SPECIAL NUTRITION

Freedom Nutritional Products Limited

Annual Report 2007

Contents

ANNUAL GENERAL MEETING

Date 25 October, 2007. **Time** 11.30 am

Venue Deloitte Touche Tohmatsu
Level 9, Grosvenor Place,
225 George Street,
Sydney, NSW, 2000

Freedom Nutritional Products Limited
ABN 41 002 814 235
Annual Report for the year ended 30 June 2007

	2003	2004	2005	2006	2007
Sales Revenue ($000's)	21,957	32,940	37,954	46,963	48,683
EBITDA ($000's)*	1,599	360	2,090	2,921	3,173
Net Profit / (Loss) before Tax ($000's)	745	(1,237)	643	1,595	1,789
Profit attributable to members of the parent ($000's)	564	(749)	310	1,434	1,174
Basic Earnings per Share (cents)	2.6	(2.6)	0.8	3.2	2.6
Number of ordinary shares issued (000's)	26,689	32,689	44,485	44,485	44,527
Dividend per Share (cents)	1	Nil	Nil	Nil	1
Dividend Paid ($000's)	233	Nil	Nil	Nil	445
Total Assets ($000's)	26,121	30,581	41,137	43,548	47,428
Shareholders Equity ($000's)	14,109	17,362	21,538	22,844	23,654
Net Tangible Asset Backing (cents)	45	43	10	13	14

**Earnings before interest, tax, depreciation and amortisation*

Note: 2003 and 2004 were prepared under Australian Accounting Standards (AGAAP)
2005, 2006 and 2007 were prepared under Australian Equivalents to International Financial Reporting Standards (AIFRS)

Dear Shareholder,

During the year the name of the company was changed from "So Natural Foods Australia Limited" to "Freedom Nutritional Products Limited" (FNP).

The Directors believe the new name better reflects the broadened activities of the group which now covers:

- Special dietary products,
- Soy and rice beverages,
- Canned seafood, and
- Low GI food and beverages.

FNP reported a net profit after tax of $1,174,000 for the year. The Chief Executive Officer's report provides a commentary on operations. The financial performance allowed the directors to pay a fully franked one cent dividend during the year and we have now declared an initial 2008 fully franked one cent dividend payable in December 2007. This represents a 4.2% dividend yield on the year end share price.

As foreshadowed in my 2006 Chairman's letter, we said farewell to Messrs Graham Reaney and Maurice van Ryn from the Board. In November we welcomed Mel Miles as a new independent Director.

Mr Higgs has decided to step down as a director from the October Board meeting. I extend my thanks to him for his contribution as a director over the years. He has accepted my invitation to join our new International Advisory Board.

The company sold the Taren Point land and buildings to our Contract Beverage Packers of Australia joint venture in May. This allowed FNP to pay down debt and CBPA to have control over its manufacturing location.

Management continued to implement our strategic plan to become a leader in special nutrition which included an investment in A2 Dairy Products of Australia and the acquisition of baking assets for Freedom Foods. During the year we issued 4.9 million options to senior management to further align management compensation to the stock price performance of the company.

The Board thanks Geoff Babidge and his management team for their contributions and we look forward to a solid financial performance for 2008 financial year.

Perry Gunner
Chairman
5 September 2007

The company achieved net profit after tax of $1,174,000 for the 12 months ended 30 June 2007.

Whilst sales and EBITDA were higher than the previous year, higher interest costs and tax together with the costs associated with the Arrovest takeover and non-cash executive option expenses resulted in NPAT being marginally below the previous year. EBITDA excluding takeover costs and non-cash expense of executive options was up 8% to $3,343,000 compared to the prior corresponding period.

Other key highlights of the year included:

- Management continuing to implement the strategic plan to become a leader in special nutrition in the domestic market and developing growth options in international markets,
- Establishment of the joint venture A2 Dairy Products Australia Pty Ltd and the acquisition of the assets of Cookie Man Pty Ltd to increase Freedom Foods free from manufacturing capability,
- Improved operating performance for each division including Thorpedo Foods with the exception of Soy and Rice which experienced a declining overall market in the second half,
- Growth in consolidated gross sales to $60,045,000 up 4% on the previous year primarily from organic growth,
- Operating EBIT return on funds employed improved to 9%.

Functional Foods

Seafood

The Paramount Seafood division comprising Paramount salmon and Brunswick sardine and specialty seafood products performed ahead of plan for the year.

Paramount salmon sales were significantly above last year given growth of red salmon share from additional ranging and Brunswick sardines maintained its brand leadership position in Australia and New Zealand. We were required to significantly lift our selling prices of pink salmon due to an abnormally reduced catch in Alaska and also experienced increases in sardine prices from lower catches in Canada. Our procurement partner Bumble Bee Foods again assisted in sourcing our requirements at competitive prices. We are hopeful of an improved catch of pink salmon for the coming year whereas the supply environment for sardines is not expected to change in the immediate term.

By year end, Paramount Seafoods had grown its domestic share in the red and pink salmon segment to approximately 20% by volume and Brunswick's share of the domestic sardine segment approximated 35% by volume.

Thorpedo Foods

During the year, Thorpedo Foods focused its activities on supporting the launch of the first Thorpedo branded product by Yakult Honsha in Japan. The launch was successful in introducing a Thorpedo Low GI beverage into the Japanese functional beverages market. Sales in the first year for Yakult Honsha were approximately US$24 million.

With the launch of the second summer season in June 2007 and a new marketing campaign to build awareness of the unique health benefits of a low glycemic index product with the Japanese consumers, Yakult are confident of improved sales in FY 2008.

The license fee income resulted in a positive contribution for the company for the year. In Australia, the domestic strategy remains on accessing distribution of children's beverages in schools and the grocery channel. Following Ian Thorpe's decision to retire from competitive swimming, we are jointly reviewing new initiatives for the business moving forward.

Special Dietary Foods

Freedom Foods

Freedom Foods, the leading provider of Special Dietary Food products performed credibly with sales growth of 25% and contribution increased by 20%. This growth was a function of broadening the product range with the launch of a number of frozen gluten free products and a new "100 healthy calories" range of cereals, biscuits and snacks for consumers managing calorie intake.

The acquisition of the baking assets of Cookie Man in May 2007 has provided the company with increased manufacturing capacity and the opportunity to significantly expand its successful range of free from biscuits and cookies into decadent style and savory products. This initiative also allows Freedom Foods to undertake contract packing for key grocery customers previously serviced by Cookie Man. Following the acquisition, the biscuit manufacturing activities of the company in Cheltenham (Vic) were consolidated into the new Hornsby (NSW) facilities with associated reduction in duplicated overhead costs.

During the past year, Freedom Foods has been progressively refining its brand and product portfolio within the key segments of biscuits, cereals and snacks and this will continue during the coming year. In addition, the company will continue to review ways to enhance the cost and quality of third party manufacturers and further bolt-on acquisitions to increase market share and capabilities.

The special dietary foods market provides consumers a solution for specific dietary or medical conditions including gluten free, wheat free, low sugar or salt or highly fortified. This market has significant growth potential both domestically and internationally and is a key focus for our growth plans.

Soy and Rice

Soy and Rice Beverages under-performed given ongoing competitive activity and a significant decline in the overall market.

The total UHT soy beverage market showed a volume decline of 8% MAT to June 2007 due primarily to the impact of erroneous negative publicity in January of the risks of soy beverage consumption. The major industry participants have since been discussing ways to better communicate the benefits of soy beverages within a balanced diet to consumers.

The returns from soy and rice had been improving through a focus on a reduced range of products and lowering the cost base through the CBPA joint venture. This year, a key initiative has been the introduction of a significantly improved whole bean taste for the proprietary range of soy beverages. Since year end, soy and rice beverages have been integrated within the Freedom Foods special nutrition business to better leverage marketing and promotion across the combined portfolio.

Integrated Activities

Contract Beverage Packers of Australia Pty Ltd (CBPA)

CBPA (50% owned) performed below budget given lower contract packing than planned and the impact of unplanned maintenance activities in the second half. Notwithstanding this, CBPA has been successful in securing additional contract packing volume from October 2007 which together with an upgrade to its processing and screw cap packaging capabilities now underway will further reduce unit costs of the business.

The CBPA partners have deferred a decision on relocating to larger premises and CBPA purchased the Taren Point manufacturing facility from FNP in May 2007.

A2 Dairy Products Australia

In June 2007 the company invested in a new joint venture company A2 Dairy Products Australia (A2DP), with exclusive rights for the production and sale of a2 milk™ products in Australia and Japan in association with A2 Corporation Limited of New Zealand. FNP has the right to convert to a 50% equity interest in A2DP.

A2 Corporation Limited was established in 2000 to commercialize potentially important benefits associated with milk. a2 milk™ is obtained naturally from cows specially selected for their genetic makeup to produce milk containing predominantly A2 protein. Certain evidence suggests that drinking a2 milk™ rather than regular milk may reduce disease risks for some individuals who are predisposed towards certain conditions. There have been anecdotal reports from consumers who have switched to a2 milk™ that it has led to noticeable differences in the symptoms of certain conditions.

FNP's investment in A2DP was made through a convertible note instrument and future capital requirements are to be jointly funded by the respective partners. FNP will provide the joint venture with industry knowledge and strategy planning, support in retail grocery sales, finance and administration services and access to milk supply through its majority shareholder. In Australia, a2 milk™ products will share branding with the Freedom Foods brand.

This is a significant growth opportunity for FNP and draws on the company's unique competencies within the special nutrition and dairy segments of the food industry. The business plan focuses on building a specialist drinking milk business domestically together with developing milk powders and formulas for offshore markets.

Outlook

The plan for FY 2008 is to continue to build scale and efficiency in each of the core business units of Freedom Foods Special Dietary, A2 Dairy Products Australia and Seafood.

We will continue to explore opportunities for growth by investment and or acquisition of innovative businesses in specialised segments of the Nutrition Market. To support this strategy, management and board are developing an innovative plan for capital raising to fund organic growth and complementary acquisitions.

Subject to financial performance and capital management being to plan, the budget assumes continuation of dividend payments during the coming financial year.

Geoff Babidge
CEO
5 September 2007

Your directors submit the financial report of Freedom Nutritional Products Limited (the Parent) for the year ended 30 June 2007.

Directors

For the names and particulars of the Directors of the Parent during or since the end of the financial year, refer the Corporate Governance Statement.

Company Secretary

Mr M Jenkins, B Comm., LLB (Hons), ACA, ACIS has been Company Secretary and Chief Financial Officer for over five years. He has been a Chartered Accountant for over 25 years and a Company Secretary for over 15 years.

Principal activities

The principal activities of the consolidated entity during the financial year were:

- manufacture and distribution of long life soy and other beverages;
- manufacture, distribution and marketing of natural foods;
- distribution and marketing canned seafood;
- distribution and marketing low GI energy waters.

There were no significant changes in the nature of the principal activities during the financial year.

Operating results

The consolidated entity's profit, after providing for income tax, amounted to $1,174,000 (2006 profit : $1,434,000).

Refer commentary in Chief Executive's Review of Operations.

Dividends paid or recommended

A one cent per share fully franked interim dividend was paid on 18 May 2007 in respect of the year ended 30 June 2007. The dividend was franked to 100% at 30% corporate income tax rate.

In respect of the financial year ending 30 June 2008, the directors recommend the payment of a first interim dividend of one cent per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 18 December 2007.

Significant changes in state of affairs

There were no significant changes to the state of affairs of the consolidated entity that occurred during the financial year under review, not otherwise disclosed in this report.

Events subsequent to balance date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Future developments

Likely developments in the operation of the consolidated entity and the expected results of these operations have not been included in this report as the Directors believe, on reasonable grounds, that inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental issues

The consolidated entity's operations are subject to environmental regulation under the law of the Commonwealth (AQIS) and the State (Workcover, EPA, Sydney Water, Safe Food NSW) and local council regulations.

The consolidated entity operates under a Dangerous Goods Licence issued by Workcover.

There were no breaches of environmental laws, regulations or permits during the period.

The consolidated entity is currently operating in accordance with local council consent in regard to hours of operation.

Indemnifying officer or auditor

The Parent has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Parent or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings;

with the exception of the following matter:

During the financial year the Parent paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer of the Parent. The average premium of each person was $2,286.

Rounding of the accounts

The Parent is an entity to which ASIC Class Order 98/0100 applies. Accordingly amounts in the financial report have been rounded off to the nearest thousand dollars.

Meetings of directors

During the financial year 19 meetings of directors (including committees) were held. Mr Higgs took leave of absence for a period during the year. Attendances were as follows:

	Directors Meeting		Audit, risk & compliance committee meetings		Remuneration & nomination committee meetings		Acquisition committee meeting	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P. R. Gunner	15	14	2	1	1	1	-	-
G. H. Babidge	15	15	-	-	-	-	1	1
A. M. Perich	12	9	-	-	-	-	-	-
R. Perich	12	11	1	1	1	1	-	-
S. F. Higgs	15	7	1	1	-	-	1	1
M. Miles	7	7	-	-	-	-	-	-
B. W. Bootle (alternate director)	3	2	-	-	-	-	-	-
C. C. Grubb	2	2	-	-	-	-	1	1
M. Van Ryn	8	4	1	1	-	-	-	-
G. J. Reaney	8	7	1	1	-	-	1	1

The Board on 29 March 2007 resolved to terminate the Acquisition Committee as the function of the committee was being undertaken by the full Board.

