Freedom Nutritional Products Limited

Annual Report 2009

Contents

ANNUAL GENERAL MEETING

Date 29 October, 2009. **Time** 11.30 am

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

SPECIAL NUTRITION

Freedom Nutritional Products Limited
ABN 41 002 814 235
Annual Report for the year ended 30 June 2009

	2009	2008	2007	2006	2005
Sales Revenue ($000's)	48,596	54,082	48,683	46,963	37,954
EBDITA ($000's)*	3,494	3,203	3,173	2,921	2,090
Net Profit Before Tax ($000's)	1,794	1,508	1,789	1,595	643
Profit Attributable to Members of the Parent ($000's)	1,320	956	1,174	1,434	310
Basic Earnings per Share (cents)	2.4	2.0	2.6	3.2	0.8
Number of Ordinary Shares Issued (000's)	54,660	54,607	44,527	44,485	44,485
Dividend per Share (cents)	1	2	1	Nil	Nil
Dividend Paid ($000's)	545	891	445	Nil	Nil
Total Assets ($000's)	63,659	56,295	47,428	43,548	41,137
Shareholders Equity ($000's)	30,161	29,239	23,654	22,844	21,538
Net Tangible Asset Backing (cents)	13	13	14	13	10

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

Dear Shareholder

Freedom Nutritional Products Limited ("FNP") reported a Net Profit from Operations of $1.8m, representing an increase of 90% compared to the prior year. The result was after expensing one off restructuring and corporate development costs of $615k.

The Company was obliged to bring to account the mark to market value of its foreign exchange contracts which at balance date represented an unrealised loss of $706k. This adjustment has no impact on the Company's operating performance or cashflows and will be reversed in the income statement in the following financial year. Net Profit adjusted for this mark to market adjustment was $1.3m.

The Chief Executive's report provides a commentary on operations.

A fully franked dividend of 1 cent was paid during the year and the Board has determined there will be no final 2009 dividend paid to assist funding of the new manufacturing facility for Freedom Foods.

In May, shareholders voted in favour of repealing the Company's prior Articles of Association and replacing it with an updated Company Constitution. The adopted Company Constitution reflects necessary changes in the current legal and regulatory environment.

In May 2009, the group converted its convertible note investment in A2 Dairy Products Australia Pty Ltd (A2DP) into ordinary shares. The effect of the conversion increased our ownership to 50%, which equates with our joint venture partner A2 Corporation Limited. A2DP performed strongly reporting an EBIT of $1 million for the 2009 year.

The major priority for the year has been to successfully progress the establishment of a new manufacturing facility for the major "free from" products of Freedom Foods. The project is substantially complete with cereal production underway and relocation of baked products and bars to be completed by December. As a result, the company now has a unique world-class facility, which provides a platform for substantial growth in the future.

With Freedom Foods and A2DP well positioned for growth, the Board continues to assess the most appropriate way to raise and allocate capital across the group to achieve the best return for shareholders.

The Board thanks Geoff Babidge and his management team for their ongoing contributions and we look forward to the year ahead.

Perry Gunner
Chairman
2 September 2009

12 months to 30 June	2009 $'000	2008 $'000	% Change
Gross Sales Revenues *	61,571	67,883	(9%)
Net Sales Revenues *	48,596	54,082	(10%)
Operating EBDITA **	4,568	3,824	19%
Operating EBIT **	4,116	3,492	18%
Profit/(loss) from Equity Associates	212	(354)	160%
Net Profit from Operations	1,815	956	90%
Net Profit (inc non cash FX mark to market)	1,320	956	38%
Return on Average Funds Employed ***	9.4%	9.4%	-

Notes
** Excludes Royalty income received from Yakult, convertible note interest and rental income.*

*** Excludes non recurring restructuring and corporate development costs, non cash expenses of management employee share options, non cash equity share of joint ventures and non cash mark to market adjustments for foreign exchange contracts.*

**** Based on Operating EBIT over average funds employed for the period.*

**** EBDITA / Funds Employed, Funds Employed includes $8.2 million in assets relating to Leeton Manufacturing Facility not in operation.*

The FNP Group achieved Net Profit from Operations of $1.8 million for the 12 months ended 30 June 2009. This represents an increase of 90% in comparable net profit over the previous year and is after expensing $615k of non recurring restructuring and corporate development costs.

The Company was obliged to bring to account the mark to market value of its foreign exchange contracts which at balance date represented an unrealised loss of $495k (tax affected). This adjustment has no impact on the Company's operating performance or cashflows and will be reversed in the income statement in the following financial year. Net Profit adjusted for this mark to market adjustment was $1.3m.

The result reflected a credible improvement in operating performance for the wholly owned business units on the prior year and a very significant improvement for our joint venture operations. Gross sales excluding JV associates decreased by 9% relating to the transfer of contract soy sales to an associated JV and discontinued products in Freedom (i.e frozen range). Operating EBDITA was $4.6 million, an increase of 19% from the prior corresponding period and return on funds employed of 9.4% (with funds employed inclusive of Leeton assets not in operation).

Key highlights for FY 2009

Key highlights for the year included:

- Improved sales and contribution of Freedom Foods cereals, core snack products and proprietary soy and rice beverages.
- Improved sales and margin performance for the Specialty Seafood division.
- Implementation of the Freedom Foods major capex plan to establish a dedicated gluten free and nut free cereal and baked products facility near Leeton, to be commissioned from August 2009.
- Significant growth in fresh milk sales and achievement of profitability well ahead of plan for the A2 Dairy Products Australia joint venture. FNP's share of A2DP was increased to 50% through the conversion of convertible notes in May 2009.
- Turnaround to profitability and growth of the CBPA joint venture.

Business Units – Wholly Owned

Freedom Foods

This year was one of consolidation for the Freedom Foods business.

The priority has been to progress the major capital expenditure project to establish a dedicated gluten and nut free manufacturing facility at the newly acquired premises near Leeton NSW. The new facility will enable us to internalise the manufacture of the key products of the business, provide capability to innovate and broaden the range, and enable the company to expand sales into further channels and markets. The project is substantially complete with commissioning of cereal production taking place during August 2009 and for biscuit and breakfast bar equipment to be installed by December 2009. The present Hornsby baking operation will be relocated and closed as part of this process. The funds employed in the Leeton facility totaled $8.2m at year end, funded by a shareholder advance and equipment finance.

Sales and contributions for cereals and core snack products such as wraps and mayonnaise showed growth on the prior year whereas proprietary biscuits were flat given limitations to innovate in our Hornsby facilities. Contract biscuit sales to grocery customers were well down on the prior year as were frozen foods which were exited during the year.

Soy and rice proprietary beverages performed to plan. We undertook a major review of the positioning, range and packaging across the portfolio and the new strategy will be progressively introduced to the market from August 2009.

Specialty Seafood

The Specialty Seafood division comprising Paramount salmon and Brunswick sardines and specialty seafood products performed strongly and well ahead of the prior year.

Paramount salmon volumes were marginally down given increased costs and selling prices for pink salmon arising from a significantly lower catch in 2008. Brunswick sardines sales and margins were both higher in Australia and New Zealand. Our Seafood sourcing continues to be well managed in association with our procurement partner Bumble Bee Foods.

Thorpedo Foods (50.1% owned)

Yakult Honsha, Thorpedo Food's licensee in Japan continued to develop the Thorpedo portfolio of beverages and extended the license agreement for a further 3 year term. There are now 4 beverage products sold under the Thorpedo brand in Japan.

Business Units – Joint Ventures

A2 Dairy Products Australia

A2 Dairy Products Australia (A2DP) has the exclusive rights for the production and sale of a2 milk™ products in Australia and Japan in association with A2 Corporation Limited of New Zealand. In May 2009, FNP converted a convertible note investment into a 50% equity interest in A2DP.

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.

A2DP continued to develop strongly and achieved an Operating EBIT of around $1m as a result of continuing growth in fresh milk volumes during the year. Following a launch in Western Australia in April 2009, a2 milk™ fresh milk is now available in all mainland states of Australia. This growth is a function of increasing awareness of the potential benefits of a2 milk™ and support from our retail partners in improving shelf presence and availability. In May A2DP launched a2 milk™ long life (UHT) dairy milk into the grocery channel.

The business continues to work on how to improve communication of the benefits of the product to both consumers and health professionals and on extending into additional product categories beyond drinking milk, with yogurt the next priority.

A2DP is also continuing to progress developing a market entry strategy for Japan with a part time company representative based in Tokyo.

Contract Beverages Packers of Australia Pty Ltd (CBPA)

CBPA (50% owned) achieved a substantial turn-around in performance in the year following the implementation of a revised business model, new management and increased throughput and sales. EBIT for the year after once-off restructuring costs increased to $878k, which after financing costs resulted in a NPAT of $149k, representing a satisfactory return on FNP's investment.

CBPA is progressing a plan to broaden its contract packing product and customer base. FNP transferred its non proprietary soy and rice beverage contracts to CBPA as part of this process with FNP's proprietary soy and rice beverages continuing to be packaged on a cost plus 5% basis.

Outlook

FY 2010 will be a particularly exciting year for the Company.

FNP has made significant investments in capital expenditure and new capacity over the last two years and is now beginning to see improved returns for shareholders.

FNP is strategically well positioned to benefit both from the growth in the "free from" functional foods space and the broader wellness sector by leveraging its established brands, market positions and new production capacity.

FNP has two significant growth businesses; Freedom Foods, comprising manufacturing of "free from" (i.e. gluten and nut free) cereals and snacks at the new Leeton facility, and the development of A2 milk, which does not contain the A1 protein to which some people are intolerant or sensitive.

