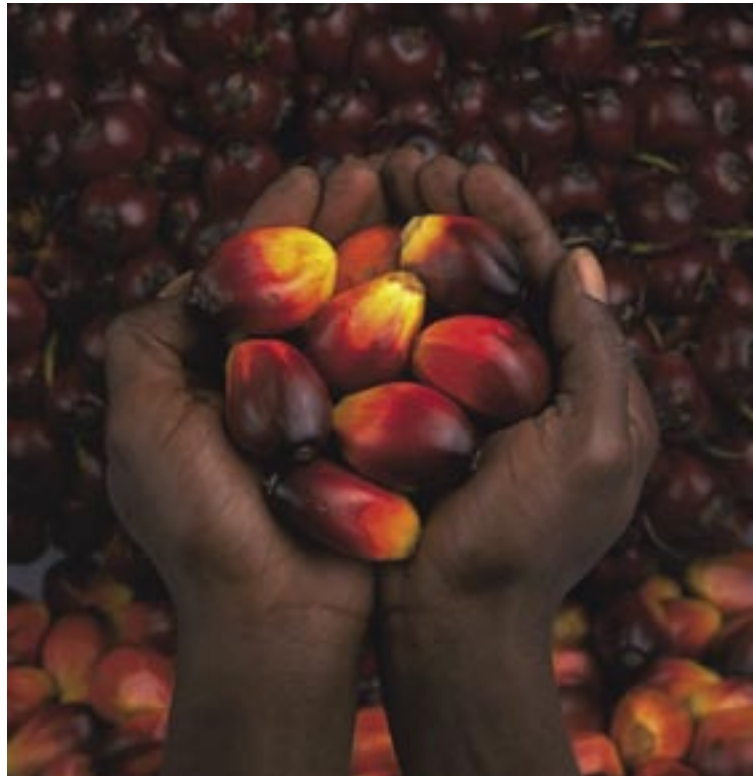


New Britain Palm Oil Limited 2004 Report to Shareholders



New Britain Palm Oil Limited (NBPOL)
is Papua New Guinea's largest oil palm plantation
and milling operation.

NBPOL has continued to consolidate its position in the region
by expanding its core activities of palm oil production.
NBPOL continues to pursue its objective of enhancing shareholder value,
it also places high value on its social obligations to the community
by seeking to achieve the highest standards
of environmental management
and working in sensitive cooperation with all sectors.

NEW BRITAIN PALM OIL LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 2003

CONTENTS	Page No.
Corporate Directory	3
Chairman's Report	7
2003 Operations Review	8-12
Report of the Directors to the Shareholders	13-14
Independent Audit Report to the Members	15-16
Profit and Loss Accounts	17
Statement of Changes in Equity	18
Balance Sheets	19
Statements of Cash Flows	20-21
Notes to the Financial Statements	22-31

Corporate Directory

Directors (as at 31 December 2004)

Hj Ahamad Mohamad, Chairman
N.M. Thompson, Managing Director
Tan Sri' Dr Arshad Ayub
Dato Mohd Ismail Che Rus
Mrs Winifred Kamit
Sheik Sharufuddin Sheik Mohd

Secretary
H. Waninara

Country of Incorporation
Papua New Guinea

Registered Office and Address for Service
c/- Bebere Plantation
Mosa
Kimbe, West New Britain Province
Papua New Guinea
Telephone 985 2177

Share Registry
PNG Registries Limited
Level 2, Aon Haus
Macgregor Street
Port Moresby, Papua New Guinea
Telephone: 321 6377

Auditors
PricewaterhouseCoopers
Level 6, Credit House
Cuthbertson Street, Port Moresby
Papua New Guinea

Bankers
ANZ Banking Group
Bank of South Pacific
Westpac Bank

Solicitors
Blake Dawson Waldron Lawyers
Gadens Lawyers
Sol-Law (Solomon Islands).

Stock Exchange
Port Moresby Stock Exchange



From the left: Tan Sri' Dr Arshad Ayub, Dato Mohd Ismail Che Rus, Sheik Sharafuddin Sheik Mohd, Hj Ahamad Mohamad - Chairman, Nick Thompson - Managing Director, Mrs Winifred Kamit, Himson Waninara - Secretary.

The twenty largest shareholders in New Britain Palm Oil Limited held 98.27% of the paid up capital at December 31, 2003. There are 120 million ordinary 25 toea fully paid shares issued.

Top twenty shareholders:

Name	Number of shares held	% of total
KULIM (MALAYSIA) BERHAD	96,000,000	80.00%
WEST NEW BRITAIN PROVINCIAL GOVERNMENT	18,000,000	15.00%
NICHOLAS MARK THOMPSON	523,000	.44%
NEW BRITAIN PALM OIL FOUNDATION LIMITED	450,000	.38%
NATIONAL SUPERANNUATION FUND LIMITED	435,606	.36%
NEW BRITAIN NOMINEES LIMITED	424,185	.35%
DAVID LEWIS MORLEY DANN	311,600	.26%
IAN ARTHUR DICKSON	276,800	.23%
ALAN JAMES MORROW	235,500	.20%
CHANG MENG DOMINIC THOR	212,600	.18%
MRS BRENDA SENIOR	154,000	.13%
FRANK J LEWIS	150,000	.13%
DANIEL ANDRE JURE-LE MANAC'H	124,200	.10%
MR PAUL MCLAREN	110,000	.09%
AGMARK PACIFIC LTD	104,000	.09%
JOHN DOUGLAS BENSEMAN	89,100	.07%
GEOFFREY ROBERT WHELLER	89,000	.07%
POSF LIMITED	82,845	.07%
N & R SMITH PTY LTD	80,000	.07%
SIMON LORD	73,600	.06%

Distribution of Shares

The distribution of shareholders at that date was:

Range of holdings	Number of holders
1-1,000	1,135
1,001-5,000	107
5,001-10,000	27
10,001-100,000	46
100,001- and over	15
Total	1,330

Marketable Parcels:

All parcels held by shareholders are marketable parcels.

Voting Rights:

At General Meetings all shareholders are entitled to vote. In the case of a vote taken on a show of hands or by voice, each shareholder has one vote. In the case of a poll (which may be called by any five shareholders or a shareholder or group of shareholders who in aggregate hold at least 10% of the total voting rights there is one vote for every share held.

Nomination of Office of Director

No person other than a retiring Director is eligible for election as a Director at a General Meeting unless notice pursuant to Clause 15.10 of the Constitution is lodged at the registered office of the Company at least 30 days before the meeting.

Corporate Practices and Conduct

The Directors are aware of the responsibility placed on them in terms of Corporate Governance and to this end have established committees to deal with issues as they arise. The Directors recognise the need for the highest standards of behaviour and accountability.

Audit Committee

Members:

Tan Sri' Datuk Arshad Ayub (Chairman)
Ahamad Mohamad
Winifred Kamit

Objectives

- To review the integrity of published financial information.
- To review the effectiveness of the Company's internal systems and controls.
- To provide a link between the Board and the Company's auditors.
- To act as necessary in any matters relating to the financial affairs of the Company where appropriate.

Remuneration Committee

Members:

Ahamad Mohamad (Chairman)
Tan Sri' Datuk Arshad Ayub
Winifred Kamit

Objective

- To establish suitable remuneration levels for senior executives.

Nomination Committee

Members

Ahamad Mohamad (Chairman)
Tan Sri' Datuk Arshad Ayub
Winifred Kamit

Objective:

- To select suitably qualified persons to be nominated as Directors to fill vacancies from time to time.

Environment Committee

In view of the importance that the Company places on protection of the environment and the establishment of the best procedures for the protection of the environment the Board has created this Committee to ensure full compliance with the Environmental laws and regulations affecting the company.

Members:

Winifred Kamit
Dato Mohd Ismail Che Rus
N.M. Thompson

Objectives

- To ensure that land management practices are consistent with the long term productivity of the re-source, so that the land remains suitable for agriculture use.
- To prevent degradation and erosion any land under Company control.
- To conserve and maintain the quality of ground and surface water.
- To manage the impact of development on such critical habitats as coastal wetlands, estuaries, rivers and streams, to ensure that any possible pollution and its effects are minimised.
- To direct innovative measures to reduce the effects that any industry by-products may have on the environment.