Directors' shareholding

Refer to Corporate Governance Statement.

Remuneration Report

This report details the nature and amount of remuneration for each Director and the executives receiving the highest remuneration.

Remuneration policy

Remuneration arrangements for Directors and executives of the Parent and Group ("the Directors and executives") are set competitively to attract and retain appropriately qualified and experienced Directors and executives. As part of its agreed mandate, the Remuneration and Nomination Committee obtains independent advice when required on the appropriateness of remuneration packages given trends in comparable companies and the objectives of the consolidated entity's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and executives;
- the Directors and executives' ability to control the relevant operational performance; and
- the amount of incentives within each Director and executive's remuneration.

Executive director and executives

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Executive director and executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group. In addition the individual performance of each senior manager is measured against each individual's Key Performance Indicators (KPI's) as agreed annually with the senior manager to ensure buy-in. KPI's are based on the profitability of the entity and are reviewed annually by the Remuneration and Nomination Committee and the Managing Director/Chief Executive Officer (CEO).

Performance based remuneration

Performance based remuneration are at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash payments. During the year the following options were issued 1,700,000 to G.H. Babidge, 1,700,000 to R.J.F. Macleod, 900,000 to B.W. Bootle, 300,000 to P. J. Nathan and 300,000 to M. E. Jenkins.

Options are valued using the bi-nomial method.

Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Total fees for all non-executive directors, last voted upon by shareholders was in October 2006, was not to exceed $300,000 in total. Total fees for 2007 were $122,315. To align director interests with shareholder interests, the directors are encouraged to hold shares in the Parent.

The Chairman receives twice the base fee of non-executive directors. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main Board activities. Non-executive directors who sit on the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee receive an additional payment of $1,000 and the Chairman of each receives $2,000. There are no termination or retirement benefits for non-executive directors.

Service agreements

It is the Group's policy that service contracts are entered into for the CEO which was extended on 1 February 2007. The key terms and conditions are as follows:

- the contract is for a fixed term to 30 November 2011
- the remuneration comprises a fixed component which includes the cost to the consolidated entity of any superannuation contributions made by the consolidated entity on behalf of the CEO; and

- the Parent can terminate employment at any time without prior notice if the CEO commits any serious breach of any provisions of his agreement or is guilty of an act of serious misconduct or wilful neglect in the discharge of their duties. The CEO may terminate this agreement with one month's notice and the Parent with three month's notice. In the event of dismissal by the Parent, other than for breach, the CEO is also entitled to one year's total remuneration.

Parent performance, shareholder wealth and directors and senior management remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. The method applied in achieving this aim is the issue of options to executives to encourage alignment of personal and shareholder interests.

The following table shows the revenue, profits and dividends for the past five years for the Parent.

	2003	2004	2005	2006	2007
Revenue ($000s)	21,957	32,940	37,954	47,654	49,952
Net Profit / (loss) after tax ($000s)	564	(749)	310	1,434	1,174
Dividends paid (cents)	1	Nil	Nil	Nil	1

The Remuneration and Nomination Committee considers that the Parent's performance-linked remuneration structure is appropriate to building shareholder value in the medium term.

Directors and executive officers emoluments

The benefits of each director who held office and five highest paid executive officers for the year ended 30 June 2007 are as follows:

	Short-tem employee benefits				Post employment Benefits	Share based payment	
	Salary	Directors' Fees	Committee Fees	Non-cash Benefit	Superannuation Contributions	Options	Total
P. R. Gunner	-	28,167	3,000	-	25,695	-	56,862
G. H. Babidge	223,487	-	-	1,513	100,000	25,045	350,045
A. M. Perich	-	24,167	-	-	2,175	-	26,342
R. Perich	-	25,000	2,000	-	2,430	-	29,430
S. F. Higgs	-	25,000	1,833	-	2,415	-	29,248
M. Miles	-	-	2,000	-	17,620	-	19,620
B. W. Bootle	-	-	-	-	-	13,259	13,259
C. C. Grubb	-	3,633	182	-	-	-	3,815
G. J. Reaney	-	6,667	666	-	660	-	7,993
M. Van Ryn	-	-	-	-	7,993	-	7,993
Executive Officers							
R. J. F. Macleod	187,314	-	-	-	12,686	25,045	225,045
P. J. Nathan (1)	137,325	-	-	-	32,829	1,500	171,654
M. E. Jenkins	150,933	-	-	1,367	27,700	1,500	181,500
H. A. Hurwitz	137,821	-	-	-	12,179	-	150,000
B. A. O'Brien	41,761	-	-	15,500	93,805	-	151,066

(1) appointed 11 September, 2006.

During and since the end of the financial year an aggregate of 4,900,000 share options were granted to the following directors and executives of the Parent and consolidated entity as part of their remuneration:

Directors and executive officers options

Directors and Executives	Number of options granted	Issuing entity	Number of ordinary shares under option	Value of Options $000
G. H. Babidge	1,700,000	Parent	1,700,000	170
B. W. Bootle	900,000	Parent	900,000	90
R. J. F. Macleod	1,700,000	Parent	1,700,000	170
M. E. Jenkins	300,000	Parent	300,000	30
P. J. Nathan	300,000	Parent	300,000	30

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Freedom Nutritional Products Limited	200,000	Ordinary	$0.80	29 January 2008
Freedom Nutritional Products Limited	1,000,000	Ordinary	$0.50	27 July 2010
Freedom Nutritional Products Limited	4,300,000	Ordinary	$0.50	30 November 2011
Freedom Nutritional Products Limited	600,000	Ordinary	$0.50	26 April 2010

The holders of these options do not have the right by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

There were no shares or interests issued during the or since the end of the financial year as a result of exercise of an option.

Directors' shareholding

Refer to Principle 2 "Structure of the Board to add value" in Corporate Governance Statement.

Non-audit services

During the year PKF, the Parent's previous auditors, have performed certain other services in addition to their statutory duties. During the year Deloitte, the Parent's current auditors, have performed certain other services in addition to their statutory duties.

With respect to the non-audit services provided during the year by the auditor, the Board has considered written advice provided and a recommendation of the Audit, Risk and Compliance Committee. The Board is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporation Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Parent and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by The Accounting Professional & Ethical Standards Board.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act follows the Directors' Report.

Details of the amounts paid to the ex-auditor of the consolidated entity, PKF for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2007 $	2006 $
Audit Services		
Ex-auditors of the Parent PKF		
• audit and review of financial reports	70,000	136,000
• adoption of AIFRS	-	20,000
• technical assistance re accounting principles and financial reports	-	13,000
	70,000	169,000

Details of the amounts paid to the auditor of the consolidated entity, Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2007 $	2006 $
Audit Services		
Auditors of the Parent Deloitte Touche Tohmatsu		
• audit and review of financial reports	100,000	-
• taxation advice	281,531	-
• accounting advice	25,625	-
	407,156	-

Proceedings on Behalf of Parent

No person has applied for leave of Court to bring proceedings on behalf of the Parent or intervene in any proceedings to which the Parent is a party for the purpose of taking responsibility on behalf of the Parent for all of those proceedings.

Signed in accordance with a resolution of the Board of Directors

Perry Gunner

Geoff Babidge

Dated at Sydney this fifth day of September 2007.

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Freedom Nutritional Products Limited
80 Box Road
TAREN POINT NSW 2229

5 September 2007

Dear Board Members

Freedom Nutritional Products Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Freedom Nutritional Products Limited.

As lead audit partner for the audit of the financial statements of Freedom Nutritional Products Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

This section of the Annual Report is in conformance with the "Principles of Good Corporate Governance" issued by the Australian Stock Exchange (ASX). Each of the ten principles are listed in turn

Principle 1

Lay solid foundations for management and oversight by the Board

The Board's responsibilities are encompassed in a charter which is published on www.fnpl.com.au (the Parent's website).

The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Parent. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

(1) oversight of the Parent, including its control and accountability systems;

(2) appointing and removing the CEO (or equivalent) for the ongoing management task of developing and implementing suitable strategies consistent with the Parent's policies and strategic direction, including approving remuneration of the CEO and remuneration policy and succession plans for the CEO;

(3) ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent) and the Company Secretary;

(4) reviewing and determining the strategic direction and policies of the Parent, the allocation of resources, planning for the future and succession planning;

(5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(6) monitoring executives performance and implementation of strategy and ensuring appropriate resources are available;

(7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;

(8) continuously monitoring and overseeing the Parent's financial position; and

(9) approving and monitoring financial and other reporting.

Key responsibilities of the Board include the overseeing of the strategic direction of the Parent, determining its policies and objectives and monitoring management performance. The Board adopts a three-year business plan and a 12 month operating plan for the Parent. Financial results and general performance are closely monitored against the operating plan objectives.

To assist in carrying out its responsibilities, the Board has established the following committees of its members. They are:

(1) Audit, Risk and Compliance Committee; and

(2) Remuneration and Nomination Committee.

The Board on 29 March 2007 resolved to terminate the Acquisition Committee as the function of the committee was being undertaken by the full Board.

The Board on 31 August 2007 resolved to establish an International Advisory Board to assist Directors and Management in evolving the company's strategic plan. Members shall be both board and non-board members and Mr Higgs has agreed to join as an advisor.

The responsibilities delegated by the Board to the Parent's management, as set out in the Parent's Statement of Delegated Authority, include managing the day-to-day operations of the Parent.

The Chief Executive Officer has a service contract setting out his duties, responsibilities, conditions of service and termination entitlements.

Principle 2

Structure of the Board to add value

The Board determines the Boards size and composition, subject to limits imposed by the Parent's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. At this time the Board has determined that there are six directors five of whom, are non-executive, including the Chairman.

The names and particulars of the Directors of the Parent during or since the end of the financial year are:

Mr. P. R. Gunner
Chairman (Non-executive), Age 60

B.Ag.Sc – was former Chairman and CEO of Orlando Wyndham Wine Group. Also Chairman of ABB Grain Limited and director of McGuigan Simeon Wines. Appointed Director April 2003 and Chairman July 2006. Chairman of the Remuneration & Nomination Committee and member of the Audit, Risk and Compliance Committee.

Interest in shares and options are 321,017 ordinary shares and nil options.

Mr. G. H. Babidge
Managing Director (Executive), Age 54

B.Comm., ACA – extensive public company experience within the food industry. Former CEO of the major milling and baking group, Bunge Defiance and many years Managing Director of the dairy interests of National Foods Limited. Appointed director in January 2002.

Interest in shares and options are 69,217 ordinary shares and 2,400,000 options.

Mr. A. M. Perich
Director (Non-executive), Age 66

Joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, motor car racing promoter, farmer and business entrepreneur. Mr Perich is Past President of the Dairy Research Foundation, a member of the Narellan Rotary club, member of Western Sydney Development Board, Vice President of the Narellan Chamber of Commerce and is actively involved in charity fundraising for cancer research. Appointed director July 2006.

Interest in shares and options are 35,044,006 ordinary shares and nil options.

Mr. R. Perich
Director (Non-executive), Age 64

Joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, motor car racing promoter, farmer and business entrepreneur. Former Director of United Dairies Limited. Appointed director April 2005. Member of the Audit, Risk & Compliance Committee and member of the Remuneration & Nomination committee.

Interest in shares and options are 35,044,006 ordinary shares and nil options.

Mr. S. F. Higgs
Director (Non-executive), Age 60

B Ec. – was founder and former director of UBS Australia. Also director of Primary Health Care Company Limited, Peet & Co. and Chairman of Juvenile Diabetes Research Foundation. Appointed director April 2003. Mr Higgs has advised of his intention to retire as a director following the October 2007 Board meeting.

Interest in shares and options are 384,615 ordinary shares and nil options.

Mr. M. Miles
Director (Non-executive), Age 58

B.Sc(Hons) F.I.B.D. – former Vice President of Carlton and United Breweries and Foster's Group, former director of Carlton & United Breweries & its subsidiaries and former Chairman South Pacific Distilleries, Fiji. Member of the Strategic Planning Committee of the Institute of Brewing and Distilling Asia Pacific. Appointed director November 2006. Chairman of Audit, Risk & Compliance Committee.

Interest in shares and options are 51,069 ordinary shares and nil options.

Mr. B. W. Bootle
Alternate Director (Non-executive), Age 42

B.Ag.Ec, M.Ag.Ec, Nuff.Sch, MAICD – Chief Executive Officer of Arrovest Pty Limited, Leppington Pastoral Company one of Australia's largest dairy producers and various other entities associated with Perich Enterprises Pty Limited. Appointed alternate director for Mr Ron Perich and Mr Tony Perich July 2006.

Interest in shares and options are 40,855 ordinary shares and 900,00 options.

Mr. M. van Ryn
Former director (Non-executive), Age 52

AASA – CPA, CEO of Tatura Milk Industries Limited. Also director Probiotec Limited and Medical Developments International Limited. Appointed director November 1993. Retired as a director October 2006.

Interest in shares and options are nil ordinary shares and nil options.