Geoff Babidge
Managing Director and Chief Executive Officer
2 September 2009

Your Directors submit the financial report of Freedom Nutritional Products Limited (the Parent) for the year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Company Secretary

On the 25th September 2008 Mr M Jenkins, B Comm., LLB (Hons), ACA, ACIS resigned as Company Secretary. Mr M Gilio B Comm (Acct), ACA, ACIS was appointed as his replacement. Mr Gilio has been with the Company for over 5 years and is a current member of Chartered Secretaries Australia.

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.

Review of operations

The consolidated entity's profit attributable to equity holders of the parent, after providing for income tax, amounted to $1,320,000 (2008 profit : $956,000).

Refer to the commentary in the Chief Executive's Review of Operations.

Dividends paid or recommended

A one cent per share fully franked final dividend was paid on 18 December 2008 in respect of the year ended 30 June 2008. The dividend was franked to 100% at 30% corporate income tax rate.

In respect of the financial year ended 30 June 2009, the Directors are recommending that no final dividend will be paid.

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 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 regulations

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 year.

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

Indemnification of officers and auditors

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 an officer of the Parent. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Rounding off of amounts

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, unless otherwise stated.

Meetings of Directors

During the financial year 15 meetings of Directors (including committees) were held.

The following persons acted as Directors of the company during or since the end of the financial year with attendances to meetings of Directors as follows:

	Directors Meeting		**Audit, risk & compliance committee meetings**		**Remuneration & nomination committee meetings**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P.R. Gunner	11	10	2	2	2	2
G.H. Babidge	11	11	-	-	-	-
A.M. Perich	11	11	-	-	-	-
R. Perich	11	10	2	1	2	2
M. Miles	11	11	2	2	-	-
R.J.F. Macleod	11	11	-	-	-	-
B. W. Bootle (Alternate Director)	1	1	-	-	-	-
M.R. Perich (Alternate Director)	-	-	-	-	-	-

Mr B.W. Bootle resigned as an Alternate Director on 12 December 2008.

Mr B.W. Bootle attended 3 board meetings as an observer.

Mr M.R. Perich was appointed Alternate Director on 26 March 2009.

Mr M. Miles was appointed to the remuneration and nomination committee during May 2009.

Mr M.R. Perich attended 3 board meetings as an observer.

Remuneration report - audited

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

Key management personnel (incorporating the group and company executive who receive the highest remuneration for the year) include:

P.R. Gunner - Chairman and Non-Executive Director

G.H. Babidge - Chief Executive Officer and Managing Director

A.M. Perich - Non-Executive Director

R. Perich - Non-Executive Director

M. Miles - Non-Executive Director

R.J.F. Macleod - Executive Director Strategy, Corporate Development and Chief Financial Officer

B.W. Bootle - Alternate Director (resigned 12 December 2008)

G.J. Hughes - Chief Operating Officer (resigned 3 July 2009)

M.E. Jenkins - Chief Financial Officer and Company Secretary (resigned 25 September 2008)

M. Christian - General Manager of Manufacturing (resigned 31 December 2008)

P. Wilson - General Manager Leeton Manufacturing Operations (commenced in July 2008)

M. Gilio - Group Finance Manager & Company Secretary (appointed Company Secretary 25 September 2008)

P. Bartier - National Supply Chain Manager

Remuneration policy

Remuneration arrangements for key management personnel 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. 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 Directors 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 Directors and Executives remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the overall performance of the Group.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. These can take the form of share options or cash payments. During the year, no cash payments were made and no further options were issued.

Options are valued using the binomial method.

Options have been issued to key management personnel in the past, however these options do not relate to the performance of the Company but are used to assist in retaining personnel for future periods by linking the vesting of such options to a personnel's employ.

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 paid to Non-Executive Directors for 2009 was $157,000 (2008: $167,000). 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 a service contract is 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 his duties. The CEO may terminate this agreement with one month's notice and the Parent with six month's notice. In the event of dismissal by the Parent, other than for breach of contract, the CEO is also entitled to one year's total remuneration.

No other Executive has a fixed term contract.

Parent performance, shareholder wealth and Directors and senior management remuneration

The remuneration policy of the company and group does not directly link the remuneration of the Directors and senior Executives to parent performance or shareholder wealth.

The following table shows the revenue, profits, dividends and earnings per share for the past five years for the consolidated entity.

	2009	2008	2007	2006	2005
Revenue ($000s)	48,596	54,082	48,683	46,963	37,954
Net Profit / (loss) After Tax ($000s)	1,320	956	1,174	1,434	310
Dividends Paid (cents)	1	2	1	Nil	Nil
Basic Earnings per Share (cents)	2.4	2.0	2.6	3.2	0.8

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 2009 are as follows:

2009	Short-term employee benefits					Post employment benefits	Share based payments		% of total being
Directors	Salary $	Directors' Fees $	Committee Fees $	Bonus $	Non-cash benefits $	Superannuation Contributions $	Options $	Total $	Options $
P.R. Gunner	-	60,000	3,000	-	-	5,670	-	68,670	-
G.H. Babidge	355,755	-	-	-	-	13,745	42,934	412,434	10%
A.M. Perich	-	30,000	-	-	-	2,700	-	32,700	-
R. Perich	-	30,000	2,000	-	-	2,880	-	34,880	-
M. Miles	-	30,000	2,000	-	-	2,880	-	34,880	-
R.J.F. Macleod	228,755	-	-	-	-	13,745	42,934	285,434	15%
B.W. Bootle (1) (Alternate Director)	-	-	-	-	-	-	11,393	11,393	100%
Executive Officers									
G.J. Hughes (2) (Chief Operating Officer)	216,567	-	-	-	-	13,226	-	229,793	-
M.E. Jenkins (3) (Chief Financial Officer & Company Secretary)	71,358	-	-	-	-	3,750	26,250	101,358	26%
M. Christian (4) (General Manager of Manufacturing)	124,935	-	-	-	-	-	-	124,935	-
P. Wilson (5) (General Manager Leeton Manufacturing Operations)	198,426	-	-	-	-	-	-	198,426	-
M. Gilio (6) (Group Finance Manager & Company Secretary)	139,144	-	-	-	-	12,523	-	151,667	-
P. Bartier (National Supply Chain Manager)	126,606	-	-	-	-	11,394	-	138,000	-

(1) Resigned 12 December 2008
(2) Resigned 3rd of July 2009
(3) Resigned 25 September 2008
(4) Resigned 31 December 2008
(5) Appointed 1 July 2008
(6) Appointed Company Secretary 25 September 2008

2008	Short-term employee benefits					Post employment benefits	Share based payments		% of total being
Directors	Salary $	Directors' Fees $	Committee Fees $	Bonus $	Non-cash benefits $	Superannuation Contributions $	Options $	Total $	Options $
P.R. Gunner	-	60,000	3,000	-	-	5,670	-	68,670	-
G.H. Babidge	325,871	-	-	-	-	13,129	42,934	381,934	11%
A.M. Perich	-	30,000	-	-	-	2,700	-	32,700	-
R. Perich	-	30,000	2,000	-	-	2,880	-	34,880	-
M. Miles	-	30,000	2,000	-	-	2,880	-	34,880	-
R.J.F. Macleod	211,871	-	-	-	-	13,129	42,934	267,934	16%
B.W. Bootle (Alternate Director)	-	-	-	-	-	-	22,731	22,731	100%
S.F. Higgs (1)	-	10,000	-	-	-	900	-	10,900	-

(1) Retired during the financial year ended 30 June 2008.

Executive Officers	Salary $	Directors' Fees $	Committee Fees $	Bonus $	Non-cash benefits $	Superannuation Contributions $	Options $	Total $	Options $
G.J. Hughes (1) (Chief Operating Officer)	223,509	-	-	50,000	-	10,421	-	283,930	-
P.J. Nathan (2) (General Manager of Marketing)	144,843	-	-	-	27,000	12,283	9,000	193,126	5%
M.E. Jenkins (Chief Financial Officer & Company Secretary)	185,000	-	-	-	-	15,000	9,000	209,000	4%
M. Christian (3) (General Manager of Manufacturing)	189,596	-	-	22,000	-	-	-	211,596	-
M. Hauptfleisch (4) (Business Unit Manager - Specialty Seafood)	55,200	-	-	-	-	-	-	55,200	-

(1) Commenced 23 July 2007
(2) Commencing from July 2008, Mr Nathan's role changed to General Manager of A2 and as such was no longer considered as a key management personnel for the Freedom Nutritional Products group.
(3) General Manager of Manufacturing - commenced 1 January 2007
(4) Business Unit Manager - Specialty Seafoods - Commenced 11 March 2008. Due to a change in role is not considered as key management personnel in the 2009 year.

No Director or senior management person appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

There were no performance based remuneration payments made during the financial years.

Bonus payments as compensation for the current financial year

No bonus payments were granted during 2009.

Bonus payments as compensation for the prior financial year

Mr G.J. Hughes was granted a cash retention bonus of $50,000 on 1 November 2007.

Mr M. Christian was granted a cash retention bonus of $22,000 on 1 January 2008.

No other bonuses were granted during 2008.

Employee share options

During and since the end of the financial year no share options were granted to key management personnel of the parent and consolidated entity as part of their remuneration.