A Five Year Summary of Growth

NBPOL has been able to show good growth in the past through its expansion plans as evidenced below:

(all amounts in K'000's)

	2004	2003	2002	2001	2000
Financial Performance year 31 Dec					
Revenue	392,176	340,099	319,111	206,676	229,030
Profit from ordinary activities	126,317	109,223	101,709	37,289	63,495
Profit after tax	88,355	76,654	68,001	6,844	47,464
Cash flow from operating activities	111,985	118,041	60,732	44,206	64,822
Average price cpo (US\$ per tonne (cif))	420	446	387	297	346
Average price pko (US\$ per tonne (cif))	634	467	436	317	494
At Year End					
Share Capital	30,000	30,000	30,000	30,000	30,000
Shareholders Equity	345,507	262,838	247,081	210,807	196,378
Working Capital	112,159	61,764	93,840	62,764	42,116
Total Assets	490,717	446,562	382,360	296,946	259,590
General Statistics					
Earnings per share (toea)*	74	63.9	56.7	22.5	39.9
Dividends per share (toea)*	12	35	20	10	14
Dividend cover (times)	6.14	1.83	2.84	2.25	3.52
Net asset backing per share (kina)*	2.88	2.19	2.06	1.76	1.64
*adjusted for share split 1999					
Production Volumes (tonnes)					
FFB from own plantations	614,960	552,284	502,533	498,865	560,093
FFB from Outgrowers	288,878	264,967	259,144	265,500	275,902
Total FFB processed	903,839	817,250	761,677	764,365	835,995
Primary Products					
Crude Palm Oil Produced (CPO)	203,612	185,756	171,117	166,442	180,954
Palm Kernels Produced (PK)	52,834	45,826	44,301	44,831	49,253
Oil Palm Seeds (million sold)	8.00	6.05	3.76	2.89	3.62
Own mature Oil Palm (hectares Dec)					
Yield (Palm produce tonnes/hectare)	7.0	6.5	5.9	6.3	7.4
Secondary Products					
PK Processed into:-					
Palm Kernel Oil (PKO)	21,527	18,646	18,026	18,645	20,078
Palm Kernel Expeller (PKE)	27,917	23,959	23,375	23,365	26,589
CPO Refined					
Refined Palm Oil Produced (RPO)	91,863	75,120	-	-	-
Fatty Acid Distillate (PFAD) Produced	87,873	71,107	-	-	-
	3,949	2,896	-	-	-
RPO Fractionated into:-					
Palm Olein (RPL)	46,582	32,507	-	-	-
Palm Superolein (RPSL)	6,367	1,472	-	-	-
Palm Stearin (RPS)	17,715	11,933	-	-	-

CHAIRMAN'S MESSAGE

This is the thirty eighth Annual Report for New Britain Palm Oil Limited and it gives me great pleasure to inform our shareholders of the company's continued growth in production and profitability. 2004 was a year in which New Britain Palm Oil Ltd recorded its largest ever profit and produced a record tonnage of both crude and refined oils. In addition the company successfully acquired ISO 14001 accreditation for its environmental management systems, encompassing all of its plantations, oil mills, oil refinery, research, seed production and beef cattle operations in Papua New Guinea.

Importantly the company has made a strategic move to invest in the Solomon Islands. The shareholders approval of the arrangements for the Solomon Islands investment at the extraordinary meeting held on the 28th January 2005, will allow the company to rehabilitate 6,300 hectares of oil palm in Guadalcanal province and then expand this operation to approximately 15,000 hectares over the next 10 years. We believe that the company has the expertise and experience to make the Solomon Island investment a very successful one. The new operating company Guadalcanal Plains Palm Oil Ltd will be 80% owned by NBPOL and the share stapling arrangements will allow our shareholders direct access to dividends that ultimately flow from GPPOL. GPPOL has been given a range of taxation concessions that allow the cost effective rehabilitation of the existing oil palm scheme in Guadalcanal and support the expansion of the nucleus estate with associated smallholders.

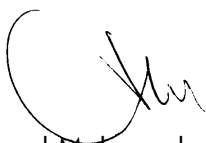
Financially the company's balance sheet remains very strong with low levels of borrowing. The record 2004 pre-tax profit of 126 million kina was achieved through a combination of solid palm oil prices and record oil production volumes. The company's revenue of 392 million kina increased by 15.3% over the preceding year. During 2004 14.4 million kina in dividends were distributed to our shareholders and a further dividend of 24 million kina was declared in January 2005. The company's capital expansion programme accounted for a further 56.5 million kina. Income tax payments amounting to 24 million kina were also paid to the National Government. Cash reserves have been built up to a record level so that the company can continue with a consistent dividend policy, as well as cover the entire anticipated equity investment requirements for GPPOL. The company has successfully negotiated with the ANZ Bank to extend its loan facilities to encompass the Solomon Islands requirements over the next 11 years.

The company is continuing to expand its operations in Papua New Guinea and the decision to invest in the Solomon Islands will not in any way dilute the company's plans to consolidate its primary production base. You will read in this report that the company envisages that over the next ten years it could expand to 80,000 hectares of estate and smallholder plantings in West New Britain, if the appropriate road infrastructure is built. On behalf of all of our shareholders I urge both the Provincial and National authorities to support our efforts in establishing these crucial road links as well as implementing the reforms announced by the Prime Minister in his Walindi "Green Revolution" speech of 2003.

The smallholder sector saw a revival in 2004, supplying a third of our crop, with payments for fruit reaching a record 61.9 million kina for the year. The company has and continues to provide credit facilities for the smallholders at its own expense, as well as voluntarily funding half of the Oil Palm Industry Corporation's smallholder extension programmes. The company has in 2004 made successful use of the tax credit arrangements whereby an allowance of 0.75% of the company's taxable revenue can be spent on public infrastructure maintenance and construction. The company has concentrated its tax credit expenditure so far on the maintenance of major highways and village feeder roads. A total of 2.6 million kina was spent on tax credit projects in the year. In addition the company has continued, at its own expense, to undertake road maintenance to allow continued access to villages and settlements, however much more needs to be done to improve the roads to unlock the potential of the smallholder sector.

The New Britain Palm Oil Foundation continues to fund infrastructure for education, health and most recently policing. In 2004 the Foundation donated the sum of K350, 000 towards the maintenance of Talasea police station and barracks. In education the Foundation donated a double classroom and a teachers house to Koimumu Primary School in the Hoskins area totalling K130, 000, materials to the Rikau Primary School and desks to Volupai Primary School in Talasea and Banaule village near Dami received building materials to the value of K12, 000 for a teacher's house and an aid post.

All the many achievements of the past year and the prospects for the coming year result from the hard work and commitment of our employees and on behalf of the Shareholders and Board I would like to thank them all.



Ahamad Mohamed
Chairman
March 17th, 2005

2004 Operations in review

New Britain Palm Oil Ltd (NBPOL) operate 18 oil palm estates, 4 oil mills, an oil refinery and fractionation plant, oil palm plant breeding and seed production facilities and an integrated oil palm and cattle enterprise on the North coast of West New Britain Province.

NBPOL has 33,209 hectares under cultivation and in addition purchase and process fruit from a further 22,592



hectares of oil palms grown by smallholders. In addition NBPOL have joint venture seed production facilities in Colombia, Indonesia and Malaysia.

SUMMARY

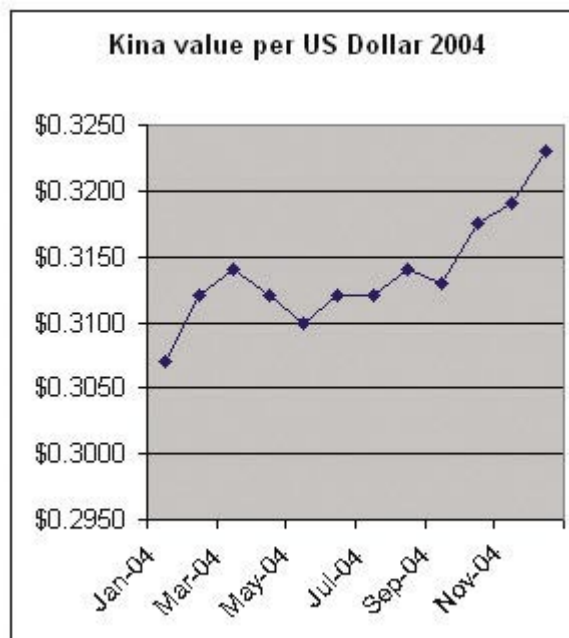
Total revenue generated by the company increased to K392 million kina in 2004, an increase of 15.3 % from the preceding year. At the operating level NBPOL posted a record pre tax profit of 126.3 million kina in 2004, a 16% increase over the preceding year and a 27% increase over our 2004 budget. Oil production in 2004 (CPO & PKO) reached a record 225,139 MT. The excellent performance was primarily attributed to a combination of higher fruit yields from both the estates and the smallholder sectors and better oil prices.

In 2004 commodity prices received for both crude and refined oils improved, most markedly for palm kernel oil where the price was almost 40% higher than the preceding year. The table below compares the average commodity prices over the past 2 years for the company's oil products:

	2003	2004	% +/-
CPO	\$459.09	\$471.12	2.62%
PKO	\$467.77	\$654.55	39.93%
RBDPO	\$451.33	\$531.87	17.85%
RBDOL	\$480.27	\$528.27	9.99%
RBDST	\$454.34	\$518.99	14.23%
PFAD	\$333.80	\$418.12	25.26%

The kina/US\$ exchange rate was relatively stable throughout 2004 (5% appreciation). This welcome stability contrasts with the volatility of recent years. We have presented the exchange rate movements for 2004 in the graph below.

NBPOL acquired ISO 14001 certification for its environmental management systems in 2004 for



all of its plantations, oil mills, refinery and research operations. The company has developed a comprehensive set of management guidelines where



the environment is core to our whole management strategy. The company continues to implement improvements in its operations that enhance the environment socially, physically and financially. This has been encapsulated into the "3Ps" of "People Planet Profit" as a motto for sustainable growth.

NBPOL has also become a full member of the "Roundtable for the Production of Sustainable Palm Oil" and rightly believes that PNG has a leading role to play in advancing this cause.