Mr. G. J. Reaney
Former director (Non-executive), Age 64

B. Comm., CPA – was formerly Managing Director National Foods Limited and has over 30 years experience in large Australian and overseas Corporations. Also director of AGL Energy Limited, St George Bank Limited and Chairman of PMP Limited. Appointed director February 2001. Retired as director October 2006.

Interest in shares and options are 14,005 ordinary shares and nil options.

Mr. C. C. Grubb
Former director (Non-executive), Age 60

B. A., B. Comm. – extensive experience in the securities and investment banking industry in Australia and Asia. Also director of LIM Asia Arbitrage, Coupland Cardiff Absolute Return Fund and Chirin Asia Pacific Fund. Director Odyssey House, McGrath Foundation and former director Jardine Fleming Ord Minnett Limited. Appointed director February 1996. Retired as director July 2006.

Interest in shares and options are 10,000 ordinary shares and nil options.

The Remuneration & Nomination Committee of the Board comprises Messrs P. R. Gunner and R. Perich being two non-executive directors. Its functions are to review and report to the Board on:

- Remuneration policy for the entire consolidated entity (including executive officers and non-executive directors);
- identifying nominees for directorships and other key executive appointments;
- assessing director competencies;
- evaluating the Board's performance; and
- remuneration policies and practices.

Principle 2.1 of the *Best Practice Recommendations* recommends that a majority of the Board should be independent directors. The Board currently has a majority of independent directors with an independent chairman.

In order to facilitate independent judgement in decision making each Director may seek independent professional advice at the Parent's expense. If advice is sought by the Chairman, he must obtain Board approval if the fees for such advice exceed $10,000 (exclusive of GST), such approval not to be unreasonably withheld. Where advice is sought by the other directors, prior written approval by the Chairman is required but approval will not be unreasonably withheld. If the Chairman refuses to give approval, the matter must be referred to the Board. All directors are made aware of the professional advice sought and obtained.

Principle 3

Promote ethical and responsible decision-making

The directors acknowledge the need for and continued maintenance of a high standard of corporate governance practices and ethical conduct by all directors and employees. In maintaining its ethical standards, the Parent will:

(a) behave with integrity in all its dealings with customers, shareholders, employees, suppliers, business partners and the community;

(b) ensure its actions comply with applicable laws and regulations;

(c) not engage in any activity that could be construed to involve an improper inducement;

(d) achieve a working environment where:

  (i) equal opportunity is rigorously practised;

  (ii) harassment and other offensive forms of behaviour are not tolerated;

  (iii) confidentiality of commercially sensitive information is protected; and

  (iv) employees are encouraged to discuss concerns and ethical behaviour with directors and senior executives.

(e) share trading policy for Directors, CEO and Executives. A copy is available on the Corporate governance website (http://www.freedomnutritional.com.au/corporategovernance.asp)

Principle 4

Safeguard integrity in financial reporting

As part of the structure of financial review and authorisation both the Chief Executive Officer and Chief Financial Officer are required to provide written assurances that the financial reports present a true and fair view of the Parent's financial position in all material respects.

This is designed to raise the level of management accountability for financial reporting. Further, executives provide half yearly and yearly a letter of representation on operational, financial, regulatory and commercial matters.

The Board has established an Audit, Risk and Compliance Committee comprising three non-executive directors, with appropriate experience. They are Mr M. Miles (Chairman), Mr R. Perich and Mr P. R .Gunner. Their qualifications are listed under Principle 2.

The Chief Executive Officer, Chief Financial Officer and external audit partner attend Committee meetings at the discretion of the Committee.

The minutes of each Committee meeting are reviewed at the subsequent Board meeting and signed as an accurate record of proceedings. At the subsequent Board meeting the Chairman of the Committee reports on the Committees conclusions and recommendations. The Committee meets at least twice per year.

The external auditors have a direct line of communication at any time to either the Chairman of the Audit, Risk and Compliance Committee or the Chairman.

The role and responsibilities of the Audit, Risk and Compliance Committee includes:

(a) reviews and reports to the Board on the half yearly and annual reports and financial statements of the Parent and associated entities;

(b) is responsible for nominating the external auditor and reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory review;

(c) reviews the effectiveness of the Parent's internal control systems;

(d) monitors and reviews the reliability of financial reporting;

(e) monitors and reviews the compliance of the Parent with applicable laws and regulations;

(f) monitors the Australian Accounting Standards and Urgent Issues Group consensus views;

(g) monitors financial risks and exposure of Parent assets;

(h) monitors business continuity ;

(i) reviews the Parent's Occupational Health and Safety obligations and the Parent's compliance; and

(j) the Parent's insurance policies and coverage.

The external auditors have advised the following, after consultation with the Parent that the audit engagement partner shall be rotated every five years.

Principle 5

Make timely and balanced disclosure

The purpose of the continuous disclosure policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Parent. Such information must be presented in a clear and balanced way so as not to omit any material information.

These policies are designed to ensure that the Parent meets its continuous disclosure obligations under the ASX Listing Rules.

Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider to have a material effect on the value of the Parent securities must be disclosed. Examples of such information include a change in revenue, asset values or significant transactions. Directors receive copies of all announcements immediately after notification to the ASX. All announcements are posted to the Parent's website. A report is submitted to each Board meeting of disclosures to the ASX since last meeting with the Disclosure File available for review.

Disclosure Officer

The Board has appointed the Company Secretary to act as the Disclosure Officer, responsible for communications with the ASX and deciding what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Parent complies with its disclosure obligations. In addition, Directors, employees or consultants are all responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

Principle 6

Respect the rights of shareholders

The Parent aims to keep shareholders informed of the Parent's performance in an ongoing manner. Apart from information provided pursuant to the Parent's legal and ASX Listing Rules obligations regarding continuous disclosure of information, the Parent also communicates with shareholders through the:

(1) Annual Report which is available to all shareholders . The Annual Report includes relevant information about the Parent's operations and performance;

(2) invitation to the annual general meeting and all accompanying papers;

(3) the Parent's web site;

(4) Reports to the ASX and the press;

(5) Half yearly profit announcements; and

(6) information and presentations to analysts (which are released to the ASX).

The Annual General Meeting provides an important opportunity for shareholders to express their views and respond to initiatives being proposed by the Board.

The Parent also requests that the external auditor attend the Annual General Meeting and be available to answer shareholder questions about the audit and the preparation and content of the audit reports.

Principle 7

Recognise and manage risk

1.1 The Audit, Risk and Compliance Committee:

(a) reviews the effectiveness of the Parent's internal control systems;

(b) monitors and reviews the compliance of the Parent with applicable laws and regulations;

(c) monitors financial risks and exposure of Parent assets;

(d) monitors business continuity;

(e) reviews the Parent's Occupational Health and Safety obligations and the Parent's compliance; and

(f) the Parent's insurance policies and coverage.

1.2 Risk oversight and management policies

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Committee and management.

The policies cover the areas of oversight, risk profile, risk management, compliance and control and assessment of effectiveness.

1.3 Risk management and risk profile

The Committee is responsible for:

(1) providing the Board with advice and recommendations regarding the establishment and implementation of:

(a) a risk management system; and

(b) a risk profile for the Parent that describes the material risks (including financial and non-financial risks) which the Parent faces;

(2) reviewing the effectiveness of the Parent's implementation of the risk management system at least once a year; and

(3) regularly reviewing and updating the Parent's risk profile.

The Committee is responsible for ensuring that the appropriate executives have established and implemented a system for identifying, assessing, monitoring and managing risk throughout the organisation. The system is to include the Parent's internal compliance and control systems.

In order to help give the Audit, Risk and Compliance Committee the ability to exercise independent judgement it is structured so that it consists of:

(1) only non-executive directors;

(2) at least 1 independent director; and

(3) a Chairman, who is not the Chairman of the Board.

Principle 8

Encourage enhanced performance.

In respect of remuneration issues, the responsibilities of the Remuneration and Nomination Committee include determining, evaluating and reporting to the Board with respect to:

(1) executive remuneration and incentive policies, including ensuring that the remuneration policies and practices of the Parent are consistent with its strategic goals and human resource objectives;

(2) the Parent's recruitment, retention and termination policies and procedures for executives;

(3) incentive schemes;

(4) superannuation arrangements; and

(5) the remuneration framework for directors.

The Remuneration and Nomination Committee operates independently of the senior management of the Parent in its recommendations to the Board in relation to:

(1) reviewing on an annual basis the performance and salary of the CEO and other executives including Executive and Employee Share Option Plan participation;

(2) the remuneration packages and other terms and conditions of appointment and continuing employment of senior executives; and

(3) reviewing non-executive Directors' remuneration within the maximum amount approved by shareholders. The Board believes that directors are properly rewarded through payment of a fee which is reviewed annually in the light of market conditions and has regard to the responsibilities placed on the Directors by the legal and financial framework within which they act.

The Remuneration and Nomination Committee is responsible for ensuring that the Board is of a size and composition that allows for:

(1) decisions to be made expediently;

(2) a range of different perspectives to be put forward regarding issues before the Board;

(3) a range of different skills to be bought to Board deliberations; and

(4) Board decisions to be made in the best interests of the Parent as a whole rather than of individual shareholders or interest groups.

The Remuneration and Nomination Committee is responsible for the:

(1) evaluation and review of the performance of the Board (excluding the Chairman);

(2) evaluation and review of the performance of individual directors;

(3) review of and making of recommendations on the size and structure of the Board; and

(4) review of the effectiveness and programme of Board meetings.

The evaluation and review of the performance of the Chairman is undertaken by all Board members.

Subject to normal privacy requirements, Directors have direct access to Parent records and information and to senior officers. They receive regular detailed reports on financial and operational aspects of the Parent's business and may request elaboration or explanation of these reports at any time.

Individual Directors are entitled to independent professional advice at the Parent's expense in the furtherance of their duties, refer Principle 2.

Directors and executives are encouraged to broaden their knowledge of the Parent's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars, conferences, etc. The Parent meets expenses involved in such activities.

Principle 9

Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee to consider and report on, among other matters, remuneration policies and packages applicable to Board members and to senior managers of the Parent. Two non-executive directors Mr P. R. Gunner and Mr R. Perich are members of the Committee which meets at least once per year. The Committee's main functions include:

(1) Conditions of service and remuneration of the Chief Executive and his direct reports:

(2) Performance of the Chief Executive and executives;

(3) Ensure that the remuneration policy achieves both a level and composition of remuneration that is both competitive and reasonable. Remuneration policies are designed to attract and maintain talented and motivated directors and employees as well as raising the level of performance of the Parent.

(4) Recommendation to the Board, which has the discretion to reward eligible employees with the payment of bonuses, share options and other incentive payments. These incentive payments are designed to link reward to performance and are determined by both financial and non-financial imperatives.

The Chief Executive attends meetings of the Remuneration and Nomination Committee by invitation when required to report on, and discuss, senior management performance, remuneration matters, etc.

Non-executive Directors receive fees determined by the Board, but within the aggregate limit approved by Shareholders at a General Meeting.

The remuneration packages of non-executive directors are generally fee based. Non-executive directors are able to participate in the 2006 Employee Share Option Plan (with the exception of Ron and Tony Perich). No options have been issued to them at the date of this report. Non-executive directors do not participate in bonus payments or any retirement benefits other than statutory superannuation.

The Nomination and Remuneration Committee is responsible for ensuring that any equity-based executive or non-executive director remuneration is made in accordance with the thresholds approved by shareholders.

Principle 10

Recognise the legitimate interests of stakeholders

1.1 Code of ethics

(1) The Directors acknowledge the need for and continued maintenance of a high standard of corporate governance practices and ethical conduct by all directors and employees. A Code of Ethics has been adopted. Its details are set out below.

(2) The Parent aims to maintain a high standard of ethical business dealings.

Objectives

In maintaining its ethical standards, the Parent will:

(a) behave with integrity in all its dealings with customers, shareholders, employees, suppliers, business partners and the community;

(b) ensure its actions comply with applicable laws and regulations;

(c) not engage in any activity that could be construed to involve an improper inducement;

(d) achieve a working environment where:

  (i) equal opportunity is rigorously practised;

  (ii) harassment and other offensive forms of behaviour are not tolerated;

  (iii) confidentiality of commercially sensitive information is protected; and

  (iv) employees are encouraged to discuss concerns and ethical behaviour with directors and senior executives.

(3) The Parent will take into account the principles in this Code of Ethics in every venture in which it participates. Directors and the executives team must comply with the Code of Ethics and demonstrate commitment to the Code and consistency in its execution.

(4) Responsibilities

The CEO will be responsible to the Board for establishing, implementing and reviewing the effectiveness of the Code of Ethics.

The CEO will be responsible for seeking to ensure that all of the Parent's employees and contractors understand, and act in accordance with these principles.

1.2 Conflicts of interest resolution

The Board has implemented a range of procedures designed to ensure that the Parent complies with the law and achieves high ethical standards in identifying and resolving or managing conflicts of interest. All directors must advise the Chairman of all business dealings with the Parent.

1.3 Reporting obligations

As part of the active promotion of ethical behaviour any behaviour that does not comply with this code must be duly reported. Protection will be provided for those who report violations in good faith.