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 options	Expiry date of options
Freedom Nutritional Products Limited (i)	1,000,000	Ordinary	$0.50	27 July 2010
Freedom Nutritional Products Limited (ii)	3,850,000	Ordinary	$0.50	30 November 2011
Freedom Nutritional Products Limited (iii)	600,000	Ordinary	$0.50	26 April 2010

Grant date	Fair value at grant
(i) Issued 27 July 2005	Nil
(ii) Issued 30 November 2006	$0.10
(iii) Issued 26 April 2007	$0.10

Recipients	Name	Number	Fair Value ($)	Conditions
Issued 27 July 2005	G.H. Babidge	700,000	Nil	Employment
	R.J.F. Macleod	300,000	Nil	Employment
Issued 30 November 2006	G.H. Babidge	1,700,000	170,000	Employment
	R.J.F. Macleod	1,700,000	170,000	Employment
Issued 26 April 2007	M.E. Jenkins	300,000	30,000	Employment
	P. Nathan	300,000	30,000	Employment

There are no further performance criteria that need to be met in relation to options granted. Options vest over a period of either 2 or 4 years and relate to an employee's service period only.

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 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 Deloitte, the 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, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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/payable 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	
Audit Services	**2009 $**	**2008 $**
Auditors of the Parent - Deloitte Touche Tohmatsu		
• audit and review of financial reports	145,000	190,000
• taxation advice	43,575	72,416
• accounting advice	-	107,403
	188,575	369,819

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 2nd day of September 2009.

Deloitte.

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

2 September 2009

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 2009, 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

P A Roberts
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Freedom Nutritional Products Limited (the Parent) is committed to implementing the highest possible standards of corporate governance and ensures, wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations

Each of the eight principles are listed in turn. In certain circumstances, due to the size and stage of development of the Company and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. In such instances, the Company will identify the areas of divergence. The Corporate Governance Statement, policies and Charters are published on the Parent's website: (http://www.freedomnutritional.com.au)

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 (http://www.freedomnutritional.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 Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

(1) oversight of the Company, 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 Company'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 Company, 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 Company'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 Company, 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 Company. 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 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. Non-board members are Messrs Higgs and Lischewski.

The responsibilities delegated by the Board to the Company's management, as set out in the Company's Statement of Delegated Authority, include managing the day-to-day operations of the Parent and Consolidated entities. The Statement of Delegated Authority has been posted to the Parent's website (http://www.freedomnutritional.com.au).

The CEO and CFO have service contracts and position descriptions respectively setting out their duties, responsibilities, and conditions of service and termination entitlements. Any new Directors appointed will receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Executives are subject to a formal performance review process on an annual basis. The Remuneration and Nomination Committee reviews the performance of senior Executives and the Board reviews the performance of the Chief Executive Officer and Chief Financial Officer against clear performance objectives. Principal and secondary objectives for the financial year have been established which are evaluated against and includes monthly monitoring of performance. A performance evaluation has taken place in the year.

Principle 2

Structure of the Board to add value

The Board determines the Board's 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 comprises of six Directors, two of whom are non-executive independent Directors including the Chairman. A Director is deemed to be independent if he or she is a Non-Executive Director and:

(1) is not a substantial shareholder;

(2) has not been employed in an executive capacity in the Company in the last three years;

(3) has not acted as a material consultant to the Company in the last three years;

(4) is not a material supplier or customer of the Company;

(5) has no material contractual relationship with the Company;

(6) has not served on the Board for a period which could materially interfere with his or her ability to act in the best interests of the Company; and

(7) is free from any interest which could materially interfere with his or her ability to act in the best interests of the Company.

The test of independence for Directors is set out in detail under section 4 of the Board Charter, which has been posted on the website of the Parent: (http://www.freedomnutritional.com.au). Materiality thresholds referred to above are assessed on a case-by-case basis.

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 62

B.Ag.Sc - is former Chairman and CEO of Orlando Wyndham Wine Group. Also current Chairman of ABB Grain Limited and Director of Australian Vintage Ltd. 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 360,517 ordinary shares and nil options. Measured against the independence criteria adopted by the Parent, Mr. Gunner is considered an independent Director.

Mr G.H. Babidge
Managing Director (Executive), Age 56

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 Babidge, being the Managing Director and Chief Executive Officer of the Parent, is not considered independent.

Mr A.M. Perich
Director (Non-Executive), Age 68

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. Outside of the Perich Group Mr. A.M. Perich holds a number of other Directorships which include MRC Biotech Limited, Greenfields Narellan Holdings, East Coast Woodshavings Pty Limited, Breeders Choice Woodshavings Pty Limited, Austral Malaysian Mining Limited, Pulai Mining Sdn Bhd (Malaysia) and Inghams Health Research Institute. Memberships include Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia, past President of Narellan Rotary Club and Past President of Dairy Research at Sydney University. Appointed Director in July 2006.

Interest in shares and options are 36,164,454 ordinary shares and nil options. Being a substantial shareholder of the Parent, Mr. A.M. Perich is not considered an independent Director.

Mr R. 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. 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 36,164,454 ordinary shares and nil options. Being a substantial shareholder of the Parent, Mr. R. Perich is not considered an independent Director.

Mr M. Miles
Director (Non-Executive), Age 60

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 of 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 and member of the Remuneration and Nomination Committee.

Interest in shares and options are 106,667 ordinary shares and nil options. Measured against the independence criteria adopted by the Parent, Mr. Miles is considered an independent Director.

Mr R.J.F. Macleod

Director (Executive), Chief Financial Officer, Age 41

B.Econ (Hons) - has for the past 6 years been responsible for strategic and corporate development. Former senior Director, corporate finance for UBS in Australasia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis. Appointed Director May 2008.

Interest in shares and options are 156,108 ordinary shares and 2,000,000 options. Mr Macleod, being an Executive Director of the Parent, is not considered independent.

Mr M.R. Perich

Alternate Director (Non-Executive), Age 34

B AppSci (SysAg) 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. Former Director of Contract Beverages Packers of Australia Pty Limited, a joint venture controlled equally by the Parent and Arrovest, Director of Australian Dairy Conference, affiliated with NSW Farmers Association (Diary Section), Future Dairy Steering Group, Intensive Agriculture Consultative Committee and Dairy Research Foundation. Appointed Alternate Director for Mr Ron Perich and Mr Anthony Perich 26 March 2009.

Interest in shares and options are 36,164,454 ordinary shares and nil options. Being a substantial shareholder of the Parent, Mr. M.R. Perich is not considered an independent Director.

Considering that all incumbent Directors bring an independent judgement to bear in Board deliberations, the Parent believes that at this stage of development and operations, the above mix of Directors is appropriate.

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 exceeds $50,000 (exclusive of GST), such approval is 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.

There is a clear division of responsibility between the Chairman and Chief Executive Officer.

The Remuneration & Nomination Committee of the Board comprises of three Non-Executive Directors - Messrs P. R. Gunner, R. Perich and M. Miles. Two out of the three Committee members are independent. Mr Gunner, who is an independent Director, is the Committee Chairman. The Committee Charter which has been posted on the website of the Parent: (http://www.freedomnutritional.com.au) details out the process and timing for re-election of Directors. The Board's policy for nomination and appointment of Directors also forms part of the Charter.

The Parent Constitution states that at each Annual General Meeting (AGM) one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number greater than one-third, shall retire from office. A retiring Director shall be eligible for re-election. No Director (other than the Managing Director or, if there is more than one Managing Director, one of those Managing Directors only) may hold office without re-election past the third annual general meeting following their appointment or three years, whichever is longer or, in the case of a Director appointed by the Directors as an additional Director or to fill a casual vacancy, past the next annual general meeting of the company. Any Director appointed by the Board since the last AGM must stand for election at the next AGM.

The 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 Committee's 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 annually; and
- remuneration policies and practices.

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. The Committee has completed evaluating the performance of the Board, Committees and individual Directors during the year. This was undertaken by way of an informal review by the Remuneration and Nomination Committee. The next performance evaluation will take place within the year.

The Committee meets as frequently as required and at least once a year. The quorum for such meetings is two members, at least one of whom shall be independent. Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report.

Subject to normal privacy requirements, each Director has the right of access to all of the Parent's records, information and senior Executives. 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. New Directors undergo an induction process in which they are given a full briefing of the operations of the Company. Where possible, this includes meetings with key Executives, tours of the operating sites (if practicable), provision of an induction package containing key corporate information and presentations. 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 Company meets expenses involved in such activities.

Names of Members of Committees

	Remuneration and Nomination Committee	Audit Risk and Compliance Committee
P.R. Gunner	✓	✓
G.H. Babidge	-	-
A.M. Perich	-	-
R. Perich	✓	✓
M. Miles	✓	✓
R.J.F. Macleod	-	-

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:

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

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

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

(4) 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.

The Board, senior Executives and all employees of the Parent are committed to implementing this Code of Ethics and each individual is accountable for such compliance. A copy of the Code is made available to Directors, employees, contractors and relevant personnel on the parent's website: (http://www.freedomnutritional.com.au).

The CEO is responsible for establishing, implementing and reviewing the effectiveness of the Code of Ethics as well as for overseeing that all of the Company's employees and contractors understand, and act in accordance with the Code.

The Board has implemented a range of procedures designed to oversee 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 Company.

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

The Parent has also implemented Securities Trading Policies for Directors, CEO and Executives. The policies generally allow Directors, CEO and Executives to deal in the Parent's securities other than in the following periods:

(1) within the period of one month prior to the announcement of interim and final results of the Company; and

(2) within the period of two weeks prior to the Annual General Meeting,

but only after waiting at least two hours after the relevant release so that the market has time to absorb the relevant information. Further details of the policies are available on the website of the Parent: (http://www.freedomnutritional.com.au).

Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit, Risk and Compliance Committee comprising three Non-Executive Directors, with appropriate experience. Every member of the Committee must be able to read and understand financial statements with experience in financial and accounting matters. Currently, the Committee comprises of Mr M. Miles (Chairman), Mr R. Perich and Mr P. R .Gunner. Two out of the three Committee members are independent. The Chairman of the Committee is an independent Director and is not Chairman of the Board.

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

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 of the Board.