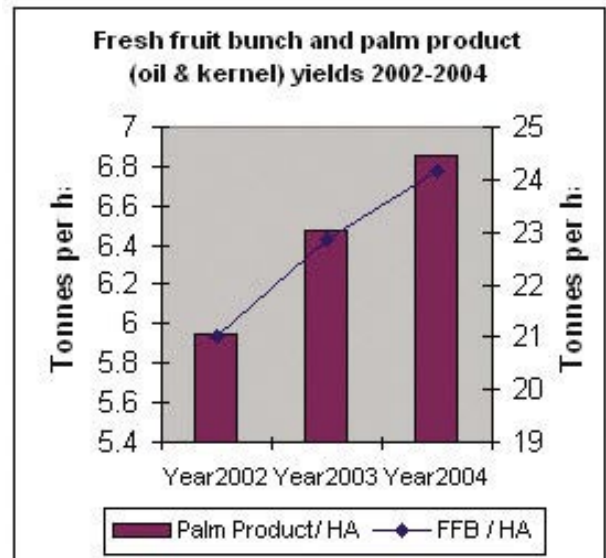
On administrative issues the company made a number of significant changes in the way payments were made. Notably our smallholders are now paid on a weekly basis rather than monthly and shareholder dividend payments have also gone electronic. Previously both methods of payment

were by cheque with the smallholders requiring up to 9,000 cheques a month! In both cases payments are now made by direct deposit.

The IT Department during the year commissioned the NBPOL website which has received thousands of hits since. It can be found at www.nbpol.com.
pg

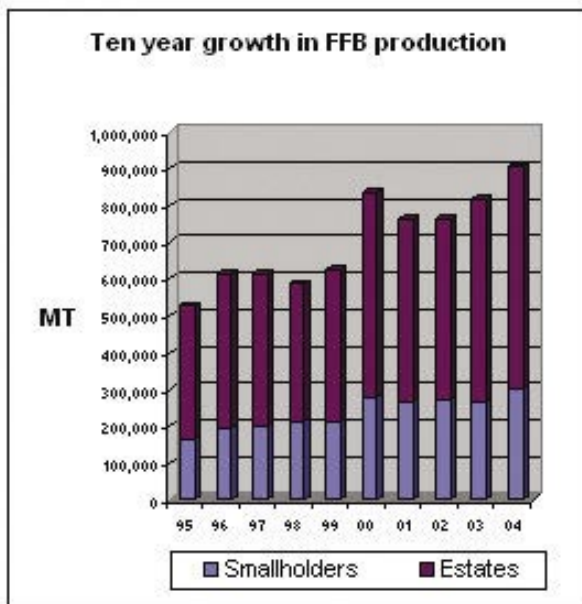
PALM OIL PRODUCTION AND PROCESSING

FFB production climbed to 903,839 tonnes in 2004 with the purchased crop from the smallholders accounting for 33.4% of the total. On an annualised basis FFB production grew 10.6% in 2004 compared to an average of 7.9% p.a. over the last decade. The average yield from the estates was 24.15 tonnes per hectare in 2004, an increase of 5.6% over the preceding year. The increase in yield is partly due to seasonal influences and represents



tonnes of FFB, operating at 99% of production capacity.

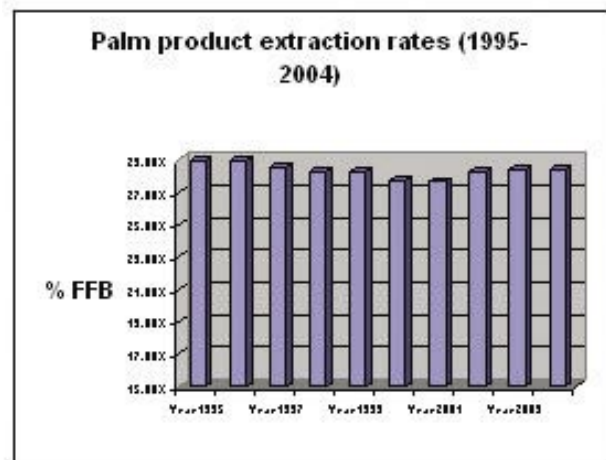
Crude palm oil production totalled 203,612 tonnes in 2004, an increase of 10% over the preceding year; similarly palm kernel oil production increased 15% to 21,527 tonnes. Overall palm product (crude palm oil and palm kernels) extraction rates remained above 28% (FFB). The quality of the crude oil delivered into our refinery was on target



a very good performance in relation to the young age profile of the estates and the large proportion of palms that are not yet in full maturity. In 2004, 22% of the palms harvested were less than 3 years old. The current young age profile bodes well for further increases in average yields as the palms enter full maturity.

The highest yielding plantations (all those in full maturity) yielded on average in excess of 7 tonnes of palm product per hectare the highest being in excess of 8 tonnes per hectare (Bebere Plantation). As illustrated below palm product yields (crude palm oil & palm kernel) from the company's estates averaged over 6.8 tonnes per hectare in 2004.

The company's four oil mills continued their solid performance from 2003 and coped well with a record peak crop in April of just less than 100,000



and exported crude oil had an average free fatty acid content (FFA) of 2.8% and therefore attracted consistent quality premiums. Palm kernel oil quality was again world class, being delivered to our European customers with an FFA content at consistently less than 1%.

The overall extraction efficiency at all four of the company's oil mills was 91.8% against a target of 91.9%; at the kernel mill extraction efficiency was 90.5% against a target of 91.0%.

The refinery throughput improved from 88% of its rated capacity in 2003, the first year of operation,

up to 98% in 2004. The quality of our refined oil products remained very good all year. A small palm stearin packaging plant was installed at the refinery



in 2004 to cater for local market demand. The company also commissioned a new boiler at Kumbango Oil Mill that operates with minimal smoke and particulate emissions.

At Numundo oil mill a decanter type separator has



been installed producing effluent slurry rich in nutrients. Liquid effluent production has been halved as a result, with satisfactory oil losses now obtained. The slurry and empty fruit bunches are mixed and transported to the fields by specially designed trailers for direct field application. The empty fruit bunches and the nutrient rich slurry then compost in situ amongst the palms where maximum nutrient uptake by the palms is ensured.

In 2004 engineering costs were 3.5% below budget, excluding depreciation. Direct milling costs were slightly over budget for a 7% higher crop, but the refinery's costs were within budget. The company continues to re-structure its engineering management to better cope with an expanding operation and before the end of 2005 the management teams of two more oil mills will be localised.

OIL PALM RESEARCH AND DEVELOPMENT

Dami Oil Palm Research station continues to lead the group's plant breeding and seed production programmes on a global basis. The group has in addition to its PNG based operations, seed production facilities in Indonesia operating as PT Damitama Mas Sejahtera (Dami Mas) and Colombia operating as Dami-Las Flores.

Plant Breeding highlights

It has been a year of intense activity both for the plant breeding and seed production departments of the company. The Plant breeding group has focused its activities in 2004 on the intensive improvement and testing of new germplasm. Currently there are 46 progeny trials, which occupy over 1,000 hectares all of which are intensively recorded on an individual palm basis. In the most recent testing and selection trials a number of pisifera palms that transmit a combination of low vegetative vigour and high oil yields to their progenies have been identified as potential pollen sources for the seed production programme. Additional dura seed palms were selected in the latest seed gardens, with the potential to give up to 33% oil content and over 10 tons of palm products per hectare. At Dami a Quality Management System has been developed and the seed production unit is expected to have its activities certified to ISO 9001 standard early in 2005.

Seed Production in 2004

The PNG operations produced in excess of 10 million seeds and sold more than 8 million seeds, mostly to clients in Indonesia. Our joint venture company in Indonesia Dami-Mas Sejahtera has opened a new seed production unit capable of processing over 20 million seeds per annum. The seed production unit, together with the seed gardens, has been certified as ISO 9001 compliant. Dami-Mas is now set to increase production from 5.7 million seeds in 2004 to a forecasted 18.6 million seeds in 2005. Seed sales are expected to increase accordingly with sales rising from 3.7 million in 2004 to 12.3 million seeds in 2005. The breeding activities will also intensify in 2005, with the planting of additional germplasm and the progeny testing of newly selected pisifera. In Colombia Dami Las Flores produced 5 million seeds in 2004 of which 3 million were sold to clients in Central and South America.

Biotechnology highlights

At Dami a total of 1000 cloned palms, from 36 distinct progenies, have been produced and field planted. Some 346 palms are bearing fruit and their progress is being monitored.

Double haploid research has proved promising with the successful routine induction and switching of early stage embryos (pro-embryos) from oil palm microspores. Experiments are continuing to identify the most appropriate regime for embryo maturation and germination. A double haploid palm would provide a quick and easy technique to test potential new varieties and to identify superior palms.

Collaboration with the University of Cambridge (United Kingdom) continues with the aim to improve the efficiency of selection by identifying molecular markers associated with key economic traits of the oil palm. The project is now focusing on intensive mapping within a set of four diverse progenies, linked by a common elite dura parent.

Agronomy highlights

Each of the company's 16 oil palm estates have been fully captured in digital format and electronically mapped. The estates have been subdivided into 386 management units and an agronomic database (OMP) has been created to record their physical and chemical soil characteristics, biological attributes and associated management practises. The OMP database is linked to the GIS system and as a result all data can be visually displayed on maps. These maps and data are used to assist managers to measure and monitor changes within their divisions.

As an extension to this work the "GeoDami" program (which records individual palm attributes and complements our planting by progeny philosophy) is now being nested within the GIS system. Additional Cartography tools are being developed to enhance this program to provide managers with their own means to create electronic maps.

NUMUNDO BEEF OPERATIONS

In 2004 NBPOL continued to expand its integrated oil palm and cattle enterprise. The unique systems



developed at Numundo allow the sustainable intercropping of beef cattle and oil palms. With a

current cattle-breeding herd of 1,500 and a feedlot holding 1,250 head of cattle, the intensive operation is managed on an area of only 677 hectares intercropped with oil palm. The combined revenue of oil palm and cattle provided a highly profitable mix in 2004 and once fully mature could generate a profit higher than the average oil palm profit per hectare.