	Notes	Consolidated $000		Parent $000	
		2007	2006	2007	2006
Continuing operations					
Revenue	5	49,952	47,654	14,947	16,791
Cost of sales		(35,633)	(33,158)	(9,390)	(10,636)
Gross profit		14,319	14,496	5,557	6,155
Other income	5	176	244	124	10
Marketing expenses		(2,332)	(2,970)	(604)	(593)
Selling and distribution expenses		(6,017)	(6,090)	(2,393)	(2,549)
Administrative expenses		(2,999)	(2,853)	(1,476)	(1,430)
Profit from continuing operations before tax, finance costs and equity accounted investments	6	3,147	2,827	1,208	1,593
Finance costs		(1,222)	(1,161)	(1,191)	(1,096)
Share of loss of joint venture accounted for using the equity method		(135)	(71)	(135)	(71)
Share of loss of jointly controlled entity accounted for using the equity method		(1)	-	-	-
Profit / (loss) before income tax		1,789	1,595	(118)	426
Income tax expense	7	(620)	(289)	(14)	(225)
Profit / (loss) after income tax		1,169	1,306	(132)	201
Loss attributable to minority interest		5	128	-	-
Profit / (loss) attributable to members of the parent		1,174	1,434	(132)	201
Earnings per share					
From continuing operations:					
Basic earnings per share (cents per share)	9	2.6	3.2		
Diluted earnings per share (cents per share)	9	2.6	3.0		
Dividends per share paid (cents per share)		1.0	0.0		

Notes to the financial statement are included on pages 23 to 62

	Notes	Consolidated $000		Parent $000	
		2007	2006	2007	2006
ASSETS					
Current Assets					
Cash and cash equivalents	22(a)	4	656	3	578
Trade and other receivables	10	10,824	8,934	3,284	3,545
Other financial assets	11	1,476	155	1,476	155
Inventories	12	10,642	9,812	2,155	1,987
Current tax asset	7	84	-	84	-
Prepayments		685	359	310	278
		23,715	19,916	7,312	6,543
Non-current assets classified as held for sale	14	-	3,321	-	3,321
Total Current Assets		23,715	23,237	7,312	9,864
Non-Current Assets					
Other financial assets	11	2,347	450	30,384	24,065
Deferred tax assets	7	2,092	2,214	711	811
Property, plant and equipment	14	1,795	500	364	202
Intangible assets	13	17,479	17,147	-	-
Total Non-Current Assets		23,713	20,311	31,459	25,078
TOTAL ASSETS		47,428	43,548	38,771	34,942
LIABILITIES					
Current Liabilities					
Trade and other payables	15	9,741	9,856	3,157	2,985
Borrowings	16	10,090	641	10,111	11
Current tax liabilities	7	425	309	392	267
Provisions	17	641	518	164	204
		20,897	11,324	13,824	3,467
Liabilities directly associated with non-current assets classified as held for sale		-	93	-	93
Total Current Liabilities		20,897	11,417	13,824	3,560
Non-Current Liabilities					
Borrowings	16	2,612	9,054	2,612	8,504
Deferred tax liability	7	35	114	28	100
Provisions	17	230	119	113	93
Total Non-Current Liabilities		2,877	9,287	2,753	8,697
TOTAL LIABILITIES		23,774	20,704	16,577	12,257
NET ASSETS		23,654	22,844	22,194	22,685
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	18	22,078	22,058	22,078	22,058
Reserves	19	66	-	66	-
Retained earnings	20	2,956	2,227	50	627
Parent interests		25,100	24,285	22,194	22,685
Minority interests		(1,446)	(1,441)	-	-
TOTAL EQUITY		23,654	22,844	22,194	22,685

Notes to the financial statement are included on pages 23 to 62.

	Notes	Consolidated $000		Parent $000	
		2007	2006	2007	2006
Cash flows from operating activities					
Receipts from customers		46,808	46,267	14,084	15,787
Payments to suppliers and employees		(46,725)	(45,676)	(14,648)	(15,190)
Interest and other costs of finance paid		(1,119)	(1,161)	(1,088)	(1,096)
Income tax paid		(485)	(85)	(381)	-
Receipt of government grant		-	137	-	-
Net cash flows used in operating activities	22(b)	(1,521)	(518)	(2,033)	(499)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		3,520	8	3,500	-
Purchase of property, plant and equipment		(315)	(189)	(268)	(148)
Interest received		31	65	1,162	1,038
Investment in jointly controlled entity		(1,579)	-	-	-
Unlisted investment in Joint Venture		(453)	(129)	(453)	(129)
Payment for Business Acquisition	22(d)	(1,765)	(1,084)	-	6
Loan from related party		268	(7)	268	(6)
Advance (to) / from Joint Venture		(1,321)	(597)	(1,321)	(604)
Loan to controlled entities		-	-	(5,120)	(524)
Payments for intangible assets		-	(33)	-	-
Net cash used in investing activities		(1,614)	(1,966)	(2,232)	(367)
Cash flows from financing activities					
Payment of finance lease liabilities		-	(32)	-	-
Repayment of borrowings		(1,605)	-	(992)	-
Dividends paid		(415)	-	(415)	-
Net cash flows used in financing activities		(2,020)	(32)	(1,407)	-
Net decrease in cash and cash equivalents		(5,155)	(2,516)	(5,672)	(866)
Cash and cash equivalents at beginning of financial year		83	2,599	578	1,444
Cash and cash equivalents at end of financial year	22(a)	(5,072)	83	(5,094)	578

Notes to the financial statement are included on pages 23 to 62.

	Attributable to equity holders of the parent				Minority Interest	Total Equity
	Fully paid ordinary shares $000	Equity - settled employee benefits reserve $000	Retained Earnings $000	Total $000	$000	$000
CONSOLIDATED						
At 1 July 2005	22,058	-	793	22,851	(1,313)	21,538
Profit for the year	-	-	1,434	1,434	(128)	1,306
At 30 June 2006	22,058	-	2,227	24,285	(1,441)	22,844
Profit / (Loss) for the year	-	-	1,174	1,174	(5)	1,169
Dividend paid	-	-	(445)	(445)	-	(445)
Recognition of share-based payments	-	66	-	66	-	66
Equity issues	20	-	-	20	-	20
At 30 June 2007	22,078	66	2,956	25,100	(1,446)	23,654
PARENT						
At 1 July 2005	22,058	-	426	22,484	-	22,484
Profit for the year	-	-	201	201	-	201
At 30 June 2006	22,058	-	627	22,685	-	22,685
Profit for the year	-	-	(132)	(132)	-	(132)
Dividend paid	-	-	(445)	(445)	-	(445)
Recognition of share-based payments	-	66	-	66	-	66
Equity issues	20	-	-	20	-	20
At 30 June 2007	22,078	66	50	22,194	-	22,194

Notes to the financial statement are included on pages 23 to 62.

1 Corporate Information

The financial report of Freedom Nutritional Products Limited for the year ended 30 June 2007 was authorised for issue in accordance with resolution of directors on 5 September 2007.

The Parent changed its name from So Natural Foods Australia Limited to Freedom Nutritional Products Limited in accordance with a resolution of shareholders on 1 February 2007.

Freedom Nutritional Products Limited is a company incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in note 4.

2 Adoption of New and Revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

- investments classified as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- financial guarantee contracts (AASB 2005-09 'amendments to Australian Accounting Standards'); and
- rights to cash reimbursement for expenditure required to settle a provision (AASB 2005-5 'amendments to Australian Accounting Standards').

There has been no material impacts of these changes on the Group's accounting policies as a result of the adoption of these new and revised standards and interpretations.

The adoption of these new and revised Standards and Interpretations has resulted in a change to the Group's accounting policies in relation to business combinations involving entities under common control. Such business combinations were formerly within the scope of AASB 3 'Business Combinations', but are now scoped out of that standard by AASB 2005-6 'Amendments to Australian Standards'.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards is not anticipated to affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the parent's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	1 January 2007	30 June 2008
AASB 101 'Presentation of Financial Statements' – revised standard	1 January 2007	30 June 2008
AASB 2007-7 'Amendments to Australian Accounting Standards'	1 July 2007	30 June 2008
AASB 8 'Operating Segments'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the parent:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB Interpretation 10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
AASB Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'	1 March 2007	30 June 2008
AASB 2007-1 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11'	1 March 2007	30 June 2008
AASB Interpretation 12 'Service Concession Arrangements'	1 January 2008	30 June 2009
AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	1 January 2008	30 June 2009
AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	1 July 2007	30 June 2008
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
AASB 123 'Borrowing Costs' – revised standard	1 January 2009	30 June 2010
AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010

3 Significant Accounting Policies

(a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the Parent and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Parent and the Group comply with International Financial Reporting standards ('IFRS').

(b) Basis of preparation

The financial report has been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Parent under ASIC Class Order 98/0100, dated 10 July 1998. The Parent is an entity to which the class order applies.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Freedom Nutritional Products Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as Parent, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. A list of controlled entities is contained in Note 31.

Minority interest represent the interests in Thorpedo Foods Pty Limited and Thorpedo Seafoods Pty Limited, not held by the Group companies.

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

3 Significant Accounting Policies (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities recognised. If, after reassessment, the Group' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Interest in joint venture

The Group's interest in joint ventures represent jointly controlled entities which have been measured by applying the equity method of accounting. Under the equity method of accounting the carrying amounts of interests in joint venture entities are increased or decreased to recognise the Group's share of the post acquisition profits or losses and other changes in net assets of the joint ventures. The interests in joint ventures have been measured by applying the cost method in the Parent's own financial report.

(f) Foreign currency translation

Both the functional and presentation currency of Freedom Nutritional Products Limited and its Australian subsidiaries is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reinstated at the rate of exchange ruling at the balance sheet date.

Exchange differences are recognised in the income statement in the period in which they arise.

(g) Property, plant and equipment

Land and buildings, plant and equipment, motor vehicles and equipment under finance lease are stated at cost less depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item, In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Class of Fixed Assets	Depreciation Rate
Buildings	4-6%
Plant and equipment	5-20%
Leased plant and equipment	5-10%
Motor vehicles	15-33%

(h) Non-current assets classified as held for sale

Non-current assets (and disposal groups) classified as held for sales are measured, with certain expectations, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable.

The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group's control and the Group remains committed to a sale.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying

3 Significant Accounting Policies (continued)

assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the other cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) Brand names

Brand names recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy in note 3(l).

(l) Impairment of assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value.

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

Raw materials – purchase cost on a first-in, first-out basis;

Manufactured finished goods – cost of direct materials, direct labour and an appropriate portion of manufacturing variable and fixed overheads based on normal operating capacity but excluding borrowing costs.

Purchased finished goods – purchase cost on a weighted average cost basis.

3 Significant Accounting Policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivable'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

(o) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(p) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(q) Trade and other payables

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

Payables to related parties are carried at the principal amount.

(r) Convertible note

The component parts of convertible notes (compound instruments) are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

(s) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflow estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recoverable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the

3 Significant Accounting Policies (continued)

estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when incurred.

(u) Share-based payments

Equity-settled payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share based payments that were granted after 7 November 2002, that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(v) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessee
Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to the qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3(i). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives
In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(w) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Licensing fees
Revenue is recognised on an accrual basis in accordance with the substance of the relevant

3 Significant Accounting Policies (continued)

agreement. Revenue is determined on a time basis are recognised on a straight-line basis over the period of the agreement. Revenue arrangements that are based on sales are recognised by reference to the underlying arrangement.

Interest revenue

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(x) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specially relating to the operating activities of the group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

(y) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and its probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

3 Significant Accounting Policies (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Parent and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Parent is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate tax payer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 7 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(z) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except:

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

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

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

(aa) Financial instruments

Recognition

Financial instruments are initially measured at fair value, net of transaction costs, except for those financial assets carried at fair value through profit and loss, which are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term of if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial

Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in their fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method less impairment.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories.

3 Significant Accounting Policies (continued)

Available-for-sale financial assets are reflected at fair value. Unrealised gains and loses arising from changes in fair value are taken directly to equity.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(ab) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 26 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group has not adopted hedge accounting during the financial year or previous corresponding period.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts are not measured at their fair value with changes in fair value recognised in profit or loss.

(ac) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current year.

4 Business and Geographical Segments

The Group is organised into three business segments which is the basis on which the Group reports. The principal products and services of these segments are as follows:

Seafood	A range of canned seafood covering sardines, salmon, tuna and specialty seafood. These products are produced overseas and sold in Australia and overseas.
Freedom Foods	A range of products for consumers requiring a solution to specific dietary or medical conditions including gluten free, wheat free, low sugar or salt or highly fortified. The product range covers breakfast cereals, cookies, snack bars, soy and rice beverage, frozen prepared foods and other complimentary products. These products are produced and sold in Australia and overseas.
Thorpedo Foods	Thorpedo range of low GI beverages. These products are produced and sold in Australia and overseas.