The Audit, Risk and Compliance Committee is responsible for:

(1) reviewing and reporting to the Board on the half yearly and annual reports and financial statements of the Parent and consolidated entities;

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

(3) reviewing the effectiveness of the Company's internal control systems;

(4) monitoring and reviewing the reliability of financial reporting;

(5) monitoring and reviewing the compliance of the Company with applicable laws and regulations;

(6) monitoring the Australian Accounting Standards and Interpretations;

(7) monitoring financial risks and exposure of the Company's assets;

(8) monitoring the risk management policy and plans;

(9) reviewing the Company's Occupational Health and Safety obligations and the Company's compliance;

(10) reviewing the Company's insurance policies and coverage; and

(11) overseeing the independence of external auditors and annually reviewing the Company's policy on maintaining the independence of external auditor.

The Committee has a formal Charter which is posted on the website of the Parent (http://www.freedomnutritional.com.au). The Committee meets as frequently as required and at least twice a year. The quorum for such meetings is two members, at least one of whom shall be independent. Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report. 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 Committee's conclusions and recommendations.

The candidates for the position of external auditor must be able to demonstrate complete independence from the Parent and an ability to maintain independence throughout the engagement period. The external auditors have advised, after consultation with the Parent, that the audit engagement partner shall be rotated every five years. The Board may select an external auditor based on the criteria relevant to the business of the Parent such as experience in the industry in which the Parent operates, references, costs, and any other matters deemed relevant by the Board.

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.

This Policy is designed to ensure that the Parent meets its continuous disclosure obligations under the ASX Listing Rules and has been posted to the website of the Parent (http://www.freedomnutritional.com.au).

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. The Company Secretary in discussion with the CEO, CFO or Company Chairman decides 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.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of the Parent's performance, financial results are accompanied by commentary.

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 website;

(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.

Risk oversight and management policies

The Parent has recently adopted a Risk Management Policy, which has been posted to its website (http://www.freedomnutritional.com.au). The Policy covers the areas of oversight, risk management, risk profile, compliance and control and assessment of effectiveness. The Audit, Risk and Compliance Committee (details and composition of which have been set out earlier) is responsible for providing the Board with advice and recommendations regarding the ongoing development of the Policy.

Risk management and risk profile

The Committee is responsible for:

(1) providing the Board with advice and recommendations regarding the Parent's

  (i) risk management system; and

  (ii) risk profile that describes the material risks (including financial and non-financial risks)

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

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

(4) 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.

Executives provide the Committee and Board with regular reports on operational, financial, regulatory and commercial matters within their business divisions. This ensures Management accountability. Management is responsible for designing and implementing a risk management and internal control system to manage the Parent's material business risks. Management identifies and reviews the major risks impacting each area of the business and develops strategies to effectively mitigate these risks.

As required by the ASX Principles, Management has reported to the Board on the effectiveness of the management of its material business risks. The ultimate responsibility for risk oversight and management rests with the Board.

Due to the size and scale of operations of the Parent, there is no separate internal audit function.

CEO and CFO assurances
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 and consolidated entities financial position in all material aspects and that the integrity of the financial statements is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board and is operating efficiently and effectively in all material aspects in relation to financial reporting risks. As part of internal management reporting policy relevant senior personnel provide written assurances regarding the integrity of the financial reports to support the CEO and CFO assurances to the board.

Principle 8

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. The Committee is responsible for ensuring that any equity-based Executive or Non-Executive Director remuneration is made in accordance with any thresholds approved by shareholders. The composition and details of the Committee have been detailed earlier in this Statement.

In respect of remuneration issues, the responsibilities of the 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 Company are consistent with its strategic goals and human resource objectives;

(2) the Company's recruitment, retention and termination policies and procedures for Executives;

(3) incentive schemes;

(4) superannuation arrangements; and

(5) the remuneration framework for Directors.

The Committee operates independently of the senior management of the Company 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 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 other 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 structure of remuneration for Non-Executive Directors and Executive Directors is different. As explained in the Remuneration Report, Executive Directors and key management personnel receive fixed remuneration, employer contributions to superannuation funds and Options. Options are valued using the binomial method and are not linked to the performance of the Parent, but to the personnel's employ. The Securities Trading Policy for Directors, CEO and other Executives restricts entering into transactions with securities in associated products which operate to limit the economic risk of any unvested entitlements under any equity based remuneration scheme offered by the Parent. Remuneration packages of Non-Executive Directors are fee based. Non-Executive Directors do not participate in bonus payments or any retirement benefits other than statutory superannuation.

	Notes	Consolidated $000		Parent $000	
		2009	2008	2009	2008
Revenue	5	49,388	55,202	-	-
Cost of sales		(34,874)	(40,146)	-	-
Gross profit		14,514	15,056	-	-
Other revenue	5	654	543	2,588	3,100
Marketing expenses		(1,872)	(2,181)	-	-
Selling and distribution expenses		(5,392)	(6,191)	-	-
Administrative expenses		(3,916)	(3,669)	(330)	(263)
Profit from continuing operations before depreciation, income tax, finance costs, and equity accounted investments	6	3,988	3,558	2,258	2,837
Depreciation		(453)	(331)	(129)	(121)
Profit from continuing operations before income tax, finance costs, and equity accounted investments		3,535	3,227	2,129	2,716
Finance costs	6	(1,247)	(1,364)	-	(100)
Unrealised fair value mark-to-market of derivative financial instruments	6	(706)	-	-	-
Share of profit/(loss) of joint ventures accounted for using the equity method	33	212	(355)	75	(317)
Profit before income tax		1,794	1,508	2,204	2,299
Income tax expense	7	(474)	(552)	(473)	(533)
Profit for the year		1,320	956	1,731	1,766
Attributable to:					
Equity holders of the parent		1,320	956	1,731	1,766
Minority interest		-	-	-	-
		1,320	956	1,731	1,766
Earnings per share					
From continuing operations:					
Basic earnings per share (cents per share)	9	2.4	2.0		
Diluted earnings per share (cents per share)	9	2.4	2.0		
Dividends per share paid (cents per share)		1.0	2.0		

Notes to the financial statement are included on pages 26 to 70.

	Notes	Consolidated $000		Parent $000	
		2009	2008	2009	2008
ASSETS					
Current Assets					
Cash and cash equivalents	22(a)	762	1,111	-	1
Trade and other receivables	10	10,247	11,793	27	37
Other financial assets	11	1,078	707	998	955
Inventories	12	6,853	7,588	-	-
Prepayments		637	289	-	-
Total Current Assets		19,577	21,488	1,025	993
Non-Current Assets					
Other financial assets	11	-	1,674	27,529	26,335
Investments accounted for using the equity method	11	3,535	1,514	676	601
Deferred tax assets	7	1,958	2,057	458	502
Property, plant and equipment	14	15,323	7,396	272	389
Goodwill	13	6,992	6,992	-	-
Other intangible assets	13	16,274	15,174	-	-
Total Non-Current Assets		44,082	34,807	28,935	27,827
TOTAL ASSETS		63,659	56,295	29,960	28,820
LIABILITIES					
Current Liabilities					
Trade and other payables	15	7,493	7,600	48	64
Borrowings	16	9,558	3,520	68	69
Current tax liabilities	7	72	191	71	176
Provisions	17	667	774	190	189
Total Current Liabilities		17,790	12,085	377	498
Non-Current Liabilities					
Trade and other payables	15	1,686	2,373	-	-
Borrowings	16	13,742	12,286	18	86
Deferred tax liability	7	17	2	1	-
Provisions	17	263	310	115	120
Total Non-Current Liabilities		15,708	14,971	134	206
TOTAL LIABILITIES		33,498	27,056	511	704
NET ASSETS		30,161	29,239	29,449	28,116
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	18	27,019	26,999	27,019	26,999
Reserves	19	792	665	319	192
Retained earnings	20	2,350	1,575	2,111	925
Parent interests		30,161	29,239	29,449	28,116
Minority interests		-	-	-	-
TOTAL EQUITY		30,161	29,239	29,449	28,116

Notes to the financial statement are included on pages 26 to 70.

	Notes	Consolidated $000		Parent $000	
		2009	2008	2009	2008
Cash flows from operating activities					
Receipts from customers		51,802	54,035	249	3,308
Payments to suppliers and employees		(46,483)	(50,451)	(580)	(2,168)
Interest and other costs of finance paid		(1,595)	(1,364)	-	-
Income tax (paid) / refund		(423)	(590)	(412)	63
Receipt of government grant		47	90	-	-
Net cash provided by/(used in) operating activities	22(b)	3,348	1,720	(743)	1,203
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		34	-	34	-
Payment for purchase of property, plant and equipment		(8,426)	(2,298)	(58)	(159)
Acquisition of business assets	22(d)	(1,062)	(5,174)	-	-
Dividend received		-	-	2,600	3,100
Interest received		10	195	-	-
Payment in relation to convertible notes		-	(1,000)	-	-
Investment in jointly controlled entity		-	(8)	-	-
Loan from / (to) related party		4,500	(271)	-	(271)
Advance (to) / from joint venture		(371)	769	(43)	1,063
Loan (to) / from controlled entities		-	-	(1,194)	3,602
Net cash (used in)/provided by investing activities		(5,315)	(7,787)	1,339	7,335
Cash flows from financing activities					
Proceeds from issue of shares		-	5,000	-	5,000
Payment for share issue costs		-	(79)	-	(79)
Proceeds from borrowings		3,547	15,208	-	-
Repayment of borrowings		(1,975)	(7,856)	(70)	(7,481)
Dividends paid		(527)	(883)	(527)	(883)
Net cash provided by/(used in) financing activities		1,045	11,390	(597)	(3,443)
Net (decrease) / increase in cash and cash equivalents		(922)	5,323	(1)	5,095
Cash and cash equivalents at beginning of financial year		251	(5,072)	1	(5,094)
Cash and cash equivalents at end of financial year	22(a)	(671)	251	-	1

Notes to the financial statement are included on pages 26 to 70.