In 2004 the cattle operation provided a solid contribution to the company's overall profit with a 10% increase in gross revenue from that achieved in 2003. A total of 1125 cattle were processed through the on site abattoir resulting in 270 tons of beef being sold on the domestic market. Andersons Foodland in Port Moresby remained our single largest client with sales of 135 tons of chilled beef quarters in 2004. Demand remains strong for our premium quality beef and the company's venture into the Solomon Islands provides the potential for an even larger market.

The expansion of the breeding herd is planned to reach 2000 head over the next 3 years. Herd fertility has continued to improve with a calving rate of 81% achieved in 2004 and shows a progressive movement towards our calving target of 85%. The first of the calves from the 'Elite' breeding herd were born in 2004 and these will form the basis of an ongoing source of superior genetics to further improve the performance of the herd in economically important characteristics in the future.

CAPITAL STOCKBROKERS

Capital Stockbrokers Limited (CSL) continued to grow at a healthy rate in 2004 and now boasts a staff of 14 with further expansion anticipated in 2005. CSL continued to make inroads into the institutional market with the placement of a 10% parcel of NBPOL shares, a placement for Highlands Pacific in conjunction with AMRO Morgan, as well as large transactions in both Bank South Pacific and Credit Corporation shares. CSL also was the "Lead Manager" in a K30 million floating rate promissory note for a PNG company, the first issue of this kind of instrument in PNG. As the new Superannuation Act mobilized more funds for the investment community the growth in funds under management continued. Currently CSL has in the order of K650 million under management in superannuation funds and a further K65 million in Treasury Bills outside the superannuation network. CSL has formed a strategic alliance with the Bank of South Pacific with the objective of working together for mutual benefit and to use each other's networks to provide better services for each other.

The PNG Registry segment of the operation, a joint venture with ASX Perpetual, has proven to be an invaluable addition to the group with its registry function. CSL is well placed now, in being able to provide an entire package for prospective POMSOX and ASX/POMSOX dual Listings. We anticipate that 2005 will see consistent growth and further consolidation of the CSL group within the PNG capital markets.

FUTURE PROSPECTS

In 2004 NBPOL signed agreements with the Solomon Islands Government, the Guadalcanal Provincial Government and Guadalcanal landowners to rehabilitate and expand the oil palm operations in Guadalcanal Province that were abandoned in 1999 (formerly known as Solomon Islands Plantation Limited). NBPOL will take 80% of the equity in the venture that is planned to initially restore the 6,300 hectares of abandoned oil palm estates and then to expand the project to 15,000 hectares. This provides an excellent opportunity to acquire land with proven high yield potential with established road and port infrastructure close at hand. Rehabilitation of the oil mill at Tetere will begin in mid 2005, with the bulk of work anticipated to be complete by year-end

With the opportunity to move into the Solomon Islands much time was spent on budgeting and in investigating tax efficient means of investment, the results of which were recently agreed to at the Special General meeting of shareholders in January 2005. Funding of USD11 million for the Solomon's rehabilitation and expansion was also sourced during 2004.

In West New Britain Province the company will continue to expand its palm oil production capacity with an increase in oil palm hectareage for both the estates and smallholders. Over the next ten years it is envisaged that the company's oil palm production base could expand in West New Britain to approximately 80,000 hectares, producing 1.6 million tonnes of FFB. The expansion is reliant on the construction of an all weather road link from Kimbe to Silavuti. NBPOL has also been asked to look at several proposals for oil palm development in PNG in provinces other than West New Britain. The company will investigate these proposals in detail and if thought appropriate will instigate full feasibility studies.

In 2005 processing capacity will be increased with the first phase of the kernel mill expansion. In addition Numundo oil mill is to expand from 40 tonnes per hour to an intermediate capacity of 60 tonnes

per hour before its final upgrade to its rated capacity of 80 tonnes per hour. In addition the fractionation plant at the refinery is to be expanded by 30% to cope with increased demand for "superolein" in the PNG market. Further developments on zero effluent discharge at Numundo Mill are also planned. In addition project work will continue to improve environmental standards, particularly on boiler emissions and the completion of protective bunds around storage tanks.

During 2005 we expect to upgrade our Accounts software (Pronto) to the latest version, this will take a number of months due to the number of different accounting modules we use and the number of departments that use them.

Good phone and fax lines are always a problem in West New Britain and two major projects are being undertaken in 2005 to address these issues; the first is a joint project with Telikom PNG to provide satellite communications to link the main Head Office site, directly to the Port Moresby telecommunications infrastructure. This project will eliminate the congestion and maintenance issues currently faced by NBPOL in West New Britain Province. The second project is the modernization of the PABX equipment used at Mosa, which should provide a better service between the external caller and NBPOL as well as for communications within the Company.

With the expansion of the company's wide area network over the last few years came an opportunity to improve the processing of smallholder FFB dockets. A new application is being developed to eliminate the need for the re-entry of the grower's dockets for payment.

This system, which is due for completion by mid-2005, will provide efficient processing of grower's dockets both in the field and at the weighbridge and also includes an automated method for verifying the accuracy of grower's docket information prior to payment.

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS TO THE SHAREHOLDERS
For the Year Ended 31 December 2004

Your directors take pleasure in presenting their Annual Report, including the financial statements and consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2004.

ACTIVITIES

During the period, the group has continued to grow and process oil palm fresh fruit bunches harvested from its own plantations as well as from surrounding smallholders in West New Britain, Papua New Guinea. The group also has subsidiary companies which operate as a stock broker in Papua New Guinea and maintains a bank of oil palm genetic material in Australia.

RESULTS

Net profit attributable to the shareholders was K88,355,000 (2003: K76,654,000). Equity of the group at the year-end totalled K345,507,000 which was an increase of K82,669,000 over the 2003 year-end total of K262,838,000.

DIVIDENDS

During the year the company declared and paid interim dividends of K0.12 (toea). A final dividend of K0.20 (toea) was declared in January 2005.

REMUNERATION OF DIRECTORS

Director's remuneration, including the value of benefits, received during the year, is as follows:

	GROUP AND HOLDING COMPANY	
	2004	2003
	K'000	K'000
Hj Ahamad Mohamad	199	209
N.M. Thompson	894	875
Tan Sri' Dr Arshad Ayub	99	105
Dato Mohd Ismail Che Rus	99	105
Mrs Winifred Kamit	99	105
Sheik Sharufuddin Sheik Mohd	99	81

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS TO THE SHAREHOLDERS
For the Year Ended 31 December 2004 (cont'd)

REMUNERATION OF EMPLOYEES

The number of employees (not including directors) whose remuneration, including benefits was within the specified bands was as follows: (2003 figures in parenthesis).

Band In Kina	Number	Band In Kina	Number	Band In Kina	Number
K100,000 - 109,999	1(1)	K110,000 - 119,999	1(3)	K120,000 - 129,999	6(1)
K130,000 - 139,999	2(3)	K140,000 - 149,999	0(1)	K150,000 - 159,999	2(1)
K160,000 - 169,999	2(1)	K170,000 - 179,999	0(1)	K200,000 - 209,999	1(0)
K210,000 - 219,999	0(2)	K240,000 - 249,999	1(1)	K260,000 - 269,999	2(0)
K270,000 - 279,999	1(0)	K280,000 - 289,999	1(0)	K300,000 - 309,999	1(1)
K310,000 - 319,999	0(3)	K340,000 - 349,999	1(0)	K350,000 - 359,999	0(1)
K370,000 - 379,999	2(1)	K380,000 - 389,999	1(1)	K390,000 - 399,999	2(1)
K400,000 - 409,999	3(0)	K420,000 - 429,999	0(2)	K440,000 - 449,999	0(3)
K450,000 - 459,999	1(1)	K460,000 - 469,999	0(2)	K470,000 - 479,999	2(0)
K480,000 - 489,999	0(2)	K490,000 - 499,999	1(0)	K500,000 - 509,999	0(2)
K510,000 - 519,999	0(1)	K520,000 - 529,999	1(0)	K550,000 - 559,999	1(0)
K580,000 - 589,999	0(1)	K630,000 - 639,999	1(1)	K660,000 - 699,999	1(0)
K810,000 - 819,999	1(0)	K820,000 - 829,999	0(1)	K830,000 - 839,999	0(1)
K870,000 - 879,999	1(0)	K890,000 - 899,999	1(0)	Total	41(40)

INTERESTS REGISTER

Details of directors' interests in the equity of the company as at the date of this report are as follows:

N.M Thompson 523,000 Fully Paid Ordinary Shares

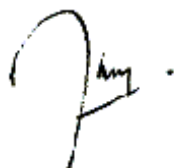
AUDITORS

Details of amounts paid to the auditors PricewaterhouseCoopers for the audit and other services are shown in note 3 to the financial statements.

DONATIONS

The total amount of donations made by the company and the group is stated in note 3 to the financial statements.

For and on behalf of the Board



Managing Director
Signed at Mosa, West New Britain
2005



Chairman

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
INDEPENDANT AUDIT REPORT TO THE SHAREHOLDERS
For the Year Ended 31 December 2004

Qualified Audit opinion

In our opinion,

- a) the financial report of New Britain Palm Oil Limited:
 - gives a true and fair view of the financial position of New Britain Palm Oil Limited and the New Britain Palm Oil Group at 31 December 2004 and of their performance for the year ended on that date and
 - except for non-compliance with IAS 41, is presented in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea
- b) proper accounting records have been kept by the company as far as appears from our examination of those records and
- c) we have obtained all the information and explanations we have required.