	External sales		Other		Total	
	2007 $000	2006 $000	2007 $000	2006 $000	2007 $000	2006 $000
Segment revenue						
Continuing operations						
Seafood	20,902	18,785	-	-	20,902	18,785
Freedom Foods	26,823	26,095	-	-	26,823	26,095
Thorpedo Foods	1,117	2,327	1,238	626	2,355	2,953
Total of all segments					50,080	47,833
Eliminations					-	-
Unallocated					48	65
Consolidated revenue					50,128	47,898

4 Business and Geographical Segments (continued)

	Total	
	2007 $000	2006 $000
Segment result		
Continuing operations		
Seafood	1,966	1,731
Freedom Foods	838	1,338
Thorpedo Foods	60	(540)
	2,864	2,529
Unallocated	(1,075)	(934)
Profit before income tax	1,789	1,595
Income tax expense	(620)	(289)
Profit for the year from continuing operations	1,169	1,306

	Assets		Liabilities	
	2007 $000	2006 $000	2007 $000	2006 $000
Segment assets and liabilities				
Continuing operations				
Seafood	22,790	21,715	16,321	16,792
Freedom Foods	44,034	42,552	21,998	18,631
Thorpedo Foods	4,909	5,197	7,447	7,696
Total of all segments	71,733	69,464	45,766	43,119
Eliminations	(26,535)	(27,575)	(23,945)	(23,973)
Unallocated	2,230	1,659	1,953	1,558
Consolidated	47,428	43,548	23,774	20,704

	Seafood		Freedom Foods		Thorpedo Foods	
	2007 $000	2006 $000	2007 $000	2006 $000	2007 $000	2006 $000
Other segment information						
Carrying value of investments accounted for using the equity method	-	-	1,097	450	-	-
Share of net profit/(loss) of jointly controlled entities accounted for under the equity method	-	-	(136)	(71)	-	-
Acquisition of segment assets	-	-	1,539	195	-	-
Depreciation and amortisation of segment assets	-	-	162	181	-	-

The Group operates principally in the Australian geographical area.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
5 Revenue				
Continuing operations				
• Sale of goods	48,683	46,963	13,785	15,753
• Interest received from other persons	31	65	-	65
• Interest received from subsidiaries of parent entity	-	-	1,162	973
• Licence fee	1,238	626	-	-
	49,952	47,654	14,947	16,791
Other income				
• Government grant – refer below	30	237	-	-
• Gain on disposal of property	129	-	124	-
• Exchange gain	-	7	-	10
• Management fee received	17	-	-	-
	176	244	124	10

The above government grant is the Export Market Development Grant received for 2006 and receivable for 2007.

6 Profit for the year

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Continuing operations				
(i) Losses				
Profit for the year was arrived at after charging the following losses				
Loss on disposal of plant and equipment	(7)	-	(4)	-
(ii) Expenses:				
Finance costs				
Interest on bank overdrafts and loans	486	1,148	455	1,091
Interest on obligations under finance leases	261	13	261	5
Interest on convertible notes	475	-	475	-
Total borrowing costs	1,222	1,161	1,191	1,096
Depreciation on property, motor vehicles plant and equipment	162	165	68	117
Rental expense on operating leases	129	100	69	13
Research and development costs expensed	116	272	113	204
Impairment of trade receivables	43	40	25	25

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
6 Profit for the year (continued)				
Employee benefit expense				
Post employment benefits - defined contribution plans	417	379	154	157
Share-based payments - equity-settled share-based payments	66	-	66	-
Other employee benefits	5,470	4,846	1,909	1,986
Total employee benefit costs	5,953	5,225	2,129	2,143
The following expense items are relevant in explaining the financial performance:				
Bid response costs	104	175	104	175

Operating EBITDA (being EBITDA adjusted for bid response costs and equity settled share-based payments) was $3,343,000 (2006: $3,096,000)

7 Income taxes

Income tax recognised in profit or loss				
Tax expense comprises:				
Current income tax expense	457	404	-	-
Adjustments recognised in the current year in relation to the current tax of prior years.	43	(26)	(14)	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	120	(89)	28	225
Income tax expense /(income)	620	289	14	225
Attributable to continuing operations	620	289	14	225

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from continuing operations	1,789	1,595	(118)	426
Income tax expense calculated at 30%	537	478	(35)	128
Effect of expenses that are not deductible in determining taxable profit	156	(18)	176	(8)
Effect of tax concessions (research and development)	(116)	-	(113)	-
Previously unrecognised and unused tax losses and tax offsets now utilised.	-	-	-	132
Adjustments recognised in the current year in relation to the current tax of prior years	43	(171)	(14)	(27)
	620	289	14	225

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006

7 Income taxes (continued)

	2007	2006	2007	2006
Current tax assets and liabilities				
Current tax assets				
Entities in the tax-consolidated group	84	-	84	-
Current tax liabilities				
Income tax payable attributable to				
Entities in the tax-consolidated group	392	267	392	267
Other	33	42	-	-
	425	309	392	267

	Opening Balance	Charged to income	Acquisitions	Closing balance
	$000	$000	$000	$000
Deferred tax balances				
Deferred tax assets/(liabilities) arise from the following:				
Consolidated 2007				
Temporary differences:				
Provisions	209	85	77	371
Doubtful debts	14	6	-	20
Formation costs	207	(207)	-	-
Property plant & equipment	(114)	118	-	4
Finance leases	35	(35)	-	-
Other	17	22	-	39
	368	(11)	77	434
Unused tax losses and credits:				
Tax losses	1,635	(167)	-	1,468
Withholding tax paid	97	58	-	155
	1,732	(109)	-	1,623
	2,100	(120)	77	2,057
Presented in the balance sheet as follows:				
Deferred tax (liability) - non-current				(35)
Deferred tax asset - non-current				2,092
				2,057

	Opening Balance	Charged to income	Closing balance
	$000	$000	$000
7 Income taxes (continued)			
Consolidated 2006			
Temporary differences:			
Provisions	188	21	209
Doubtful debts	13	1	14
Formation costs	206	1	207
Property plant & equipment	(169)	55	(114)
Finance leases	-	35	35
Prepayments derecognised	365	(365)	-
Other	30	(13)	17
	633	(265)	368
Unused tax losses and credits:			
Tax losses	1,378	257	1,635
Withholding tax paid	-	97	97
	1,378	354	1,732
	2,011	89	2,100
Presented in the balance sheet as follows:			
Deferred tax (liability) - non-current			(114)
Deferred tax asset - non-current			2,214
			2,100
Parent 2007			
Temporary differences:			
Provisions	93	(4)	89
Doubtful debts	2	7	9
Formation Costs	42	(42)	-
Property plant & equipment	(100)	104	4
Finance leases	18	(18)	-
Other	6	98	104
	61	145	206
Unused tax losses and credits:			
Tax losses	650	(173)	477
	711	(28)	683
Presented in the balance sheet as follows:			
Deferred tax (liability) - non-current			(28)
Deferred tax asset - non-current			711
			683

7 Income taxes (continued)

	Opening Balance	Charged to income	Closing balance
	$000	$000	$000
Parent 2006			
Temporary differences:			
Provisions	142	(49)	93
Doubtful debts	3	(1)	2
Formation costs	-	42	42
Property plant & equipment	(76)	(24)	(100)
Finance leases	-	18	18
Prepayments derecognised	93	(93)	-
Other	8	(2)	6
	170	(109)	61
Unused tax losses and credits:			
Tax losses	766	(116)	650
	936	(225)	711
Presented in the balance sheet as follows:			
Deferred tax (liability) - non-current			(100)
Deferred tax asset - non-current			811
			711

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Freedom Nutritional Products Limited. The members of the tax-consolidated group are identified at note 31.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Freedom Nutritional Products Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

	Consolidated $		Parent $	
	2007	2006	2007	2006

8 Auditors remuneration

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Current year				
Remunerations of the auditors of the Group for:				
• auditing and reviewing the financial report	100,000	136,000	43,584	136,000
• adoption of AIFRS	-	19,750	-	13,750
• technical assistance re accounting principles and financial report disclosure	-	13,250	-	5,250
• taxation advice	281,531	-	43,645	-
• accounting advice	25,625	-	-	-
	407,156	169,000	87,229	155,000
The auditor of the consolidated entity is Deloitte Touche Tohmatsu (2006: PKF)				
Past years				
Remuneration of past auditors of the Group to settle excess fee claim				
• auditing and reviewing the financial report	70,000	-	70,000	-

9 Earnings per share

	2007 $000	2006 $000
(a) Earnings used in the calculation of basic EPS ($000)	1,174	1,434
(b) Earnings used in the calculation of dilutive EPS ($000)	1,174	1,434
	Number '000	
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS (number)	44,490	44,485
Add weighted average number of options outstanding	-	2,892
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	44,490	47,377

During 2007 the Parent issued 4,900,000 options over ordinary shares.

10 Trade and other receivables

	Consolidated $000 2007	Consolidated $000 2006	Parent $000 2007	Parent $000 2006
Current				
Trade receivables (i)	9,921	8,293	2,874	3,369
Allowance for doubtful trade receivables	(67)	(46)	(30)	(5)
	9,854	8,247	2,844	3,364
Other receivables	970	687	440	181
	10,824	8,934	3,284	3,545

10 Trade and other receivables (continued)

(i) The average credit period on sales of goods is 60 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts increased by$21,000 (2006: increased by $26,000) in the Group and increased by $25,000 (2006: increased by $25,000) in the Parent. The movement was recognised in the income statement for the year.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
11 Other financial assets				
Current				
Loans to joint venture	1,476	155	1,476	155
Non-current				
Loans to subsidiaries	-	-	29,616	23,615
Investment in jointly controlled entity (i)	1,579	-	-	-
Investment in joint venture entity - refer note 33	768	450	768	450
	2,347	450	30,384	24,065

(i) As part of the investment in a jointly controlled entity, the Group holds non-listed unsecured redeemable notes returning 7%p.a. The notes are redeemable at par value on 1 June 2012.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
12 Inventories				
Current				
Raw materials	1,505	1,439	953	1,206
Finished goods	9,137	8,373	1,202	781
	10,642	9,812	2,155	1,987

Inventories of $nil (2006: $nil) are expected to be recovered after more than twelve months.

	Consolidated $000			Parent $000
	Goodwill	Brand name	Total	Total
13 Intangibles				
Year ended 30 June 2006				
Cost (gross carrying amount)	6,628	10,486	17,114	-
Costs incurred during the year	-	33	33	-
Net carrying amount	6,628	10,519	17,147	-
Year ended 30 June 2007				
At 1 July, 2006	6,628	10,519	17,147	-
Costs incurred during the year	302	30	332	-
Net carrying value	6,930	10,549	17,479	-

13 Intangibles (continued)

Goodwill and brand name are initially recorded at cost. The useful life of the brand name asset was estimated as indefinite.

No impairment loss was charged for operations in the 2007 financial year (2006: NIL).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to three cash-generating units as follows:

	Consolidated $000	
	2007	2006
Seafood	1,982	1,982
Freedom Foods	3,170	2,868
Thorpedo Foods	1,778	1,778

The recoverable amounts of the cash generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% pa (2006: 8% pa). Cash flow projections during the budget period for the cash-generating units are also based on the same expected gross margins during the budget period.

Key assumptions	Cash-generating units
Budgeted market share	Average market share in the period immediately before the budget period plus a growth of up to 1% of market share per year. Management believes that the planned market share growth per year for the next five years is reasonable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period is consistent with that used by management.

Impairment of cash-generating units including goodwill

There was no impairment loss recognised or reversed during the period for an individual asset or cash generating unit.

14 Property, plant and equipment

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
NON-CURRENT ASSETS - classified as held for sale				
Freehold land and buildings for sale				
• at fair value less costs to sell	-	3,321	-	3,321
Total Land and Buildings	-	3,321	-	3,321
The Parent sold its land and buildings on 30 May 2007.				
NON-CURRENT				
Freehold land and buildings				
• at cost	117	117	-	-
Accumulated depreciation	(106)	(102)	-	-
Total Land and Buildings	11	15	-	-

14 Property, plant and equipment (continued)

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
Plant and Equipment				
• at cost	2,667	1,290	783	662
Accumulated depreciation	(1,070)	(964)	(562)	(520)
	1,597	326	221	142
Capital work in progress	15	21	-	-
Total Owned Plant and Equipment	1,612	347	221	142
Plant and Equipment under finance lease				
Capitalised leased assets	48	48	-	-
Accumulated depreciation	(27)	(23)	-	-
Total Leased Plant and Equipment	21	25	-	-
Motor Vehicles under finance leases				
• at cost	190	157	166	65
Accumulated depreciation	(39)	(44)	(23)	(5)
Total Motor Vehicles	151	113	143	60
TOTAL PROPERTY, PLANT AND EQUIPMENT	1,795	500	364	202

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings	Plant and Equipment	Motor Vehicles	Total
Parent 2007	$000	$000	$000	$000
Balance at beginning of year	-	142	60	202
Additions	-	167	101	268
Depreciation expense	-	(50)	(18)	(68)
Disposals	-	(38)	-	(38)
Carrying amount at the end of year	-	221	143	364
Group 2007				
Balance as at beginning of year	15	372	113	500
Additions	-	214	101	315
Acquisitions through business combinations	-	1,224	-	1,224
Depreciation expense	(4)	(119)	(39)	(162)
Disposals	-	(58)	(24)	(82)
Carrying amount at the end of year	11	1,633	151	1,795

14 Property, plant and equipment (continued)

	Land and Buildings	Plant and Equipment	Motor Vehicles	Total
Parent 2006	$000	$000	$000	$000
Balance at beginning of year	-	170	-	170
Additions	-	84	65	149
Depreciation expense	-	(112)	(5)	(117)
Carrying amount at the end of year	-	142	60	202
Group 2006	$000	$000	$000	$000
Balance at beginning of year	20	410	65	495
Additions	-	130	65	195
Disposals	-	-	(25)	(25)
Depreciation expense	(5)	(168)	8	(165)
Carrying amount at the end of year	15	372	113	500

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
Freehold land and buildings	4	5	-	-
Plant and equipment	119	168	50	112
Motor vehicles	39	(8)	18	5
	162	165	68	117

15 Trade and other payables

Current				
Trade payables (i)	7,168	7,252	2,153	2,069
Other payables and accruals	2,302	2,601	733	913
Due to related parties	271	3	271	3
	9,741	9,856	3,157	2,985

(i) The average credit period on purchases of certain goods from North America is 2 months. Additional trade payables are paid within 60 days of invoice date. No interest is charged on trade payables.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
16 Borrowings				
Current - at amortised cost				
Bank overdrafts – secured (i)	5,076	573	5,097	-
Finance leases – secured (iii) (note 24)	33	68	33	11
Convertible Notes – unsecured (ii)	4,981	-	4,981	-
	10,090	641	10,111	11
Non-current - at amortised cost				
Loan payable – secured (i)	2,500	4,128	2,500	3,578
Convertible Notes – unsecured (ii)	-	4,877	-	4,877
Finance leases – secured (iii) (note 24)	112	49	112	49
	2,612	9,054	2,612	8,504

(i) The bank overdraft and loans payable are secured as detailed in note 34.