		Attributable to equity holders of the parent					Minority Interest	Total Equity
	Notes	Fully paid ordinary shares $'000	Retained Earnings $'000	Equity - settled employee benefits reserve $'000	Asset revaluation reserve $'000	Total $'000	$'000	$'000
CONSOLIDATED								
At 1 July 2007		22,078	2,956	66	-	25,100	(1,446)	23,654
Transfer to retained earnings	20	-	(1,446)	-	-	(1,446)	1,446	-
Equity issues	18	4,921	-	-	-	4,921	-	4,921
Profit for the year		-	956	-	-	956	-	956
Recognition of share-based payments	19	-	-	126	-	126	-	126
Dividend paid	21	-	(891)	-	-	(891)	-	(891)
Gain on revaluation of purchased property	19	-	-	-	473	473	-	473
At 30 June 2008		26,999	1,575	192	473	29,239	-	29,239
Transfer to retained earnings	20	-	-	-	-	-	-	-
Equity issues	18	20	-	-	-	20	-	20
Profit for the year		-	1,320	-	-	1,320	-	1,320
Recognition of share-based payments	19	-	-	127	-	127	-	127
Dividend paid	21	-	(545)	-	-	(545)	-	(545)
Gain on revaluation of purchased property	19	-	-	-	-	-	-	-
At 30 June 2009		27,019	2,350	319	473	30,161	-	30,161
PARENT								
At 1 July 2007		22,078	50	66	-	22,194	-	22,194
Equity issues	18	4,921	-	-	-	4,921	-	4,921
Profit for the year		-	1,766	-	-	1,766	-	1,766
Recognition of share-based payments	19	-	-	126	-	126	-	126
Dividend paid	21	-	(891)	-	-	(891)	-	(891)
At 30 June 2008		26,999	925	192	-	28,116	-	28,116
Equity issues	18	20	-	-	-	20	-	20
Profit for the year		-	1,731	-	-	1,731	-	1,731
Recognition of share-based payments	19	-	-	127	-	127	-	127
Dividend paid	21	-	(545)	-	-	(545)	-	(545)
At 30 June 2009		27,019	2,111	319	-	29,449	-	29,449

Notes to the financial statement are included on pages 26 to 70.

1 Corporate Information

The financial report of Freedom Nutritional Products Limited for the year ended 30 June 2009 was authorised for issue in accordance with resolution of Directors on 2 September 2009.

Freedom Nutritional Products Limited is a company incorporated in Australia whose shares are publicly traded on the Australian securities exchange. The company is trading under the symbol 'FNP'.

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. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

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 will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements (revised September 2007),	1 January 2009	30 June 2010
AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 2007-10 ''Further amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments'	1 January 2009	30 June 2010
AASB2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the Group and the company:

Standard/Interpretation		
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 July 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 July 2009	30 June 2010
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	30 June 2010
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners'	1 January 2009	30 June 2010

3 Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with the Corporations Act 2001, 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 the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. 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) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Freedom Nutritional Products Limited and its subsidiaries as at 30 June each year ('the Group'). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items.

Minority interests represent the interests in Thorpedo Foods Pty Limited and Thorpedo Seafoods Pty Limited, not held by the Group companies. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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. 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,

3 Significant Accounting Policies

(continued)

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, liabilities and contingent liabilities recognised. If, after reassessment, the Group's 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) Joint venture arrangements

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.

(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 restated 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

Plant and equipment, motor vehicles and equipment under finance lease are stated at cost less accumulated depreciation and impairment.

Land and Buildings held for use in the production of goods, are carried in the balance sheet at fair value, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cashflows or capitalisation of net income, as appropriate. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction 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. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned leased assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following depreciation rates are used in the calculation of depreciation:

Class of Fixed Assets	Depreciation Rate
Buildings	2-6%
Plant and equipment	5-20%
Leased plant and equipment	5-10%
Motor vehicles	15-33%

3 Significant Accounting Policies (continued)

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

Non-current assets and disposal groups classified as held for sale are measured 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 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 its 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, liabilities and contingent liabilities recognised at the date of acquisition. 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) and then to the other assets of the cash-generating units 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) Intangible assets

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).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis, as intangible assets acquired separately.

(l) Impairment of long-lived assets excluding goodwill

At each reporting date the Group reviews the carrying amounts of its 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 CGU 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.

3 Significant Accounting Policies (continued)

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(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.

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) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and cash equivalents, which are 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.

(o) 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.

(p) 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.

(q) 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

3 Significant Accounting Policies (continued)

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 amount 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.

(r) 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 at the present value of the 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.

(s) 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.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(t) Leased Assets

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

3 Significant Accounting Policies (continued)

(u) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for terms, 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 agreement. Revenue is calculated on the basis of the turnover of the licensee.

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.

Rental income
Revenue from operating leases is recognised in accordance with the Group's accounting policy outlined in note 3(t).

(v) 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 specifically 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.

(w) 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

3 Significant Accounting Policies (continued)

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.

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.

(x) Goods and services tax

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

- where the amount of GST incurred 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; or
- for receivables and payables which 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 within operating cash flows.

(y) Financial instruments

Recognition of investments

Investments 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 investments 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 if so designated by management and within the requirements of AASB 139: Recognition and

3 Significant Accounting Policies (continued)

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.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables
Loans and receivables have fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment. Interest income is recognised by applying the effective interest rate.

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

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

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

(z) 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 and the host contracts are not measured at their fair value with changes in fair value recognised in profit or loss.

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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Segment revenue						
Continuing operations						
Seafood	19,691	19,057	-	-	19,691	19,057
Freedom Foods	28,700	34,447	-	-	28,700	34,447
Thorpedo Foods	205	578	832	1,227	1,037	1,805
					49,428	55,309
Eliminations					-	-
Unallocated					614	436
Consolidated revenue					50,042	55,745

	2009 $'000	2008 $'000
Segment result		
Continuing operations		
Seafood	1,931	1,096
Freedom Foods	780	967
Thorpedo Foods	64	172
	2,775	2,235
Unallocated	(981)	(727)
Profit before income tax	1,794	1,508
Income tax expense	(474)	(552)
Profit for the year from continuing operations	1,320	956

4 Business and Geographical Segments (continued)

	Assets		Liabilities	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Segment assets and liabilities				
Continuing operations				
Seafood	20,777	20,206	18,294	17,762
Freedom Foods	33,821	27,719	25,662	26,233
Thorpedo Foods	3,786	5,130	6,084	7,493
Total of all segments	58,384	53,055	50,040	51,488
Eliminations	(248)	(857)	(34,647)	(39,247)
Unallocated	5,523	4,097	18,105	14,815
Consolidated	63,659	56,295	33,498	27,056

	Seafood		Freedom Foods		Thorpedo Foods	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other segment information						
Acquisition of segment assets	-	-	9,471	10,623	-	-
Depreciation and amortisation of segment assets	-	-	324	210	-	-

The Group operates principally in the Australian geographical area.

5 Revenue

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Revenue				
Continuing operations				
• Sale of goods	48,596	54,082	-	-
• Interest received				
Loans and receivables				
• Cash and cash equivalents	10	11	-	-
• Subsidiaries	-	-	-	-
• License fee	782	1,109	-	-
	49,388	55,202	-	-
Other revenue				
• Government grant - refer below	50	118	-	-
• Gain/(loss) on disposal of fixed assets	(15)	-	(12)	-
• Dividends received	-	-	2,600	3,100
• Rental income	65	31	-	-
• Convertible note interest	263	184	-	-
• Management fee received	291	210	-	-
	654	543	2,588	3,100

The above government grant is the Export Market Development Grant received for 2008 and receivable for 2009. The above Convertible note interest relates to interest receivable on convertible notes issued to A2 Dairy Products Pty Limited.

6 Profit for the year before tax

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Profit for the year was arrived at after charging the following expenses:				
Finance costs				
• Interest on bank overdrafts and loans	1,235	1,229	-	-
• Interest on obligations under finance leases	12	35	-	-
• Interest on convertible notes	-	100	-	100
Total borrowing costs	1,247	1,364	-	100
Unrealised fair value mark-to-market of derivative financial instruments (i)	706	-	-	-
Unrealised foreign currency exchange (gains)/losses	(151)	151	-	-
Depreciation on property, motor vehicles, plant and equipment	453	331	129	121
Loss on disposal of plant and equipment	15	-	11	-
Rental expense on operating leases (equipment)	82	104	-	-
Rental expense on operating leases (property)	496	425	-	-
Research and development costs expensed	530	411	-	-
Impairment of trade receivables	3	32	-	-
Employee benefit expense				
Post employment benefits - defined contribution plans	544	574	-	-
Share-based payments - equity settled share based payments	127	126	127	126
Redundancies	465	-	-	-
Other employee benefits	5,634	5,973	-	-
Total employee benefit costs	6,770	6,673	127	126

(i) The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

As at 30 June 2009 the Group held foreign exchange contracts in the following currencies:

- $ USD – United States Dollars
- $ CDN – Canadian Dollars

The contracts relate to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon and Sardines) and the Freedom Foods business (Cereals and Spreads) with the purchase consideration being settled in the above currencies. The Group's objective in entering into foreign exchange contracts is to provide certainty to the income and cashflow implications for the designated foreign currency purchase, relating to purchase of inventory or other capital assets.