This opinion must be read in conjunction with the qualification paragraph below and the rest of our audit report.

Qualification – non-compliance with IAS 41: Agriculture

As stated in note 1(u), the company has not complied with IAS 41: Agriculture. This standard became applicable for accounting periods commencing on or after 1 January 2003. IAS 41 applies to all agricultural activity and, in substance, requires all biological assets and agricultural produce to be measured at fair value, with changes in fair value reported as part of the profit or loss for the period. The implementation of IAS 41 is likely to have a significant impact on the carrying amount of the group's biological assets and its performance as reported in the financial statements. The directors have resolved not to adopt IAS 41 for the reasons set out in note 1(u).

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, and the accompanying notes to the financial statements for both New Britain Palm Oil Limited (the company) and the New Britain Palm Oil Group (the group) for the year ended 31 December 2004. The group comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Companies Act 1997. 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 International Standards on Auditing, 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 Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, a view which is consistent with our understanding of the company's and the group's financial position and of their performance as represented by the results of their operations and cash flows.

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
INDEPENDANT AUDIT REPORT TO THE SHAREHOLDERS
For the Year Ended 31 December 2004

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.

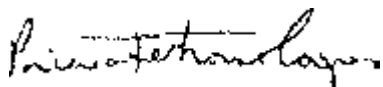
We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of the Papua New Guinea Institute of Accountants and the Companies Act 1997.



PricewaterhouseCoopers
By: SC Beach, Partner
Registered under the Accountants Act 1996
Port Moresby
March 17th, 2005

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
PROFIT AND LOSS ACCOUNTS
For the Year Ended 31 December 2004

	Notes	Consolidated		Holding Company	
		2004	2003	2004	2003
		K'000	K'000	K'000	K'000
Revenue	2	392,176	340,099	390,625	339,028
Cost of sales		(142,935)	(121,078)	(142,677)	(121,057)
Gross Profit		249,241	219,021	247,948	217,971
Other operating income	2	6,243	14,517	6,263	14,397
Administration and other charges		(36,414)	(34,184)	(35,338)	(33,059)
Distribution Costs		(69,113)	(64,187)	(69,113)	(64,187)
Depreciation and amortisation		(23,640)	(24,349)	(23,472)	(24,270)
Profit from operations	3	126,317	110,818	126,288	110,852
Finance costs		(1,299)	(1,595)	(1,299)	(1,595)
Share of profit from joint venture	24	1,136	-	-	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		126,154	109,223	124,989	109,257
Income tax expense	4	(37,799)	(32,569)	(37,836)	(32,569)
NET PROFIT FOR THE YEAR		88,355	76,654	87,153	76,688
Earnings per share	23	K	K		
- Basic		0.74	0.64		
- Diluted		0.74	0.64		

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2004

Consolidated	Notes	Issued Capital K'000	Treasury Shares K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Balance at 1 January 2003						
As previously shown		30,000	(695)	889	216,887	247,081
Change in accounting policy	1(t)	-	-	-	(8,648)	(8,648)
As restated		30,000	(695)	889	208,239	238,433
Treasury shares allocated		-	(2)	-	-	(2)
Cashflow hedges, net of tax		-	-	(8,542)	-	(8,542)
Movement in reserves		-	-	(97)	(1,775)	(1,872)
Net profit for the period		-	-	-	76,654	76,654
Dividends paid	5	-	-	-	(41,833)	(41,833)
Balance at 31 December 2003		30,000	(697)	(7,750)	241,285	262,838
Balance at 31 December 2003						
Treasury shares allocated		-	151	-	-	151
Cashflow hedges, net of tax		-	-	8,656	-	8,656
Movement in reserves		-	-	(144)	-	(144)
Net profit for the period		-	-	-	88,355	88,355
Dividends paid	5	-	-	-	(14,349)	(14,349)
Balance at 31 December 2004		30,000	(546)	762	315,291	345,507
Company						
Balance at 1 January 2003						
As previously shown		30,000	-	822	210,127	240,949
Change in accounting policy	1(t)	-	-	-	(8,648)	(8,648)
As restated		30,000	-	822	201,479	232,301
Cashflow hedges, net of tax		-	-	(8,542)	-	(8,542)
Net profit for the period		-	-	-	76,688	76,688
Dividends paid	5	-	-	-	(42,000)	(42,000)
Balance at 31 December 2003		30,000	-	(7,720)	236,167	258,447
Balance at 31 December 2003						
Cashflow hedges, net of tax		-	-	8,656	-	8,656
Net profit for the period		-	-	-	87,153	87,153
Dividends paid	5	-	-	-	(14,400)	(14,400)
Balance at 31 December 2004		30,000	-	936	308,920	339,856


NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES

BALANCE SHEETS

As at 31 December 2004

	Notes	Consolidated		Holding company	
		2004 K'000	2003 K'000	2004 K'000	2003 K'000
NON CURRENT ASSETS					
Property, plant and equipment	10	212,052	195,058	210,089	193,105
Plantations	11	103,304	87,435	101,653	87,435
Available for sale investments	6	6,201	5,242	1,008	1,008
		<u>321,557</u>	<u>287,735</u>	<u>312,750</u>	<u>281,548</u>
CURRENT ASSETS					
Cash and cash equivalents		36,508	13,357	34,625	11,720
Client cash at bank		18,981	4,066	-	-
Trade and other debtors	7	75,268	43,974	74,851	43,742
Held for trading investments	6	339	91	-	-
Inventories	8	38,064	51,621	38,064	49,851
Income tax recoverable		-	2,716	-	2,716
Amounts owed by group companies ¹⁴		-	-	6,066	5,759
		<u>169,160</u>	<u>115,825</u>	<u>153,606</u>	<u>113,788</u>
TOTAL ASSETS		<u>490,717</u>	<u>403,560</u>	<u>466,356</u>	<u>395,336</u>
NON CURRENT LIABILITIES					
Bank loans	13	13,003	24,654	13,003	24,654
Deferred taxation	4	75,206	62,098	75,206	62,098
		<u>88,209</u>	<u>86,752</u>	<u>88,209</u>	<u>86,752</u>
CURRENT LIABILITIES					
Bank loans and overdraft	9	17,318	10,784	17,318	10,784
Client funds		18,981	4,066	-	-
Trade and other creditors	12	15,816	24,660	15,806	24,893
Income tax payable		4,845	-	5,126	-
Dividend payable		41	14,460	41	14,460
		<u>57,001</u>	<u>53,970</u>	<u>38,291</u>	<u>50,137</u>
TOTAL LIABILITIES		<u>145,210</u>	<u>140,722</u>	<u>126,500</u>	<u>136,889</u>
NET ASSETS		<u>345,507</u>	<u>262,838</u>	<u>339,856</u>	<u>258,447</u>
SHAREHOLDERS' EQUITY					
Issued capital	15	30,000	30,000	30,000	30,000
Reserves	16	762	(7,750)	936	(7,720)
Retained earnings		315,291	241,285	308,920	236,167
Treasury shares	17	(546)	(697)	-	-
TOTAL SHAREHOLDERS' EQUITY		<u>345,507</u>	<u>262,838</u>	<u>339,856</u>	<u>258,447</u>

For, and on behalf of, the board


 Managing Director
 Mosa, West New Britain
 March 17th, 2005


 Chairman

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2004

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	360,981	375,199	364,681	374,037
Payments to suppliers and employees	(227,018)	(233,783)	(232,785)	(232,854)
Income tax paid	(21,456)	(23,685)	(21,456)	(23,685)
Interest paid	(1,299)	(1,595)	(1,299)	(1,595)
Interest received	777	1,905	727	1,799
Net cash flows from operating activities	111,985	118,041	109,868	117,702
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from the sale of investments	47	-	-	-
Purchase investments	(210)	24	-	-
Purchase of property, plant and equipment	(35,305)	(44,123)	(35,240)	(44,162)
Plantation development expenditure	(21,215)	(20,829)	(19,421)	(20,829)
Net cash used in investing activities	(56,683)	(64,928)	(54,661)	(64,991)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds of bank loans	-	-	-	-
Bank loan repayment	(6,999)	(7,692)	(6,999)	(7,692)
Treasury shares sold (acquired)	151	(2)	-	-
Dividends paid	(28,819)	(27,373)	(28,819)	(27,540)
Net cash used in financing activities	(35,667)	(35,067)	(35,818)	(35,232)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Add cash and cash equivalents brought forward	19,635	18,046	19,389	17,479
	13,357	(4,689)	11,720	(5,759)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	32,992	13,357	31,109	11,720
CASH AND CASH EQUIVALENTS COMPRISE				
Cash and bank balances	3,788	3,360	2,125	1,723
Call deposits	32,720	9,997	32,500	9,997
Bank overdraft	(3,516)	-	(3,516)	-
	32,992	13,357	31,109	11,720

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS (continued)
For the Year Ended 31 December 2004

**RECONCILIATION OF NET PROFIT AFTER TAXATION
TO CASH FLOW FROM OPERATING ACTIVITIES**

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
Reported Net Profit after Taxation	88,355	76,654	87,153	76,688
Add/(less) non-cash items:				
Depreciation and amortisation	23,640	24,349	23,472	24,270
Net loss/(profit) on sale of fixed assets	17	(32)	-	(32)
Non-cash adjustments to fixed assets	-	153	-	-
Unrealised foreign exchange (gains)/loss	(5,108)	(12,228)	(5,108)	(12,214)
Share of profit from Joint Venture	(1,136)	-	-	-
Add/(less) movements in working capital items:				
(Decrease)/increase in amounts due from/to related companies	-	-	(307)	(668)
Decrease/(increase) in trade and other debtors	(27,722)	28,656	(27,549)	28,562
(Decrease)/increase in current tax payable	7,561	(6,672)	7,842	(6,672)
Increase/(decrease) in deferred taxation	9,484	16,448	9,484	16,448
Increase in creditors and provisions	3,337	837	3,094	1,122
Decrease/(Increase) in inventories	13,557	(10,124)	11,787	(9,802)
Net Cash Flow from Operating Activities	111,985	118,041	109,868	117,702

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

1. STATEMENT OF ACCOUNTING POLICIES

The company is incorporated in Papua New Guinea and all amounts are expressed in Papua New Guinea Kina rounded to the nearest thousand Kina.