(ii) The Parent has issued 8,333,333 unsecured convertible notes at $0.60 each, with a coupon rate of 9.5% per annum maturing on 1 September 2007.

(iii) Secured by the asset leased.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
17 Provisions				
Current				
Employee benefits	641	518	164	204
Non-current				
Employee benefits	230	119	113	93
Aggregate employee benefits	871	637	277	297
Employee benefit movement				
Balance at beginning of year	637	576	297	475
Additional provision recognised	598	384	108	104
Transfer	-	-	-	(144)
Amounts used	(364)	(323)	(128)	(138)
	871	637	277	297

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
18 Issued capital				
Fully paid ordinary shares				
44,527,343 (2006: 44,485,010) ordinary shares fully paid	22,078	22,058	22,078	22,058
Issued during the year				
Balance at beginning of year	22,058	22,058	22,058	22,058
May 2007 – 42,333 ordinary shares for 46.8 cents per share	20	-	20	-
Balance at end of year	22,078	22,058	22,078	22,058

18 Issued capital (continued)

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998.

Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

The Dividend Reinvestment Plan provides shareholders with the opportunity to receive ordinary shares, in lieu of cash dividends, at a discount (set by the directors) from the market price at time of issue.

Options

(i) For information relating to the Freedom Nutritional Products Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer note 29.

(ii) For information relating to share options issued to key management personnel during the financial year, refer note 28

At 30 June 2007, there were 6,100,000 (30 June 2006: 2,975,000) unissued ordinary shares for which options were outstanding.

	Consolidated $000		**Parent $000**	
	2007	2006	2007	2006
19 Reserves				
Equity-settled employee benefits reserve	66	-	66	-
Balance at beginning of financial year	-	-	-	-
Share based payment	66	-	66	-
Balance at end of financial year	66	-	66	-

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 29 to the financial statements.

20 Retained profits

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Retained profits at the beginning of the financial year	2,227	793	627	426
Net profit	1,174	1,434	(132)	201
Dividends paid for current year	(445)	-	(445)	-
Retained profits at end of financial year	2,956	2,227	50	627

	2007		2006	
	Cents per share	Total $000	Cents per share	Total $000

21 Dividends

Recognised amounts				
Fully paid ordinary shares				
Interim dividend: fully franked at a 30% tax rate	1.0	445	-	-

Unrecognised amounts

On 31 August 2007, the directors declared a fully franked interim dividend of 1.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 30 June 2008, to be paid to shareholders on 18 December 2007. The dividend will be paid to shareholders on the Register of Members on 3 December 2007. The total estimated dividend to be paid is $445,000.

	Parent $000	
	2007	2006
Adjusted franking account balance	222	27

22 Cash flow information

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, funds held in cash management account and cheque account net of bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:-

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
Cash	4	656	3	578
Overdraft	(5,076)	(573)	(5,097)	-
	(5,072)	83	(5,094)	578

Reconciliation of net cash provided by operating activities to operating profit after income tax

(b) Operating profit after income tax	1,169	1,306	(132)	201
Depreciation	162	165	68	117
Provision for employee entitlements	235	61	(19)	(178)
Write off of inventory	(2)	44	(27)	37
Gain on disposal of assets	(120)	-	(124)	-
Foreign currency revaluation	(23)	-	-	-
Share based payments	66	-	66	-
Interest received	(31)	-	(1,162)	-
Loss in jointly controlled entity	136	-	135	-

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
22 Cash flow information (continued)				
Changes in Assets and Liabilities				
(Increase) in receivables	(2,000)	(629)	(1,038)	(772)
(Increase) / Decrease in inventory	(828)	(2,679)	(141)	258
(Increase) / Decrease in other assets	(626)	(147)	333	(16)
Decrease / (Increase) in deferred tax assets	122	(543)	100	191
Decrease / (Increase) in accounts payable	264	1,255	(61)	(370)
Decrease in provision for income tax	34	197	41	-
(Decrease) / Increase in provision for deferred income tax	(79)	452	(72)	33
	(1,521)	(518)	(2,033)	(499)

Details of credit stand-by arrangements available and unused loan facilities are shown in note 23 to the financial statements.

(c) Non-cash financing and investing activities

During the current financial year, the Group acquired $101,000 of motor vehicles under finance leases. These acquisitions will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

(d) Business acquired

During the financial year 100% of the Cookie Man baking operations was acquired.

During the previous financial year, consideration deferred at 30 June 2005, was paid in respect of the acquisition of the remaining 20% of Freedom Foods Pty Limited.

Details of this transaction are:

Purchase consideration	1,247	1,084	-	-
Incidental costs	432	-	-	(6)
Deferred consideration for Freedom Foods acquisition	86	-	-	-
Cash consideration	1,765	1,084	-	(6)
Assets and liabilities held at acquisition date				
Prepayments	9	-	-	-
Inventories	412	-	-	-
Deferred tax assets	78	-	-	-
Property, plant and equipment	1,224	-	-	-
Employee entitlements	(196)	-	-	-
Rent received in advance	(64)	-	-	-
	1,463	-	-	-
Outside equity interest	-	-	-	-
Goodwill on acquisition	302	-	-	-
	1,765	-	-	-

	Consolidated $000		Parent $000	
	2007	2006	2007	2006

23 Standby arrangements and unused credit facilities

	Consolidated 2007 $000	Consolidated 2006 $000	Parent 2007 $000	Parent 2006 $000
Credit Facility				
Bank	7,650	1,100	7,650	1,100
Amount utilised at 30 June	(5,076)	(573)	(5,076)	-
Unused credit/facility	2,574	527	2,574	1,100
Loans facilities	2,500	4,950	2,500	4,400
Amount utilised at 30 June	(2,500)	(4,128)	(2,500)	(3,578)
	-	822	-	822
Unused loan facilities	2,574	1,349	2,574	1,922

Credit and Loan Facilities

The bank overdraft and multi-option facilities are arranged with Westpac Banking Corporation with the general terms and conditions and is subject to annual review.

The bank facilities of the Group are secured by a first registered mortgage over all the Group's property and a first equitable mortgage over the whole of the Group's assets and undertakings including uncalled capital. The mortgage is held by Westpac Banking Corporation.

Interest rates are variable and subject to adjustment.

24 Capital and leasing commitments

Finance leases

Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of 5 years. The Group has options to purchase the equipment for an agreed amount at the conclusion of the lease agreements.

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Parent		Consolidated		Parent	
	2007 $000	2006 $000	2007 $000	2006 $000	2007 $000	2006 $000	2007 $000	2006 $000
Finance lease liabilities								
Payable:								
• not longer than one year	50	74	50	16	33	68	33	11
• one to five years	131	54	131	54	112	49	112	49
Minimum lease payments	181	128	181	70	145	117	145	60
Less future finance charges	(36)	(11)	(36)	(10)	-	-	-	-
Present value of minimum lease payments	145	117	145	60	145	117	145	60
Included in the financial statements as: (note 16)								
Current borrowings					33	68	33	11
Non-current borrowings					112	49	112	49
					145	117	145	60

24 Capital and leasing commitments (continued)

Operating leases

Leasing arrangements

Operating leases relate to office space with lease terms of between two and two and a half years.
The Parent/Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
Non-cancellable operating lease commitments				
• not longer than one year	146	72	146	61
• one to five years	135	86	135	86
	281	158	281	147
Group's share of jointly controlled entities capital commitments				
Not longer than 1 year	395	50		

25 Personnel Note

	Consolidated		Parent	
	2007	2006	2007	2006
	Number		Number	
The entity employs casual and full time staff numbering	137	85	39	72

26 Financial instruments

(a) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree magnitude of risks.

These risks include market risk (including currency risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, credit risk and the investment of excess liquidity. The Group does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into foreign exchange forward contracts to manage exposure to foreign currency risk for its imports. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The Corporate Treasury function reports monthly to the board which monitors risks and policies implemented to mitigate risk exposure.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

26 Financial instruments (continued)

(c) Forward exchange contracts

The Group enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for the contracted purchases undertaken in foreign currencies.

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2007	2006	2007	2006	2007	2006	2007	2006
			FC'000	FC'000	$000	$000	$000	$000
Outstanding contracts								
Consolidated								
Buy US Dollars								
Less than 3 months	0.7566	0.7470	976	3,443	1,290	4,609	(140)	23
3 to 6 months	0.7951	0.7511	927	2,650	1,166	3,528	(74)	37
Over 6 months	0.8406	-	525	-	625	-	(6)	-
Buy Canadian Dollars								
Less than 3 months	0.9128	-	1,973	-	2,161	-	37	-
3 to 6 months	0.9090	-	1,750	-	1,925	-	24	-
Over 6 months	0.9069	-	550	-	606	-	7	-
							(152)	60

The Group has entered into contracts to purchase finished goods from suppliers in the United States, Canada and Thailand. The Group has entered into forward exchange contracts (for terms not exceeding 8 months) to hedge the exchange rate risk arising from these anticipated future transactions. The Group does not adopt hedge accounting and therefore movements in the fair value of forward exchange contracts are recorded in the income statement.

As at reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts reported in the profit and loss relating to these anticipated future transactions is $23,000 (2006: unrealised gains of $23,000).

(d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date, to recognised financial assets of the Group which have been recognised on the Balance Sheet is the carrying amount, net of any allowance for doubtful debts.

The Group does not have significant risk exposure to any one debtor, however 87% (2006 - 81%) of sales and 79% (2006 - 87%) of year end receivables are concentrated in major supermarkets throughout Australia. The Parent has 91% (2006 - 91%) of sales and 80% (2006 - 88%) of year end receivables concentrated in major supermarkets throughout Australia.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

26 Financial instruments (continued)

(f) Interest rate risk

The Parent and Group's exposures to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets, are set out below:

Group			Fixed rate maturing in									
Financial Instrument	Note	Weighted average effective interest rate %	Variable Rate		Less than 1 year		1 to 5 years		Non Interest Bearing		Total	
			2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets												
Cash and cash equivalents	22	5.3	4	656	-	-	-	-	-	-	4	656
Trade receivables	10		-	-	-	-	-	-	9,854	8,247	9,854	8,247
Other receivables	10		-	-	-	-	-	-	970	687	970	687
Due from joint venture	11		-	-	-	-	-	-	1,476	155	1,476	155
Redeemable notes	11	7.0	-	-	-	-	1,250	-	-	-	1,250	-
Investment in joint venture entity	11		-	-	-	-	-	-	768	450	768	450
Total Financial Assets			4	656	-	-	1,250	-	13,068	9,539	14,322	10,195
Financial Liabilities												
Trade payables	15		-	-	-	-	-	-	7,168	7,252	7,168	7,252
Other payables	15		-	-	-	-	-	-	2,302	2,601	2,302	2,601
Due to related parties	15		-	-	-	-	-	-	271	3	271	3
Finance leases	16	7.3	-	-	33	68	112	49	-	-	145	117
Bank overdrafts	16	8.2	5,076	573	-	-	-	-	-	-	5,076	573
Loan payable	16	7.5	2,500	4,128	-	-	-	-	-	-	2,500	4,128
Convertible notes	16	9.5	-	-	4,981	-	-	4,877	-	-	4,981	4,877
Total Financial Liabilities			7,576	4,701	5,014	68	112	4,926	9,741	9,856	22,443	19,551

26 Financial instruments (continued)

Parent Financial Instrument	Note	Weighted average effective interest rate %	Variable Rate		Fixed rate maturing in: Less than 1 year		1 to 5 years		Non Interest Bearing		Total	
			2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets												
Cash	22	5.3	3	578	-	-	-	-	-	-	3	578
Trade receivables	10		-	-	-	-	-	-	2,844	3,364	2,844	3,364
Other receivables	10		-	-	-	-	-	-	440	181	440	181
Due from joint venture	11		-	-	-	-	-	-	1,476	155	1,476	155
Due from controlled entities	11	8.5	-	-	-	-	29,616	23,615	-	-	29,616	23,615
Investment in joint venture entity	11		-	-	-	-	-	-	768	450	768	450
Total Financial Assets			3	578	-	-	29,616	23,615	5,528	4,150	35,147	28,343
Financial Liabilities												
Trade payables	15		-	-	-	-	-	-	2,153	2,069	2,153	2,069
Other payables	15		-	-	-	-	-	-	733	913	733	913
Due to related parties	15		-	-	-	-	-	-	271	3	271	3
Bank overdrafts	16	8.2	5,097	-	-	-	-	-	-	-	5,097	-
Finance leases	16	7.3	-	-	33	11	112	49	-	-	145	60
Loan payable	16	7.5	2,500	3,578	-	-	-	-	-	-	2,500	3,578
Convertible notes	16	9.5	-	-	4,981	-	-	4,877	-	-	4,981	4,877
Total Financial Liabilities			7,597	3,578	5,014	11	112	4,926	3,157	2,985	15,880	11,500

(g) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(h) Options

In May 2004, the Group entered into arrangements with Ian Thorpe whereby both a wholly owned subsidiary of the Parent (TFG) and Ian Thorpe entered into two joint ventures relating to food and beverages and seafood.