As at 30 June 2009, the Group had foreign exchange contracts for the purchase of inventory denominated in $USD at an average rate of $0.75 and for the purchase of inventory denominated in $CDN at an average rate of $0.90. The contracts are for highly probable forecasted transactions between July 2009 and June 2010.

The Group has foreign exchange contracts for approximately 75% of its highly probable forecasted transactions between July 2009 and June 2010.

The Group also has foreign exchange contracts for the purchase of assets denominated in $USD at an average rate of $0.62. The contracts are for highly probable forecasted transactions relating to the purchase of manufacturing equipment for the Freedom Foods Leeton site.

6 Profit for the year before tax (continued)

As the Group does not utilise hedge accounting, derivative financial instruments held by the Group are required under the Australian Accounting Standards to be valued at fair value as at balance date. A valuation at fair value assumes that the Group would settle the contracts at a specific date and recognise a gain or loss depending on the prevailing spot rate at value date, even though the intention of the Group is to settle the contract at contract expiry in relation to the purchase of inventory or an asset required for manufacturing.

The gain or loss value at fair value is required by Australian Accounting Standards to be recognised in the income statement. Due to the significant volatility in the prevailing currencies against the $AUD, a valuation at fair value of foreign exchange contracts held at balance date reflected a loss of $706,000 ($AUD). The impact is non cash and has been excluded from all calculations in relation to underlying earnings of operations and bank covenants.

(ii) Operating EBDITA (being EBDITA adjusted for corporate development costs, redundancies, equity settled share based payments, share of profits under equity accounting, unrealised exchange losses and fair value mark to market of derivative financial instruments) was $4,568,000 (2008: $3,824,000).

7 Income Taxes

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Income tax recognised in profit or loss				
Tax expense comprises:				
Current income tax expense	295	431	294	583
Adjustments recognised in the current year in relation to the current tax of prior years	65	119	65	(231)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	114	2	45	181
Deferred tax expense/(income) relating to the origination and reversal of temporary differences transferred from wholly owned subsidiaries within the tax-consolidated group	-	-	69	-
Income tax expense /(income)	474	552	473	533
Attributable to continuing operations	474	552	473	533

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:

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Profit from continuing operations	1,794	1,508	2,204	2,299
Income tax expense calculated at 30%	538	452	661	690
Effect of revenue/expenses that are not deductible in determining taxable profit	(89)	245	(89)	250
Effect of tax concessions (research and development)	(40)	(31)	(40)	(10)
Previously unrecognised and unused tax losses now recognised as deferred tax assets	-	(233)	-	(166)
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-	(124)	-
Adjustments recognised in the current year in relation to the current tax of prior years	65	119	65	(231)
	474	552	473	533

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.

Income tax recognised directly in equity
No current or deferred tax amounts were charged/(credited) directly to equity during the year.

7 Income Taxes (continued)

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current tax liabilities				
Income tax payable attributable to:				
• Entities in the tax-consolidated group	71	176	71	176
• Other	1	15	-	-
	72	191	71	176

	Opening Balance	Charged to income	Closing balance
	$'000	$'000	$'000
Deferred tax balances			
Deferred tax assets/(liabilities) arise from the following:			
Consolidated 2009			
Temporary differences:			
Provisions	339	(66)	273
Doubtful debts	37	(28)	9
Property plant & equipment	12	(5)	7
Other	177	140	317
	565	41	606
Unused tax losses and credits:			
Tax losses (i)	1,224	(211)	1,013
Withholding tax paid	266	56	322
	1,490	(155)	1,335
	2,055	(114)	1,941
Presented in the balance sheet as follows:			
Deferred tax (liability) - non current			(17)
Deferred tax asset - non current			1,958
			1,941

(i) Current year earnings together with forecast future earnings support the recognition of carried forward losses as deferred tax assets.

	Opening Balance	Charged to income	Closing balance
	$'000	$'000	$'000
Consolidated 2008			
Temporary differences:			
Provisions	371	(32)	339
Doubtful debts	20	17	37
Property plant & equipment	4	8	12
Other	39	138	177
	434	131	565

7 Income Taxes (continued)

	Opening Balance	Charged to income	Closing balance
	$'000	$'000	$'000
Unused tax losses and credits:			
Tax losses	1,468	(244)	1,224
Withholding tax paid	155	111	266
	1,623	(133)	1,490
	2,057	(2)	2,055
Presented in the balance sheet as follows:			
Deferred tax (liability) - non current			(2)
Deferred tax asset - non current			2,057
			2,055
Parent 2009			
Temporary differences:			
Provisions	96	(6)	90
Doubtful debts	-	-	-
Property plant & equipment	13	5	18
Other	88	2	90
	197	1	198
Unused tax losses and credits:			
Tax losses (i)	305	(46)	259
	502	(45)	457
Presented in the balance sheet as follows:			
Deferred tax (liability) - non current			(1)
Deferred tax asset - non current			458
			457

(i) Current year earnings together with forecast future earnings support the recognition of carried forward losses as deferred tax assets

Parent 2008			
Temporary differences:			
Provisions	89	7	96
Doubtful debts	9	(9)	-
Property plant & equipment	4	9	13
Other	104	(16)	88
	206	(9)	197
Unused tax losses and credits:			
Tax losses	477	(172)	305
	683	(181)	502
Presented in the balance sheet as follows:			
Deferred tax (liability) - non current			-
Deferred tax asset - non current			502
			502

7 Income Taxes (continued)

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 2005 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.

8 Auditors remuneration

	Consolidated $		Parent $	
	2009	2008	2009	2008
Current year				
• audit or review of the financial report	145,000	190,000	35,000	60,053
• taxation advice and preparation of tax returns	43,575	72,416	33,862	32,461
• accounting advice	-	107,403	-	-
	188,575	369,819	68,862	92,514

The auditor of the consolidated entity is Deloitte Touche Tohmatsu.

9 Earnings per share

	Consolidated	
	2009	2008
	Cents per share	
Basic earnings per share	2.4	2.0
Diluted earnings per share	2.4	2.0

The earnings and weighed average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	$000	$000
(a) Earnings used in the calculation of basic EPS	1,320	956
(b) Earnings used in the calculation of diluted EPS	1,320	956

9 Earnings per share (continued)

	Number '000	
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	54,635	46,765
Add weighted average number of options outstanding	-	84
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	54,635	46,849

During 2009 no options were issued over ordinary shares by the Parent.

10 Trade and other receivables

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current				
Trade receivables	9,396	11,111	2	37
Allowance for doubtful debts	(31)	(122)	-	-
	9,365	10,989	2	37
Other receivables	882	804	25	-
	10,247	11,793	27	37

The average credit period on sales of goods is 40 days (2008: 40 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 decreased by $91,000 (2008: increased by $55,000) in the Group and remained $nil in the Parent (2008: decreased by $30,000). Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $27,000 (2008: $80,000). The Group does not hold any collateral over these balances.

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current (i)	9,287	10,692	2	37
Past due but not impaired (ii)	78	297	-	-

(i) The current receivables for the Group are with a weighted average of 37 days (2008: 37 days). Management considers that there are no indications as of the reporting date that the debtors will not meet their payment obligations.

(ii) The past due but not impaired receivables for the Group are with a weighted average of 86 days (2008: 93 days). These relate to a number of customers for whom there is no recent history of default and other indicators of impairment. Management considers that no provision is required on these balances.

The Group does not have significant risk exposure to any one debtor, however 87% (2008 - 87%) of sales and 86% (2008 - 85%) of year end receivables are concentrated in major supermarkets throughout Australia. The Parent has 0% (2008 - 0%) of sales and 0% (2008 - 0%) of year end receivables concentrated in major supermarkets throughout Australia

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group and the Parent. Management has assessed that these are all recoverable and no impairment has been taken.

11 Other financial assets

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current				
Loans to joint ventures - refer Note 28 Related party transactions	1,078	707	998	955
Non-current				
Loans to subsidiaries - refer Note 28 Related party transactions	-	-	27,529	26,335
Convertible notes (i)	-	1,674	-	-
Investment in joint venture entities - refer note 33 Jointly controlled operations and assets	3,535	1,514	676	601
	3,535	3,188	28,205	26,936

(i) The Group held non-listed unsecured convertible notes in A2DP returning an effective interest rate of 15.8% p.a. The notes were converted at par value on 1 May 2009. This amount included the debt component of the note with the equity component residing in investment in jointly controlled entity.

(ii) Loans to related parties and subsidiaries:
The Group has provided short-term loans to joint venture entities interest free and at call. Management has assessed that these are all recoverable and no impairment exists.

Loans to subsidiaries include amounts arising under the group's tax funding arrangement. The inter-company loan receivable is repayable on demand. There are no indications as of the reporting date that the subsidiaries will not meet their payment obligations.

Further information in relation to amounts due from related entities is set out in note 28.

12 Inventories

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current				
Raw materials	751	860	-	-
Finished goods	6,134	6,851	-	-
Provision for stock obsolescence	(32)	(123)	-	-
	6,853	7,588	-	-

All inventories of the Group are expected to be recovered within a 12 month period.

13 Intangibles

	Goodwill	Brand Names	Total	Parent Total
	$'000	$'000	$'000	$'000
2009				
Balance at 1 July 2008	6,992	15,174	22,166	-
Costs incurred during the year	-	1,100	1,100	-
Balance at 30 June 2009	6,992	16,274	23,266	-

13 Intangibles (continued)

	Goodwill	Brand Names	Total	Parent Total
	$'000	$'000	$'000	$'000
2008				
Balance at 1 July 2007	6,930	10,549	17,479	-
Costs incurred during the year	62	4,625	4,687	-
Balance at 30 June 2008	6,992	15,174	22,166	-

Goodwill and brands are initially recorded at cost. All brands have been assessed as having indefinite useful lives.