These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and, except for non-compliance with IAS 41, comply with applicable International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

The group financial statements comprise the consolidated financial statements of the company and its subsidiaries as set out in Note 6.

(a) Basis of accounting

The financial statements have been prepared on the basis of historical costs and except where stated, do not take into account current valuations of non-current assets.

(b) Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries accounted for using the purchase method. These subsidiaries are listed in note 6. The assets and liabilities of the self-sustaining overseas controlled entity, Dami Australia Pty Limited, are translated at exchange rates existing at balance date and the exchange gain or loss arising on translation is carried directly to a foreign currency translation reserve. All material inter-company accounts and transactions are eliminated on consolidation.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The accounting policies adopted by subsidiaries are consistent with those of group accounting policies.

(ii) Joint Venture

Investment in a Joint Venture over which the Group has significant influence is accounted for under the equity method of accounting. The Group share of Joint Venture profits or losses is recognised in the income statement and its share of movement in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group mainly operates in one geographical segment and all revenue from its principal activity of processing oil palm fresh fruit bunches are derived in Papua New Guinea. Revenue and results from other business and geographical segments are insignificant to the group and separate disclosure of those segmental information is not considered beneficial to the share holders.

(d) Plantations, property, plant and equipment

Plantation development expenditure and leasehold buildings and services acquired prior to 1 January 1985 and plant and machinery acquired prior to 1 January 1984 are recorded at directors' valuation. All other property, plant and equipment are recorded at cost less accumulated depreciation. All costs directly relating to plantation development are capitalised until such time as the oil palms reach maturity, at which point all further costs are expensed and amortisation commences.

Where the carrying value of an item of property, plant and equipment is greater than its recoverable amount the asset is written down to its recoverable amount.

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(e) Depreciation and amortisation

All property, plant and equipment assets with the exception of capital work in progress, are depreciated on a straight line basis over their estimated useful lives which are as follows:

	Useful lives (years)
Mature oil palm plantations	17
Leasehold buildings & services	4 - 33
Plant & machinery	10 - 15
Motor vehicles	3 - 5
Furniture & equipment	5 - 15

Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the year.

(f) Inventories

Inventories comprise palm produce, nursery and seed stocks, spare parts and consumables and livestock. Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring or producing the stock and bringing it to its existing location and condition.

Inventory of palm produce comprises processed and refined palm oil products in tanks awaiting shipment at balance date. No value is ascribed to unprocessed fruit or produce in process. Cost comprises the cost of fruit into the production process, together with direct materials and labour and an appropriate proportion of fixed and variable overheads relating to the milling and refining processes.

In respect of nursery and seed stocks, cost includes direct materials and labour plus an appropriate proportion of fixed and variable overheads.

In respect of livestock, cost is calculated as the average value of livestock at the beginning of the period plus purchases and natural increases during the period. Natural increases are valued at the attributable value accepted by the taxation authorities.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

(g) Investments

The Group classifies its investments in the following categories: financial assets at fair value through income statement, loans and receivables, available for sale financial assets and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through income statement

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(iv) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income statement category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(h) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(i) **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings using the effective interest method.

(j) **Hedges**

Derivative financial instruments are initially recognised at cost and subsequently are remeasured at their fair value. All gains and losses relating to highly effective cash flow hedges on palm produce are recognised in the hedge reserve in equity and are transferred to the income statement in the period when the hedged transaction affects the income statement.

(k) **Income tax**

The company recognises deferred taxes for all deductible and taxable temporary differences between the value for income tax purposes of assets and liabilities at balance date and their corresponding book values, on the basis of the tax rates expected to apply when these differences are extinguished. Deferred tax assets arising from deductible temporary differences and any tax losses carried forward are recognised to the extent that it is probable that they can be utilised against future taxable profit.

(l) **Foreign currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Assets and liabilities in foreign currencies are translated to local currency at rates of exchange ruling at balance date. Gains or losses arising from exchange fluctuations are brought to account in the determination of the results for the period.

(m) **Revenue**

Sales revenue represents revenue earned from the sales of the group's products, net of returns, trade allowances and duties and taxes paid. Revenue is recognised when there has been a passing of title and risk to the customer, and:

- The produce is in a form suitable for delivery and sale and no further processing is required;
- The quantity and quality of the product can be determined with reasonable accuracy;

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

- The product has been despatched to the customer and is no longer under the physical control of the group (or property in the product has earlier passed to the customer); and
- The selling price can be determined with reasonable accuracy.

(n) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

(o) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call or short term maturity with banks, net of bank overdrafts.

(p) Accounts receivable

Trade receivables are recognised at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(r) Accounts payable and accruals

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

(s) Share capital

Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holder.

(t) Changes in accounting policy

During 2003 the Group changed its accounting policy in respect of revenue recognition for palm produce. Previously revenue was recognised at the point when the produce was ready for delivery under irrevocable sales contracts. Palm produce on hand in tanks at balance date was recognised within receivables and valued at the selling prices of irrevocable sales contracts.

For 2003, revenue was recognised when there has been a passing of title and risk to the customer and the product is no longer under the physical control of the producer (or property in the product has earlier passed to the customer). Palm produce on hand in tanks at balance date was then recognised in stocks and measured at the lower of cost and net realisable value.

This change in accounting policy, which was made to bring the group more in line with IAS 18 Revenue, was applied on a retrospective basis, and comparative periods were restated accordingly. The impact of this change in accounting policy is to increase operating profit after tax for 2003 by K3,733,000 (2002: decrease K6,828,000), with a decrease in equity at 1 January 2001 and 2002 of K1,820,000 and K8,648,000 respectively.

(u) Non-compliance with IAS 41

IAS 41 Agriculture became applicable for accounting periods commencing on or after 1 January 2003. IAS 41 applies to all agricultural activity and, in substance, requires all biological assets and agricultural produce to be measured at fair value. The Directors have resolved not to comply with IAS 41 on the basis that:

- The adoption of IAS 41 and the fair value measurement basis for biological assets and agricultural produce has not yet become generally accepted practice in the palm oil sector,

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

either in Papua New Guinea or Malaysia, the country where the parent entity is based and where the majority of global palm oil activity takes place

- It is not considered possible to determine variables such as palm oil prices, exchange rates and production yields over the productive life of oil palms with sufficient reliability, particularly in the absence of generally accepted palm oil industry practice,
- Without sufficiently reliable variables, the valuation exercise is affected which in turn can lead to significant fluctuations in accounting valuations and profitability whilst bearing no relation to the company's actual financial performance by unnecessarily overstating profit and losses,
- The Directors do not believe that presenting the financial statements on the basis of IAS 41 at this time for long term perennial tree crops like oil palm will provide information that is more relevant, useful and understandable to the users of the financial statements than under the current basis of accounting.

2. REVENUE

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
Operating revenue				
Sales revenue	392,176	340,099	390,625	339,028
	<u>392,176</u>	<u>340,099</u>	<u>390,625</u>	<u>339,028</u>
Other operating income				
Interest	777	1,905	727	1,799
Foreign exchange gain	5,170	12,228	5,170	12,214
Other income	296	384	366	384
	<u>6,243</u>	<u>14,517</u>	<u>6,263</u>	<u>14,397</u>

3. OPERATING PROFIT

Operating profit has been determined after charging/(crediting)

Provision for doubtful debts	-	416	-	416
Loss/(profit) on disposal of fixed assets	17	(32)	-	(32)
Personnel Costs	26,365	26,513	25,667	25,812
Donations	2,754	2,119	2,754	2,119
Preliminary costs incurred in relation to the				
- Solomon Islands investment project	1,584	-	1,584	-
Auditors remuneration - Audit	176	163	167	163
- Other services	195	131	195	131

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

4. INCOME TAX

	Consolidated		Holding Company	
	2004	2003	2004	2003
Income Tax Expense	K'000	K'000	K'000	K'000
Current tax	29,934	20,035	29,934	20,035
Deferred tax charged to income statement	8,037	12,906	8,037	12,906
Over provision in prior years	(172)	(372)	(135)	(372)
	<u>37,799</u>	<u>32,569</u>	<u>37,836</u>	<u>32,569</u>

The income tax expense has been calculated as follows:

Profit for the year	126,154	109,223	124,989	109,257
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Income tax on the profit for the period at 30% (2003:30%)

	37,846	32,767	37,497	32,777
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Tax effect of permanent differences:

Non-deductible items	574	25	574	25
Other items	(449)	149	(100)	139
Over provision in prior years	(172)	(372)	(135)	(372)
Income tax expense	<u>37,799</u>	<u>32,569</u>	<u>37,836</u>	<u>32,569</u>