The first of these ventures has been formed as Thorpedo Foods Pty Limited (TFG interest 50.01%).

Under the arrangements TFG has a call option to acquire up to 75% in Thorpedo Foods Pty Limited until 30 September 2009. The consideration payable is to be calculated based upon EBITDA multiples and will be satisfied

26 Financial instruments (continued)

by exercise of a call option held by Ian Thorpe for shares in the Parent. These financial instruments do not have a value at 30 June 2007.

On 30 June 2005, TFG exercised a call option and acquired an additional 25.01% in Thorpedo Foods Pty Limited bringing its interest in Thorpedo Foods Pty Limited at 30 June 2005 to 50.01%. The additional 25.01% was acquired for $20.

27 Key management personnel compensation

This report details the nature and amount of remuneration for each Director and the executives receiving the highest remuneration.

Remuneration policy

Remuneration arrangements for Directors and executives of the Parent and Group ("the Directors and executives") are set competitively to attract and retain appropriately qualified and experienced Directors and executives. As part of its agreed mandate, the Remuneration and Nomination Committee obtains independent advice when required on the appropriateness of remuneration packages given trends in comparable companies and the objectives of the consolidated entity's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- The capability and experience of the Directors and executives;
- The Directors and executives' ability to control the relevant operational performance; and
- The amount of incentives within each Director and executive's remuneration.

Executive director and executives

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Executive director and executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group. In addition the individual performance of each senior manager is measured against each individual's Key Performance Indicators (KPI's) as agreed annually with the senior manager to ensure buy-in. KPI's are based on the profitability of the entity and are reviewed annually by the Remuneration and Nomination Committee and the Managing Director/Chief Executive Officer (CEO).

Performance based remuneration

Performance based remuneration are at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash payments. During the year the following options were issued 1,700,000 to G.H. Babidge, 1,700,000 to R.J.F. Macleod, 900,000 to B.W. Bootle, 300,000 to P. J. Nathan and 300,000 to M. E. Jenkins.

Options are valued using the bi-nomial method.

Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Total fees for all non-executive directors, last voted upon by shareholders in October 2006, was not to exceed $300,000 in total.

Total fees for 2007 were $122,315. To align director interests with shareholder interests, the directors are encouraged to hold shares in the Parent.

27 Key management personnel compensation (continued)

The Chairman receives twice the base fee of non-executive directors. Non-executive directors do not receive performance related remuneration.

Directors' fees cover all main Board activities. Non-executive directors who sit on the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee receive an additional payment of $1,000 and the Chairman of each receives $2,000. There are no termination or retirement benefits for non-executive directors.

Service agreements

It is the Group's policy that service contracts are entered into for the CEO which was extended on 1 February 2007. The key terms and conditions are as follows:

- The contract is for a fixed term to 30 November 2011
- The remuneration comprises a fixed component which includes the cost to the Parent of any superannuation contributions made by the Parent on behalf of the CEO; and
- The Parent can terminate employment at any time without prior notice if the CEO commits any serious breach of any provisions of his agreement or is guilty of an act of serious misconduct or wilful neglect in the discharge of their duties. The CEO may terminate this agreement with one month's notice and the Parent with three month's notice. In the event of dismissal by the Parent, other than for breach, the CEO is also entitled to one year's total remuneration.

Parent performance, shareholder wealth and directors and senior management remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. The method applied in achieving this aim is the issue of options to executives to encourage alignment of personal and shareholder interests.

The following table shows the revenue, profits and dividends for the past five years for the Parent.

	2003	2004	2005	2006	2007
Revenue ($000s)	21,957	32,940	37,954	47,654	49,952
Net Profit / (loss) after tax ($000s)	564	(749)	310	1,434	1,174
Dividends paid (cents)	1	Nil	Nil	Nil	1

The Remuneration and Nomination Committee considers that the Parent's performance-linked remuneration structure is appropriate to building shareholder value in the medium term.

The aggregate compensation made to directors and other members of key management personnel of the Parent and the Group is set out below:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	1,019,335	1,113,016	122,315	128,780
Post-employment benefits	338,187	103,088	58,988	30,360
Share-based payment	66,350	-	66,350	-
Other long term benefits	1,423,872	1,216,104	247,653	159,140

27 Key management personnel compensation (continued)

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

P. R. Gunner (Chairman, non-executive director)

G. H. Babidge (Managing Director, Chief Executive Officer)

A. M. Perich (Non-executive director), appointed July 2006

R. Perich (Non-executive director)

S. Higgs (Non-executive director)

M. Miles (Non-executive director), appointed November 2006

B. W. Bootle (alternate director), appointed July 2006

C. C. Grubb (Non-executive director), resigned July 2006

M. Van Ryn (Non-executive director), resigned October 2006

G. J. Reaney (Non-executive director), resigned October 2006

R. J. F. Macleod (Strategic Development Director)

P. J. Nathan (General Manager Sales) (appointed September 2006)

M. E. Jenkins (Chief Financial Officer & Company Secretary)

H. A. Hurwitz (Marketing Manager)

B. A. O'Brien (Product Development Manager)

Determination of remuneration of specified directors

Remuneration of non-executive directors comprise fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Fees do not contain any non-monetary elements.

Remuneration of the executive directors is determined by the Remuneration & Nomination Committee (refer statement of Corporate Governance Practices for further details). In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

Options are granted to acquire ordinary shares in Freedom Nutritional Products Limited to the executive directors.

The compensation of each member of the key management personnel of the Group is set out below:

2007	$	$	$	$	$	$	$	$
	P. R. Gunner	G. H. Babidge (i)	A. M. Perich	R. Perich	S. F. Higgs	M. Miles	B. W. Bootle (i)	C. C. Grubb
Short term benefits								
Salaries and fees	31,167	223,487	24,167	27,000	26,833	2,000	-	3,815
Non monetary	-	1,513	-	-	-	-	-	-
Post employment benefits								
Superannuation	25,695	100,000	2,175	2,430	2,415	17,620	-	-
Equity compensation								
Options	-	25,045	-	-	-	-	13,259	-
Total	56,862	350,045	26,342	29,430	29,248	19,620	13,259	3,815

27 Key management personnel compensation (continued)

	M. van Ryn	G. J. Reaney	R. J. F. Macleod (i)	P. J. Nathan (ii)	M. E. Jenkins (ii)	H. A. Hurwitz	B. A. O'Brien	Total
Short term benefits								
Salaries and fees	-	7,333	187,314	137,325	150,933	137,821	41,761	1,000,956
Non monetary	-	-	-	-	1,367	-	15,500	18,380
Post employment benefits								
Superannuation	7,993	660	12,686	32,829	27,700	12,179	93,805	338,187
Equity compensation								
Options	-	-	25,045	1,500	1,500	-	-	66,349
Total	7,993	7,993	225,045	171,654	181,500	150,000	151,066	1,423,872

2006	$	$	$	$	$
	P. R. Gunner	G. H. Babidge (iii)	R. Perich	S. F. Higgs	C. C. Grubb
Short term benefits					
Salaries and fees	21,000	286,795	20,000	20,000	45,780
Non monetary	-	-	-	-	-
Post employment benefits					
Superannuation	1,890	12,140	1,800	1,800	-
Equity compensation					
Options	-	-	-	-	-
Total	22,890	298,935	21,800	21,800	45,780

	M. van Ryn	G. J. Reaney	R. J. F. Macleod (iii)	H. A. Hurwitz	M. E. Jenkins	Dr V. Lakshminarayana	B. A. O'Brien	Total
Short term benefits								
Salaries and fees	-	22,000	147,860	123,853	147,788	130,298	117,642	1,083,016
Non monetary	-	-	-	15,000	-	-	15,000	30,000
Post employment benefits								
Superannuation	22,890	1,980	12,140	11,147	15,000	11,727	10,574	103,088
Equity compensation								
Options	-	-	-	-	-	-	-	-
Total	22,890	23,980	160,000	150,000	162,788	142,025	143,216	1,216,104

(i) On 30 November 2006 share options were granted under the employee share option plan. Further details of the options granted are contained in notes 28 and 29.

(ii) On 26 April 2007 share options were granted under the employee share option plan. Further details of the options granted are contained in notes 28 and 29.

(iii) On 27 July 2005 share options were granted under the employee share option plan. Further details of the options granted are contained in notes 28 and 29.

28 Related party transactions

(a) Equity interests in related parties

(i) **Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 31 to the financial statements.

(ii) **Equity interest in joint ventures**

Details of interests in joint ventures are disclosed in note 33 to the financial statements.

(b) Transactions with key management personnel

(i) **Key management personnel compensation**

Details of key management personnel compensation are disclosed in note 27 to the financial statements.

(ii) **Key management personnel equity holdings**

Fully paid ordinary shares of the Parent

	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
2007	No.	No.	No.	No.	No.
P. R. Gunner	204,346	-	-	116,671	321,017
G. H. Babidge	69,217	-	-	-	69,217
A. M. Perich (1) (2)	8,771,289	-	-	26,130,510	34,901,799
R. Perich (2)	8,771,289	-	-	26,130,510	34,901,799
S. F. Higgs	384,615	-	-	-	384,615
M. Miles	-	-	-	51,069	51,069
B. W. Bootle	-	-	-	40,855	40,855
M. van Ryn	172,074	-	-	(172,074)	-
C. C. Grubb	8,068,435	-	-	(8,058,435)	10,000
G. J. Reaney	8,068,435	-	-	(8,054,430)	14,005
R. J. F. Macleod	156,108	-	-	-	156,108
P. Nathan	-	-	-	40,000	40,000
M. E. Jenkins	30,326	-	-	-	30,326
H. A. Hurwitz	-	-	-	-	-
B. A. O'Brien	-	-	-	-	-

(1) Mr A. M. Perich joined the board as a non-executive director in July 2006. He is joint managing director with Mr R. Perich of Arrovest Pty Ltd. At the date of his appointment Arrovest Pty Ltd already held shares consistent with those shown for Mr R. Perich.

(2) Messrs A. M. Perich and R. Perich each hold an interest in Arrovest Pty Limited which is a registered holder of shares in the Parent.

28 Related party transactions (continued)

	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
2006					
P. R. Gunner	101,942	-	-	102,404	204,346
G. H. Babidge	69,217	-	-	-	69,217
R. Perich	6,474,528	-	-	2,296,761	8,771,289
S. F. Higgs	384,615	-	-	-	384,615
M. van Ryn	46,133	-	-	125,941	172,074
C. C. Grubb	8,068,435	-	-	-	8,068,435
G. J. Reaney	8,068,435	-	-	-	8,068,435
R. J. F. Macleod	156,108	-	-	-	156,108
M. E. Jenkins	30,326	-	-	-	30,326
H. A. Hurwitz	-	-	-	-	-
B. A. O'Brien	-	-	-	-	-
Dr V. Lakshminarayana	-	-	-	-	-

Share options of the Parent

	Balance at 1 July	Granted as compensation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2007									
G.H. Babidge	1,925,000	1,700,000	-	(1,225,000)	2,400,000	700,000	-	700,000	-
B. W. Bootle	-	900,000	-	-	900,000	-	-	-	-
R. J. F. Macleod	650,000	1,700,000	-	(350,000)	2,000,000	300,000	-	300,000	-
P. Nathan	-	300,000	-	-	300,000	-	-	-	-
M. E. Jenkins	100,000	300,000	-	-	400,000	100,000	-	100,000	-
Dr V. Lakshminarayana	50,000	-	-	-	50,000	50,000	-	50,000	-
H. A. Hurwitz	50,000	-	-	-	50,000	50,000	-	50,000	-
2006									
G. H. Babidge	1,225,000	700,000	-	-	1,925,000	1,925,000	-	1,925,000	925,000
R. J. F. Macleod	350,000	300,000	-	-	650,000	650,000	-	650,000	650,000
M. E. Jenkins	100,000	-	-	-	100,000	100,000	-	100,000	100,000
Dr V. Lakshminarayana	50,000	-	-	-	50,000	50,000	-	50,000	50,000
H. A. Hurwitz	50,000	-	-	-	50,000	50,000	-	50,000	50,000

28 Related party transactions (continued)

All share options issues to key management personnel were made in accordance with the provisions of the Employee Share Option Plan.