No impairment losses were charged during the 2009 financial year (2008: $nil).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Seafood

Freedom Foods

Thorpedo Foods

The consolidated entity carries an amount of $16,274,000 of brand names with indefinite useful lives allocated between the Seafood and Freedom Foods cash generating units. The brand names relate to major brands purchased as part of business combinations that have long establishment and are considered to be market leaders within their market segment. The brand names operate in a stable industry with a strong positioning in the consumer functional foods market.

The carrying amount of goodwill has been allocated to the identified cash-generating units as follows:

	Consolidated $'000	
	2009	2008
Seafood	1,982	1,982
Freedom Foods	3,232	3,232
Thorpedo Foods	1,778	1,778
	6,992	6,992

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 four-year period, and a discount rate of 9.9% pa (2008: 11% 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 four 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	
	2009	2008	2009	2008
Property, plant and equipment				
Non current				
Freehold land (at fair value)	150	150	-	-
Accumulated depreciation	-	-	-	-
Total Land	150	150	-	-
Buildings (at fair value)	4,850	4,850	-	-
Accumulated depreciation	(141)	(20)	-	-
Total Buildings	4,709	4,830	-	-
Total Land and Buildings	4,859	4,980	-	-
Plant and Equipment (at cost)	3,163	2,994	935	881
Accumulated depreciation	(1,463)	(1,171)	(714)	(629)
	1,700	1,823	221	252
Capital work in progress at cost	8,713	456	-	-
Total Owned Plant and Equipment	10,413	2,279	221	252
Plant and Equipment (under finance lease)	-	48	-	-
Accumulated depreciation	-	(48)	-	-
Total Leased Plant and Equipment	-	-	-	-
Motor Vehicles (under finance leases)	148	214	148	214
Accumulated depreciation	(97)	(77)	(97)	(77)
Total Motor Vehicles	51	137	51	137
Total property, plant and equipment	15,323	7,396	272	389

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

	Freehold Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	$000	$000	$000	$000	$000
Parent 2009					
Balance at 1 July 2008	-	-	252	137	389
Additions	-	-	58	-	58
Disposals	-	-	(7)	(39)	(46)
Depreciation expense	-	-	(82)	(47)	(129)
Balance at 30 June 2009	-	-	221	51	272
Group 2009					
Balance at 1 July 2008	150	4,830	2,279	137	7,396
Additions	-	-	8,426	-	8,426
Disposals	-	-	(7)	(39)	(46)

14 Property, plant and equipment (continued)

	Freehold Land	Buildings	Plant and Equipment	Motor Vehicles	Total
		$000	$000	$000	$000
Depreciation expense	-	(121)	(285)	(47)	(453)
Balance at 30 June 2009	150	4,709	10,413	51	15,323
Parent 2008					
Balance at 1 July 2007	-	-	221	143	364
Additions	-	-	111	48	159
Disposals	-	-	(13)	-	(13)
Depreciation expense	-	-	(67)	(54)	(121)
Balance at 30 June 2008	-	-	252	137	389
Group 2008					
Balance at 1 July 2007	-	11	1,633	151	1,795
Additions	150	4,850	950	48	5,998
Disposals	-	(11)	(49)	(6)	(66)
Depreciation expense	-	(20)	(255)	(56)	(331)
Balance at 30 June 2008	150	4,830	2,279	137	7,396

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	
	2009	2008	2009	2008
Freehold land and buildings	121	20	-	-
Plant and equipment	285	255	82	67
Motor vehicles	47	56	47	54
	453	331	129	121

Freehold land and buildings carried at revaluation

An independent valuation of the Group's land and buildings was performed by Herron Todd White (MIA) Pty Limited to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to capitalisation of net income method, utilising a net rental of approximately $37 per square metre per annum. The effective date of the valuation was 30 June 2009.

15 Trade and other payables

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current				
Trade payables (i)	3,682	4,995	-	-

15 Trade and other payables (continued)

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Other payables and accruals (ii)	3,105	2,605	48	64
Other financial liabilities (iii)	706	-	-	-
	7,493	7,600	48	64
Non-current				
Other payables and accruals (ii)	1,686	2,373	-	-
	1,686	2,373	-	-

(i) The average credit period on purchases of certain goods from North America is 60 days (2008: 60 days). Additional trade payables are paid within 60 days of invoice date. No interest is charged on trade payables.

(ii) Included in other payables and accruals is an amount due to the vendor of $2,402,000 (2008: $3,156,000) for the purchase of the Leeton property. The portion of this payable due to be settled within 12 months is $717,000 (2008: $782,000).

(iii) Liability arising from year end mark to market of unrealised derivative financial instruments.

16 Borrowings

Secured - at amortised cost				
Current				
Bank overdrafts (i)	1,433	860	-	-
Loan payable (i)	3,073	2,591	-	-
Finance leases (ii) (iii)	552	69	68	69
Due to related parties	4,500	-	-	-
Non-current				
Loan payable (i)	11,050	12,200	-	-
Finance leases (ii) (iii)	2,692	86	18	86
	23,300	15,806	86	155
Disclosed in the financial statements as:				
Current borrowings	9,558	3,520	68	69
Non-current borrowings	13,742	12,286	18	86
	23,300	15,806	86	155

(i) Secured by assets as detailed in note 34.

(ii) Secured by leased assets as detailed in note 24.

(iii) Included as part of the 2009 finance leases is the Equipment Financing utilised to purchase equipment for Leeton.

17 Provisions

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Current				
Employee benefits (i)	667	774	190	189
Non-current				
Employee benefits	263	310	115	120
	930	1,084	305	309
Employee benefits movement				
Balance at 1 July 2008	1,084	871	309	277
Additional provision recognised	549	625	177	110
Amounts used	(703)	(412)	(181)	(78)
Balance at 30 June 2009	930	1,084	305	309

(i) The current Group provision for employee benefits includes $214,000 of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2008: $112,000). The current parent employee benefits are expected to be taken during the next 12 months.

18 Issued capital

Fully paid ordinary shares				
54,660,270 (2008: 54,606,737) ordinary shares fully paid	27,019	26,999	27,019	26,999
Balance at 1 July	26,999	22,078	26,999	22,078
Issue of shares (i)(ii)	20	4,921	20	4,921
Balance at 30 June	27,019	26,999	27,019	26,999

(i) During the year there were 53,533 ordinary shares issued for 45 cents per share. Issue costs of $3,700 were incurred during the share issue process.

(ii) During the prior year: In April 2008 - 10,000,000 ordinary shares were issued for 50 cents per share. Issue costs of $119,000 were incurred during the capital raising process.
May 2008 - 41,998 ordinary shares were issued for 51.6 cents per share.
December 2007 - 37,396 ordinary shares were issued at 49.7 cent per share.

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.

Share options granted under the employee share option plan

(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 2009, there were 5,450,000 (30 June 2008: 5,900,000 of which 450,000 have lapsed in the financial year ended 30 June 2009) unissued ordinary shares for which options were outstanding.

19 Reserves

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Asset revaluation	473	473	-	-
Equity-settled employee benefits	319	192	319	192
	792	665	319	192
Equity-settled employee benefits				
Balance at 1 July	192	66	192	66
Share based payment	127	126	127	126
Balance at 30 June	319	192	319	192

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.

Asset revaluation				
Balance at 1 July	473	-	-	-
Revaluation increment	-	473	-	-
Balance at 30 June	473	473	-	-

The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to the asset, and is effectively realised, is transferred directly to retained earnings.

20 Retained Profits

Balance at 1 July	1,575	2,956	925	50
Transfer from minority interest	-	(1,446)	-	-
Net profit attributable to members of the parent	1,320	956	1,731	1,766
Dividends paid	(545)	(891)	(545)	(891)
Balance at 30 June	2,350	1,575	2,111	925

21 Dividends

	2009		2008	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend in relation to 30 June 2008: fully franked at a 30% tax rate	-	-	1.0	445
Interim dividend in relation to 30 June 2008: fully franked at a 30% tax rate	-	-	1.0	446
Final dividend in relation to 30 June 2008: fully franked at a 30% tax rate	1.0	545	-	-
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend in relation to 30 June 2008: fully franked at a 30% tax rate	-	-	1.0	545

On 27 August 2009, the Directors declared that there will be no fully franked final dividend paid in respect of the financial year 2009.

21 Dividends (continued)

	Parent $000	
	2009	2008
Adjusted franking account balance	481	343
Impact on franking account balance of dividends not recognised	-	(234)

22 Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Cash	762	1,111	-	1
Overdraft	(1,433)	(860)	-	-
	(671)	251	-	1

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Profit for the year	1,320	956	1,731	1,766
Depreciation	453	331	129	121
Movement in provision for employee entitlements	(154)	214	(4)	32
Write off of inventory	2	37	-	-
(Gain) / loss on disposal of assets	15	-	11	-
Foreign currency revaluation	(151)	151	-	-
Unrealised fair value mark-to-market of derivative financial instruments	706	-	-	-
Share based payments	127	126	127	126
Interest received	(10)	(195)	-	-
Interest capitalised	(322)	-	-	-
Non cash interest expensed	252	-	-	-
Intercompany dividends received	-	-	(2,600)	(3,100)
(Gain) / Loss in jointly controlled entity	(212)	355	(75)	317
Changes in Assets and Liabilities				
(Increase) / Decrease in receivables	1,546	(969)	11	3,247
(Increase) / Decrease in inventory	735	3,054	-	2,155
(Increase) / Decrease in other assets	(349)	461	3	(270)
(Increase) / Decrease in deferred tax assets	100	35	44	(209)
Increase / (Decrease) in accounts payable	(606)	(2,653)	(16)	(2,822)
Increase / (Decrease) in provision for income tax	(119)	(150)	(105)	(132)
Increase / (Decrease) in provision for deferred income tax	15	(33)	1	(28)
Net cash from operating activities	3,348	1,720	(743)	1,203

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

22 Notes to the cash flow statement (continued)

(c) Non-cash financing and investing activities

During the current financial year, the Group acquired $nil (2008: $48,000) 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. During the 30 June 2008 financial year, the group acquired land and buildings which included deferred purchase consideration of $3,156,000 - refer to note 15(ii).