Deferred Tax Provision

Balance brought forward	(62,098)	(49,192)	(62,098)	(49,192)
Income statement charge/credit	(8,037)	(12,906)	(8,037)	(12,906)
Prior year adjustment from temporary differences	(1,447)	-	(1,447)	-
Tax charged/credited to equity	(3,624)	-	(3,624)	-
Balance carried forward	<u>(75,206)</u>	<u>62,098</u>	<u>(75,206)</u>	<u>(62,098)</u>

This balance comprises the tax effect of:

Accruals	235	235	235	235
Hedge liability	(99)	12,181	(99)	12,181
Provisions	416	416	416	416
Consumables	(24,666)	(21,717)	(24,666)	(21,717)
Stock valuation differentials	(3,051)	(8,046)	(3,051)	(8,046)
Prepayments	(620)	(766)	(620)	(766)
Unrealised foreign exchange gains	(8,581)	(6,127)	(8,581)	(6,127)
Excess tax depreciation	(214,321)	(183,168)	(214,321)	(183,168)
	<u>(250,687)</u>	<u>(206,992)</u>	<u>(250,687)</u>	<u>(206,992)</u>
Tax Effect at 30%	<u>(75,206)</u>	<u>(62,098)</u>	<u>(75,206)</u>	<u>(62,098)</u>

5. DIVIDENDS PAID AND DECLARED

Final - prior year	-	29,881	-	30,000
Interim - current year	14,349	11,952	14,400	12,000
	<u>14,349</u>	<u>41,833</u>	<u>14,400</u>	<u>42,000</u>

A final dividend of K0.20 (toea) was declared in January 2005. Dividends paid on Treasury Shares held by a subsidiary are eliminated on consolidation (refer note 17)

6. INVESTMENTS

	2004	2003
Consolidated	K'000	K'000
Available for sale investments		
Investment in joint venture at equity value (note 24)	5,661	4,702
Investment in Port Moresby Stock Exchange	<u>540</u>	<u>540</u>
	6,201	5,242
Held for Trading Investments		
Listed equities at market value	<u>339</u>	<u>91</u>
Total investments	<u>6,540</u>	<u>5,333</u>

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

The group holds 25% interest in Port Moresby Stock Exchange Limited and 50% interest in PNG Registries Limited. These investments have not been accounted for under the equity method and are carried at cost. The directors believe that the impact on the financial statements, had these investments been accounted for under equity method of accounting would not significantly impact on the group results.

A fully owned subsidiary company of Capital Stock Brokers Limited, Capital Nominees Limited is not consolidated. The directors believe that the impact on the financial statements, had this subsidiary been consolidated would not significantly impact on the group results.

Holding Company

The holding company's investment in subsidiaries and associates comprises:

Shares at cost		1,008	1,008
		Percentage	Country of
	Activities	Shareholding	Incorporation
Dami Australia Pty Limited	Maintaining oil palm genetic material	100	Australia
Capital Stockbrokers Limited	Stock broking	100	PNG
New Britain Nominees Limited	Holding company for treasury shares	100	PNG
Investments held by subsidiary:			
Capital Nominees Limited	Investment holdings	100	PNG
PNG Registries Limited	Share registry	50	PNG
Port Moresby Stock Exchange Limited	Operating stock exchange	25	PNG

7. TRADE AND OTHER DEBTORS

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
Trade debtors	60,197	33,891	59,806	33,862
Provision for doubtful debts	(416)	(416)	(416)	(416)
Other debtors	14,506	9,004	14,506	8,821
Prepayments	981	1,495	955	1,475
	<u>75,268</u>	<u>43,974</u>	<u>74,851</u>	<u>43,742</u>

8. INVENTORIES

Palm oil products	12,168	21,971	12,168	21,971
Livestock	249	246	249	246
Produce stocks	90	50	90	50
Nursery and seed stocks	117	1,817	117	47
Stores and sundry stocks	5,349	5,586	5,349	5,586
Spare parts	20,091	21,951	20,091	21,951
	<u>38,064</u>	<u>51,621</u>	<u>38,064</u>	<u>49,851</u>

9. BANK LOAN AND OVERDRAFT

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
Bank loan (note 13)	13,802	10,784	13,802	10,784
Bank overdraft	3,516	-	3,516	-
	<u>17,318</u>	<u>10,784</u>	<u>17,318</u>	<u>10,784</u>

Refer note 13 to the accounts for details of securities pledged in respect of bank facilities.

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings K'000	Plant and Equipment K'000	Capital WIP K'000	Total K'000
Consolidated				
31 December 2004				
Opening net book amount	96,038	56,166	42,854	195,058
Additions	13,288	26,656	35,305	75,249
Disposals/Adjustments	(17)	-	-	(17)
Transfers	-	-	(39,944)	(39,944)
Depreciation	(4,190)	(14,104)	-	(18,294)
Closing net book amount	<u>105,119</u>	<u>68,718</u>	<u>38,215</u>	<u>212,052</u>
At cost	134,750	180,935	38,215	353,900
At valuation	13,825	5,649	-	19,474
Accumulated depreciation	<u>(43,456)</u>	<u>(117,866)</u>	-	<u>(161,322)</u>
	<u>105,119</u>	<u>68,718</u>	<u>38,215</u>	<u>212,052</u>
31 December 2003				
Opening net book amount	83,630	34,114	52,465	170,209
Additions	16,377	37,397	44,162	97,936
Disposals/Adjustments	-	19	-	19
Transfers	(40)	(140)	(53,773)	(53,953)
Depreciation	(3,929)	(15,224)	-	(19,153)
Closing net book amount	<u>96,038</u>	<u>56,166</u>	<u>42,854</u>	<u>195,058</u>
At cost	121,479	154,279	42,854	318,612
At valuation	13,825	5,649	-	19,474
Accumulated depreciation	<u>(39,266)</u>	<u>(103,762)</u>	-	<u>(143,028)</u>
	<u>96,038</u>	<u>56,166</u>	<u>42,854</u>	<u>195,058</u>
Company				
31 December 2004				
Opening net book amount	94,170	56,081	42,854	193,105
Additions	13,288	26,568	35,240	75,096
Disposals/Adjustments	-	36	-	36
Transfers	-	-	(39,879)	(39,879)
Depreciation	(4,190)	(14,079)	-	(18,269)
Closing net book amount	<u>103,268</u>	<u>68,606</u>	<u>38,215</u>	<u>210,089</u>
At cost	132,892	180,643	38,215	351,750
At valuation	13,825	5,649	-	19,474
Accumulated depreciation	<u>(43,449)</u>	<u>(117,686)</u>	-	<u>(161,135)</u>
	<u>103,268</u>	<u>68,606</u>	<u>38,215</u>	<u>210,089</u>
31 December 2003				
Opening net book amount	81,722	33,937	52,465	168,124
Additions	16,377	37,320	44,162	97,859
Disposals/Adjustments	-	(31)	-	(31)
Transfers	-	-	(53,773)	(53,773)
Depreciation	(3,929)	(15,145)	-	(19,074)
Closing net book amount	<u>94,170</u>	<u>56,081</u>	<u>42,854</u>	<u>193,105</u>
At cost	119,604	154,039	42,854	316,497
At valuation	13,825	5,649	-	19,474
Accumulated depreciation	<u>(39,259)</u>	<u>(103,607)</u>	-	<u>(142,866)</u>
	<u>94,170</u>	<u>56,081</u>	<u>42,854</u>	<u>193,105</u>

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

11. PLANTATIONS

	Mature K'000	Immature K'000	Total K'000
Consolidated			
31 December 2004			
Opening net book amount	57,803	29,632	87,435
Additions	23,928	21,215	45,143
Disposals/Adjustments	-	-	-
Transfers	-	(23,928)	(23,928)
Depreciation/amortisation	(5,346)	-	(5,346)
Closing net book amount	<u>76,385</u>	<u>26,919</u>	<u>103,304</u>
At cost	114,785	26,919	141,704
At valuation	6,566	-	6,566
Accumulated depreciation	(44,966)	-	(44,966)
	<u>76,385</u>	<u>26,919</u>	<u>103,304</u>
31 December 2003			
Opening net book amount	48,369	23,433	71,802
Additions	14,630	20,829	35,459
Disposals/Adjustments	-	-	-
Transfers	-	(14,630)	(14,630)
Depreciation/amortisation	(5,196)	-	(5,196)
Closing net book amount	<u>57,803</u>	<u>29,632</u>	<u>87,435</u>
At cost	90,857	29,632	120,489
At valuation	6,566	-	6,566
Accumulated depreciation	(39,620)	-	(39,620)
	<u>57,803</u>	<u>29,632</u>	<u>87,435</u>
Company			
31 December 2004			
Opening net book amount	57,803	29,632	87,435
Additions	22,137	19,421	41,558
Disposals/Adjustments	-	-	-
Transfers	-	(22,137)	(22,137)
Depreciation	(5,203)	-	(5,203)
Closing net book amount	<u>74,737</u>	<u>26,916</u>	<u>101,653</u>
At cost	112,994	26,916	139,910
At valuation	6,566	-	6,566
Accumulated depreciation	(44,823)	-	(44,823)
	<u>74,737</u>	<u>26,916</u>	<u>101,653</u>
31 December 2003			
Opening net book amount	48,369	23,433	71,802
Additions	14,630	20,829	35,459
Disposals/Adjustments	-	-	-
Transfers	-	(14,630)	(14,630)
Depreciation	(5,196)	-	(5,196)
Closing net book amount	<u>57,803</u>	<u>29,632</u>	<u>87,435</u>
At cost	90,857	29,632	120,489
At valuation	6,566	-	6,566
Accumulated depreciation	(39,620)	-	(39,620)
	<u>57,803</u>	<u>29,632</u>	<u>87,435</u>