During the financial year nil options (2006: nil) were exercised by key management personnel.

Further details of the Employee Share Option Plan and of share options granted during 2007 and 2006 financial years are contained in note 29 to the financial statements.

(iii) Other transactions with key personnel of the Group

Profit for the year includes $124,000 (2006: nil) on the sale of land and buildings to Contract Beverage Packers of Australia Pty Ltd (CBPA) which is a 50: 50 joint venture with Leppington Pastoral Company which is owned by members of the Perich family.

For further transactions with key personnel of the Group, refer to transactions between Parent and its related parties below.

(c) Transactions with other related parties

Other related parties include:

- the parent entity
- entities with joint control or significant influence over the Group
- joint ventures in which the entity is a venturer
- subsidiaries
- other related parties

(i) Transactions between Parent and its related parties

During the financial year, the following transactions occurred between the Parent and its related parties:

- the Parent recognised tax payable in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to/from the Parent are made in accordance with the terms of the tax funding arrangement.
- the Parent made dividend payments totalling $348,000 to its ultimate parent entity (2006: nil). The ultimate parent entity Arrovest Pty Ltd holds 78% of the fully paid ordinary shares of Freedom Nutritional Products Limited (2006: 20%)
- the Parent received interest income of $1,162,000 (2006: $973,000) from controlled entities. The interest rate on loans is 9.5% or 8% (2006: 9.5% or 8%). Interest is receivable on the last business day of the financial year.
- the Parent made payments of $1,562,000 (2006: $1,372,000) to a controlled entity for selling, corporate and financial services. The amount is payable on the last day of the financial year.

The following balances arising from transactions between the Parent and its other related parties are outstanding at reporting date:

- Non-current loans totalling $29,616,000 are receivable from subsidiaries (2006: $23,615,000)
- Current loans totalling $1,476,000 are receivable from joint ventures (2006: $155,000)
- Current loans totalling $271,000 are repayable to the associate of the ultimate parent (2006: $3,000)

All amounts advanced to or payable to related parties are unsecured and are subordinated to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised during the financial year for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the Parent and its subsidiaries were eliminated in the preparation of the consolidated financial statements of the Group.

28 Related party transactions (continued)

(ii) Transactions between the Group and its related parties

CBPA provided contract beverage packing services at cost $2,134,000 (2006: $2,348,000).

These services are provided under normal terms and conditions.

The following balances arising from transactions between the Group and its other related parties are outstanding at reporting date:

- Current loans totalling $1,476,000 are receivable from joint ventures (2006: $155,000)
- Current loans totalling $271,000 are repayable to the associate of the ultimate parent (2006: $3,000)

All amounts advanced to or payable to related parties are unsecured and are subordinated to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised during the financial year for bad or doubtful debts in respect of the amounts owed by related parties.

(iii) Guarantee

The Parent has guaranteed half bank debt up to $1m for the debts of a jointly controlled entity.

The amount of the potential exposure is $nil (2006: $nil).

(d) Parent entities

The Parent entity of the Group is Freedom Nutritional Products Limited and the ultimate parent entity is Arrovest Pty Ltd which is incorporated in Australia.

29 Share based payments – Employee Share Option Plan

Senior employees are eligible to participate in the share scheme under which executives are issued options to acquire shares in the Parent. Each employee share option converts into one ordinary share of the Parent on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire within five years of their issue, or one year of the resignation of the senior employee, whichever is the earlier. In relation to options issued during the current financial years option series 7 vest in four equal tranches over a period of 4 years and option series 8 vests in two equal tranches over two years.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant
Option series				$	$
(1) Issued 1 January 2002	333,334	1/01/02	28/03/07	0.90	-
(2) Issued 1 January 2002	333,333	1/01/02	28/03/07	1.00	-
(3) Issued 1 January 2002	333,333	1/01/02	28/03/07	1.10	-
(4) Issued 29 January 2003	700,000	29/01/03	29/01/08	0.80	-
(5) Issued 3 September 2003	275,000	3/09/03	3/09/08	0.85	-
(6) Issued 27 July 2005	1,000,000	27/07/05	27/07/10	0.50	-
(7) Issued 30 November 2006	4,300,000	30/11/06	30/11/11	0.50	0.10
(8) Issued 26 April 2007	600,000	26/04/07	26/04/10	0.50	0.10

The weighted average fair value of the share options granted during the financial year is $0.10 (2006: $nil). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

29 Share based payments – Employee Share Option Plan (continued)

Inputs into the model	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8
Grant date share price	0.72	0.72	0.72	0.60	0.80	0.38	0.50	0.48
Exercise price	0.90	1.00	1.10	0.80	0.85	0.50	0.50	0.50
Expected volatility	15%	15%	15%	15%	15%	15%	20%	20%
Option life	5.25 years	5.25 years	5.25 years	5 years	5 years	5 years	5 years	3 years
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	2.5%	2.5%
Risk-free interest rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	8%	8%

	2007		2006	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	2,975,000	0.77	1,975,000	0.91
Granted during financial year	4,900,000	0.50	1,000,000	0.50
Forfeited during financial year	(200,000)	0.84	-	-
Cancelled during financial year	(1,575,000)	0.93	-	-
	6,100,000	0.51	2,975,000	0.77
Exercisable at end of financial year	1,200,000	0.55	2,975,000	0.77

Balance at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of $0.51 (2006: $0.77), and a weighted average remaining contractual life of 1,501 days (2006: 374 days).

30 Contingent liabilities

	Consolidated $000		Parent $000	
	2007	2006	2007	2006
Bank guarantee given to a supplier arising out of the normal course of business. No liability is expected to accrue.	51	51	20	20

A statement of claim has been received from a customer relating to products provided in 1998 and 1999. The Parent is defending this claim and believes it will be successful. The claim is for $392,000 plus interest.

31 Controlled entities

	Country of Incorporation	Percentage of shares held	
Controlled Entity		2007	2006
Paramount Seafoods Pty Limited	Australia	100%	100%
Nutrition Ventures Pty Limited	Australia	100%	100%
Freedom Foods Pty Limited	Australia	100%	100%
Australian Natural Foods Holdings Pty Limited	Australia	100%	100%
Thorpedo Foods Group Pty Limited	Australia	100%	100%
Thorpedo Foods Pty Limited	Australia	50.01%	50.01%
Thorpedo Seafoods Pty Limited	Australia	75%	75%

31 Controlled entities (continued)

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee is the consolidated income statement and balance sheet included in the 2007 financial report.

On 22 March 2007 Functional Food Investments Pty Limited changed its name to Nutrition Ventures Pty Limited.

32 Companies party to deed of cross guarantee

The following have entered into a deed of cross guarantee as a condition to obtaining relief under ASIC Class Order 98/1418 from the Corporations Act 2001 requirements to prepare and lodge an audited financial report and a directors' report.

Members of the closed group are:

- Freedom Nutritional Products Limited
- Nutrition Ventures Pty Limited
- Freedom Foods Pty Limited
- Paramount Seafoods Pty Limited
- Australian Natural Foods Holdings Pty Limited
- Thorpedo Foods Group Pty Limited
- Thorpedo Foods Pty Limited
- Thorpedo Seafoods Pty Limited

Each party to the deed of cross guarantee, guarantees to each creditor in the group payment in full of any debt upon winding up under the provisions of the Corporations Act 2001 or, in any other case, if six months after a resolution or order for winding up, any debt of a creditor that has not been paid in full.

33 Joint venture

Freedom Nutritional Products Limited has a 50% (2006: 50%) interest in Contract Beverage Packers of Australia Pty Limited (CBPA) for an opening investment cost of $974,000 (2006: $521,000). CBPA acquired the manufacturing equipment of Freedom Nutritional Products Limited at book value and provides contract beverage packing services.

The Group's share of CBPA loss for the year ended 30 June 2007 was $136,000 (2006: $71,000) which has been equity accounted for and consequently reduces the investment cost in CBPA to $768,000 (2006: $450,000).

Freedom Nutritional Products Limited's share of the assets employed in the joint venture is:

	$000	
	2007	2006
Current assets	1,699	275
Non-current assets	4,905	3,064
Total assets	6,604	3,339
Current liabilities	2,609	1,102
Non-current liabilities	3,700	2,256
	6,309	3,358
Net assets	295	(19)
Shareholder funds	295	(19)
Revenue	1,088	191
Loss after income tax	(136)	(71)

34 Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 16 to the financial statements, all non-current assets of the Group, except goodwill and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets. The Group does not hold title to the equipment under finance lease pledged as security.

35 Acquisition of business

Name of business acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $000
Cookieman baking assets	Biscuit baking	18-May-07	Nil	1,679

Cookieman baking assets

Net Assets Acquired	Book Value $000	Fair Value Adjustment $000	Fair Value on Acquisition $000
Assets			
Prepayments	9	-	9
Inventory	412	-	412
Deferred tax assets	78	-	78
Plant and equipment	1,008	216	1,224
Liabilities			
Employee entitlements	(196)	-	(196)
Income in advance	(64)	-	(64)
	1,247	216	1,463
Goodwill			216
			1,679

The initial accounting for the acquisition of the Cookieman baking assets has only been provisionally determined at reporting date. At the date of finalisation of this report, the necessary valuation of separately identifiable intangibles has not been finalised and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate.

Included in the net profit for the period is $44 thousand attributable to the additional business generated by Cookieman baking assets.

36 Subsequent 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Freedom Nutritional Products Limited

Directors' Declaration

For The Year Ended 30 June 2007

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the directors

P. R. Gunner	**G.H. Babidge**
Chairman	Managing Director

Sydney, 5 September 2007

Deloitte.

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Independent Auditor's Report to the members of Freedom Nutritional Products Limited

We have audited the accompanying financial report of Freedom Nutritional Products Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 19 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a) the financial report of Freedom Nutritional Products Limited is in accordance with the Corporations Act 2001, including:

  i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants
Parramatta, 5 September 2007

Shareholding

Substantial shareholders

The number of shares held by the substantial shareholder is listed in the Parent's register as at 31 August 2007 is:

Shareholder	Number
Arrovest Pty Limited	35,044,006

Class of shares and voting rights

At 31 August 2007, there were 44,527,343 ordinary shares of the Parent on issue.

The Parent's listed ordinary shares are of one class with equal voting rights and all are quoted on a Member Exchange of the Australian Stock Exchange Limited (the home exchange being the Australian Stock Exchange (Sydney) Limited).

DISTRIBUTION OF SHAREHOLDERS AS AT 31 August 2007

Category	Ordinary
1 - 1,000	334
1,001 - 5,000	307
5,001 - 10,000	112
10,001 - 100,000	157
100,001 - and over	18
	928

Non marketable securities which are holdings of less than 1,042 ordinary shares are held by 352 shareholders. This statistic is based on the share register as at 31 August 2007.

20 LARGEST ORDINARY SHAREHOLDERS AS AT 31 August 2007

Name		Number of Ordinary Shares Held	% Held of Ordinary Capital
1	Arrovest Pty Limited	35,044,006	78.70%
2	East Coast Rural Holdings Pty Limited	405,279	0.91%
3	Mr S Higgs ATF SF Higgs Superannuation Fund	384,615	0.87%
4	National Nominees Limited	336,499	0.76%
5	Mr & Mrs P Gunner ATF Perry Gunner Superannuation Fund	321,017	0.72%
6	Mr & Mrs J Perry	200,000	0.45%
7	Mr T E Morris	200,000	0.45%
8	Rakzirre Pty Limited	195,137	0.44%
9	Anisam Pty Limited	192,308	0.43%
10	Economic Consultancy Services Pty Ltd	192,308	0.43%
11	Berzins Asset Management Pty Limited	170,000	0.38%
12	Gallium Pty Limited	162,180	0.36%
13	Cebourn Partners Pty Limited	156,108	0.35%
14	Mr L Lip & Ms Y F Chong	144,732	0.33%
15	Symspur Pty Limited	140,871	0.32%
16	Mr Gary Douglas Spence	120,851	0.27%
17	RD & KA McGavin Pty Limited ATF RD & KA McGavin Superannuation Fund	115,385	0.26%
18	Mr & Mrs C Tuckwell ATF CRT Superannuation Fund	100,000	0.22%
19	Mr & Mrs E Dally ATF E J Dally Superannuation Fund	100,000	0.22%
20	Mr James Marsden & Mr John Adam	97,030	0.22%
		38,778,326	87.09%

The proportion of ordinary shares held by the 20 largest shareholders is 87.09%

Stock exchanges that have granted quotation to the securities of the Parent quoted in Australia:

All Member Exchanges.

Company Secretary
Michael Jenkins

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Share Registry
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Fax: (02) 9279 0664

Insurance Brokers
InterRisk Australia Pty Limited
Level 1, 7 Macquarie Place, Sydney NSW 2000
Tel: (02) 9346 8050
Fax: (02) 9346 8051

Management
Geoff Babidge – Managing Director
Rory Macleod – Strategic Development Director
Greg Hughes – Chief Operating Officer
Michael Jenkins – Chief Financial Officer and Company Secretary

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Tel: (02) 9540 1077
Fax: (02) 9540 3134

Auditor
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Chartered Accountants
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Freedom Nutritional Products Limited

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