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

12. TRADE AND OTHER CREDITORS

	Consolidated		Holding Company	
	2004	2003	2004	2003
	K'000	K'000	K'000	K'000
Trade creditors	4,708	5,020	4,708	5,020
Accruals	9,297	6,978	9,287	7,214
Clearing accounts	1,811	481	1,811	478
Hedge liabilities	-	12,181	-	12,181
	<u>15,816</u>	<u>24,660</u>	<u>15,806</u>	<u>24,893</u>

13. BANK LOAN

Current (note 9)	13,802	10,784	13,802	10,784
Non Current	13,003	24,654	13,003	24,654
Total bank loan	<u>26,805</u>	<u>35,438</u>	<u>26,805</u>	<u>35,438</u>

The company received a loan of US\$13 million from the ANZ Banking Group in 2003, out of which US\$4.4 million has been repaid. The remaining balance is payable in quarterly instalments of US\$ 1.1 million, with full repayment due by December 2006. Interest is charged at approximately 4.5%. The following securities are provided against facilities offered by ANZ Banking Group, including the above term loan:

- Registered equitable mortgage over the assets and undertakings of New Britain Palm Oil Limited.
- Registered mortgage leasehold over all state leases comprising all available land and buildings owned by New Britain Palm Oil and its wholly owned subsidiaries.
- Cross Guarantee between New Britain Palm Oil Limited and its 100% owned subsidiaries.

14. OWING TO/ FROM GROUP COMPANIES

All balances owing to or from subsidiary companies have been eliminated on consolidation.

15. ISSUED CAPITAL

120 million issued and fully paid shares	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
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16. RESERVES

Foreign currency translation reserve

Balance brought forward	(30)	67	-	-
Movement in the year	(144)	(97)	-	-
Balance carried forward	<u>(174)</u>	<u>(30)</u>	<u>-</u>	<u>-</u>

Capital redemption reserve

Balance brought forward and carried forward	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>
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Hedge reserve

Balance brought forward	(8,527)	15	(8,527)	15
Movement in the year	8,656	(8,542)	8,656	(8,542)
Balance carried forward	<u>129</u>	<u>(8,527)</u>	<u>129</u>	<u>(8,527)</u>

Asset revaluation reserve

Balance brought and carried forward	<u>790</u>	<u>790</u>	<u>790</u>	<u>790</u>
Total reserves	<u>762</u>	<u>(7,750)</u>	<u>936</u>	<u>(7,720)</u>

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

17. TREASURY SHARES

	Consolidated	
	2004	2003
	K'000	K'000
Treasury Shares	546	697

New Britain Nominees Limited, a wholly owned subsidiary of New Britain Palm Oil Limited, acts as the legal entity through which the New Britain Share Ownership Plan is operated. The purpose of the plan is to provide an opportunity for employees, smallholders and landowners to acquire shares in New Britain Palm Oil Limited so that they will have a direct interest and benefit in the future growth and prosperity of the company.

At 31 December 2004, New Britain Nominees Limited held 374,185 shares in New Britain Palm Oil Limited (2003:477,435). The acquisition of these shares has been funded by an interest free loan to the company by New Britain Palm Oil Limited. During the year 103,250 shares were allocated to landowners in West New Britain.

18. RELATED PARTY TRANSACTIONS

All related party transactions were on normal commercial terms and conditions. The group's immediate holding company is Kulim (Malaysia) Berhad, a company incorporated in Malaysia. The ultimate holding company is Johor Corporation (Malaysia).

Expenses and/or commissions charged by related parties for marketing and agricultural consultancy services to the group amounted to approximately K289,264 (2003: K29,600)

19. RETIREMENT BENEFITS

The group participates in a defined contribution retirement benefit plan for senior staff and workers. Contributions based on a percentage of members' salary are received from both the member and the employer. Employer contributions recognised as an expense during the year amounted to K1,246,703 (2003: K1,186,214).

The group also participates in the National Superannuation Fund of Papua New Guinea in respect of its national employees. Employer contributions during the year amounted to K 552,844 (2003: K 590,962).

20. COMMITMENTS

(a) Hedge commitments

The Company enters into hedge contracts for the purchase and sale of Malaysian/Sumatran palm oil to guarantee a minimum price for the sale of its own palm oil for which there is no forward market and to close out positions previously taken. The company does not produce Malaysian/Sumatran palm oil. At year end the following outstanding hedge contracts were in place:

	Tonnes		Average price US\$/tonne	
	2004	2003	2004	2003
CPO (sell)	41,500	39,750	420	404
CPO (buy)	9,000	12,250	427	464
PKO (sell)	2,500	-	634	-
PKO (buy)	1,000	-	650	-
RBDOL (sell)	6,000	29,000	500	451
RBDOL (buy)	6,000	11,000	500	434

As all hedge transactions are regarded as being highly effective, all gains and losses relating to their remeasurement to fair value are recognised in the hedge reserve and are subsequently brought to account in the income statement in the same period as the transactions to which the hedges relate.

(b) Capital commitments

The holding company and the group have commitments for future capital expenditure amounting to K9.24m at 31 December 2004 (2003: K12.15m)

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

21. FINANCIAL INSTRUMENTS

(a) Financial instruments

The group's financial instruments include cash and cash equivalents, receivables, accounts payable, borrowings and commodity hedges.

(b) Financial risk management

The group's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The group monitors these financial risks and seeks to minimise the potential adverse effects on the financial performance of the group. The group uses derivative financial instruments to hedge the exposure to changes in market prices.

(c) Foreign exchange risk

The group undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. The group's sales are predominantly denominated in US dollars and the group also has US dollar denominated loans and other liabilities. It is not the group's policy to hedge these foreign currency risks.

(d) Interest rate risk

The group has variable rate borrowings that are used to fund ongoing activities, and accordingly the company's income and cash flows are exposed to changes in market interest rates.

(e) Credit risk

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and that limits the amount of credit exposure to any one customer.

(f) Liquidity risk

The group aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities.

(g) Fair value estimation

Commodity hedges are measured at fair value. The face values less any estimated credit adjustments for all other financial assets and liabilities are assumed to approximate their fair values.

22. EMPLOYEES

	Consolidated	
	2004	2003
	Toea	Toea
Basic earnings per share	73.6	63.9
Diluted earnings per share	73.6	63.9

NEW BRITAIN PALM OIL LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ending 31 December 2004

24. INTERESTS IN JOINT VENTURES

The group has a 50% interest in PT Damitama mas Sejahtera, a company established in Indonesia to produce seeds for sale to third parties. The group has contributed seed material as its contribution to the joint venture, and has no further financial commitment. All other development costs have been met by the other joint venture participant. The joint venture commenced commercial seed production in 2003. The group's share of the operating result of the joint venture has been recognised in the income statement under equity method of accounting. Its share of movement in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment.

The Group share of net assets of the joint venture is represented by:

	2004	2003
	K'000	K'000
Share of turnover	1,930	379
Share of other income	137	143
Share of expenses	(931)	(676)
	<u>1,136</u>	<u>(154)</u>
Share of total assets	5,749	4,786
Share of liabilities	(88)	(84)
	<u>5,661</u>	<u>4,702</u>

25. FIDUCIARY RESPONSIBILITIES

The group, through its subsidiary Capital Stock Brokers Limited, acts as trustees or agent for the investment of client funds. As the group is not the beneficial owner of these investments, the assets and related client liabilities are excluded from the balance sheet. Client investments held as agent or under trust at balance date were:

	2004	2003
	K'000	K'000
Treasury bills	50,376	43,002
Investment securities	21,231	12,150
	<u>71,607</u>	<u>55,152</u>

26. ATTENDANCE AT MEETINGS

The Directors attended meetings held during the year 2004 as shown below:

Board meetings

Name	No of meetings Eligible to attend	No of meetings attended
Ahamad Mohamad	4	4
Tan Sri' Dr. Arshad Ayub	4	4
Nicholas Mark Thompson	4	4
Dato Mohd Ismail Che Rus	4	4
Winifred Kamit	4	4
Sheik Sharafuddin Sheik Mohd	4	4

Audit committee meetings

Tan Sri' Dr. Arshad Ayub	1	1
Ahamad Mohamad	1	1
Winifred Kamit	1	1

Environmental committee meetings

Winifred Kamit	1	1
Nicholas Mark Thomson	1	1
Dato Mohd Ismail Che Rus	1	1

New Britain Palm Oil Foundation Limited

The New Britain Palm Oil Foundation continued to provide valuable support to the community in health and education. The Foundation recently extended assistance towards policing to meet the ever-increasing demands on the law and order sector.

In 2004 the Foundation donated K350, 000 towards the maintenance of the Talasea Police Station, which included living quarters, cellblock and the Station Office. In education the major donation was a teachers house and double classroom to Koimumu Primary School totalling K130, 000, materials to Rikau Primary School, and desks to Volupai Primary School in Talasea.

Banaule village near Dami received much needed building materials to the value of K12, 000 to enable completion of a teachers house and an aid post.

Since its establishment the Foundation has donated over K2.5 million towards various projects under its charter.



Double classroom at Koimumu Primary School, Hoskins.

New Britain Palm Oil Estates