(d) Business Acquired

During the 2009 financial year contingent consideration was finalised in respect of the purchase of Norganics Foods (Australia) Pty Limited business assets.

During the 2008 financial year consideration was paid for the acquisition of Norganic Foods (Australia) Pty Limited business assets. Also, consideration was finalised in respect of the Cookie Man baking assets.

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Details of these transaction are:				
Purchase consideration	1,000	4,500	-	-
Incidental costs - Cookie man	-	56	-	-
Incidental costs - Norganic Foods (Australia)	62	618	-	-
Cash consideration	1,062	5,174	-	-
Assets and liabilities held at acquisition date:				
Inventories	-	492	-	-
Brands (Intellectual property)	1,062	4,626	-	-
	1,062	5,118	-	-
Goodwill on acquisition	-	56	-	-
	1,062	5,174	-	-

23 Standby arrangements and unused credit facilities

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Financing Facility				
Secured bank overdraft facility				
• amount used	1,433	860	-	-
• amount unused	567	1,140	-	-
	2,000	2,000	-	-
Secured loan facilities				
• amount used	14,140	14,791	-	-
• amount unused	60	534	-	-
	14,200	15,325	-	-
Secured finance facilities				
• amount used	3,159	-	-	-
• amount unused	4,841	-	-	-
	8,000	-	-	-
Unused financing facilities	5,468	1,674	-	-

23 Standby arrangements and unused credit facilities (continued)

The bank overdraft and multi-option facilities are arranged with Bankwest with general terms and conditions and are subject to annual review. The bank facilities of the Group are secured by a first registered mortgage over all the Group's property, excluding items specifically discharged under the Freedom Foods equipment finance arrangement, and a first equitable mortgage over the whole of the Group's assets and undertakings including uncalled capital. The mortgage is held by Bankwest.

The Freedom Foods equipment finance facility has been arranged with the National Australia Bank. This facility is secured over the assets financed under the facility, which have been specifically discharged from the first registered mortgage held over all the Group's property.

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 up to 5 years. The Group has options to purchase the equipment for an agreed amount at the conclusion of the lease agreements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

	Minimum future lease payments $'000				Present value of minimum future lease payments $'000			
	Consolidated		Parent		Consolidated		Parent	
	2009	2008	2009	2008	2009	2008	2009	2008
Finance lease liabilities								
Payable:								
• No later than 1 year	731	82	73	82	552	69	68	69
• Later than 1 year but not later than 5 years	3,179	89	18	89	2,692	86	18	86
Minimum future lease payments (i)	3,910	171	91	171	3,244	155	86	155
Less future finance charges	(666)	(16)	(5)	(16)	-	-	-	-
Present value of minimum lease payments	3,244	155	86	155	3,244	155	86	155
Included in the financial statements as: (note 16)								
Current borrowings					552	69	68	69
Non-current borrowings					2,692	86	18	86
					3,244	155	86	155

(i) Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Operating leases

Disclosure for lessees

Leasing arrangements
Operating leases relate to office equipment with lease terms of between one 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.

24 Capital and leasing commitments (continued)

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Non-cancellable operating lease commitments				
• Not longer than 1 year	369	453	-	-
• Longer than 1 year but not longer than 5 years	60	345	-	-
	429	798	-	-
Group's share of jointly controlled entities capital commitments				
• Not longer than 1 year	652	593		

Disclosure for lessors

Operating leases relate to warehouse facilities owned by the group with lease terms currently less than 1 year.

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Non-cancellable operating lease receivables				
• Not longer than 1 year	-	15	-	-

25 Personnel note

	Consolidated Number		Parent Number	
	2009	2008	2009	2008
The entity employs casual and full time staff numbering	140	152	47	39

26 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances.

The Group's overall strategy remains unchanged from 2008. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 18, 19 and 20 respectively.

Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital.

26 Financial instruments (continued)

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Financial liabilities				
Debt (i)	23,300	15,806	86	155
Cash and cash equivalents	671	(251)	-	(1)
Net debt	23,971	15,555	86	154
Equity (ii)	27,811	27,664	27,338	27,191
Net debt to equity ratio	86%	56%	0%	1%

(i) Debt is defined as long and short-term borrowings, as detailed in note 16.

(ii) Equity includes all capital and reserves.

(b) Financial risk management objectives

The Group's management provides services to the business, coordinates 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 or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest 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.

(d) 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.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

26 Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date is as follows:

	Financial assets $'000		Financial liabilities $'000	
	2009	2008	2009	2008
Consolidated				
US dollars (USD)	647	1,032	54	273
Canadian dollars (CAD)	766	945	503	520

There have been no changes to the group's exposure to foreign currency risks or the manner in which it manages and measures the risks from the previous period.

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.

The Group has entered into contracts (for terms not exceeding 12 months) to purchase finished goods from suppliers in the United States and Canada. The contracts relate to highly probable forecasted transactions for the purchase of inventory for the Specialty Seafood business (Salmon and Sardines) and the Freedom Foods business (Cereals and Spreads) with the purchase consideration being settled in the above currencies. The Group's objective in entering into foreign exchange contracts is to provide certainty to the income and cashflow implications for the designated foreign currency purchase, relating to purchase of inventory or other capital assets.

The Group does not adopt hedge accounting.

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Average exchange rate		Foreign currency		Contract value		Fair value	
Outstanding contracts	2009	2008	2009	2008	2009	2008	2009	2008
			FC'000	FC'000	$'000	$'000	$'000	$'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.685	0.940	2,713	1,869	3,960	1,989	(609)	(155)
3 to 6 months	0.705	0.933	175	1,500	219	1,608	(1)	(141)
Over 6 months	0.792	-	1,735	-	2,190	-	(23)	-
Buy Canadian Dollars								
Less than 3 months	0.878	0.948	1,025	962	1,168	1,015	(69)	(77)
3 to 6 months	0.923	0.938	780	950	845	1,013	(4)	(76)
Over 6 months	-	-	-	-	-	-	-	-
							(706)	(449)

26 Financial instruments (continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to an increase / decrease in the Australian dollar against the relevant currencies in relation to foreign exchange exposures. A sensitivity rate of 7% (USD) and 8.8% (CAD) have been used as these represent managements assessment of a likely maximum change in foreign exchange rates.

A positive number indicates an increase in profit where the Australia Dollar strengthens against the respective currency. For a weakening of the Australia Dollar against the respective currency there would be an equal and opposite impact on the profit and the balances below would be negative.

	Profit or loss $'000	
	2009	2008
Consolidated		
US dollars (USD) impact		
AUD appreciates by 7%	(96)	(69)
AUD depreciates by 7%	110	84
Canadian dollars (CAD) impact		
AUD appreciates by 8.8%	(52)	(39)
AUD depreciates by 8.8%	62	47

(i) This is mainly attributable to the exposure outstanding on foreign currency receivables and payables at year end in the consolidated entity and the parent.

(f) Interest rate risk management

The Parent and Group are exposed to interest rate risk as they borrow funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Exposures to interest rate risk, which is the risk that a financial instrument's value, its borrowing costs and interest income will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial instruments are set out below:

Financial Instrument	Note	Weighted average effective interest rate	Fixed rate maturing in					
			Variable Rate		Less than 1 year		1 to 5 years	
			2009	2008	2009	2008	2009	2008
		%	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated								
Financial Assets								
Cash and cash equivalents	22	0%	762	1,111	-	-	-	-
Redeemable notes	11	16%	-	-	-	-	-	1,674
Total Financial Assets			762	1,111	-	-	-	1,674
Financial Liabilities								
Bank overdrafts	16	8%	1,433	860	-	-	-	-
Finance leases	16	7%	-	-	552	69	2,692	86
Other payable	15	11%	-	-	717	782	1,686	2,373

26 Financial instruments (continued)

Financial Instrument	Note	Weighted average effective interest rate	Variable Rate		Fixed rate maturing in: Less than 1 year		Fixed rate maturing in: 1 to 5 years	
			2009	2008	2009	2008	2009	2008
		%	$'000	$'000	$'000	$'000	$'000	$'000
Due to related parties	16	12%	-	-	4,500	-	-	-
Loan payable	16	5%	14,123	14,791	-	-	-	-
Total Financial Liabilities			15,556	15,651	5,769	851	4,378	2,459
Parent								
Financial Assets								
Cash	22	0%	-	1	-	-	-	-
Due from controlled entities	11	0%	-	-	-	-	27,529	26,335
Total Financial Assets			-	1	-	-	27,529	26,335
Financial Liabilities								
Finance leases	16	8%	-	-	68	69	18	86
Total Financial Liabilities			-	-	68	69	18	86

During the financial year there has been no change to the group's interest rate risk exposure or the manner in which it manages and measures these risks.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the impact of 150 basis point increase in interest rates on the exposure to interest rates as detailed in the above table.

The impact of a 150 basis point interest rate movement during the year with all other variables being held constant will be:

- an increase/decrease on the consolidated entity's net profit of $111,000 (2008: $177,000) respectively.

This is mainly attributable to the company's and consolidated entity's exposure to interest rates on its variable rate borrowings.

A 150 basis point movement represents management's assessment of the possible change in interest rates.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Parent. The Group has adopted the policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Quality of Trade and Other Receivables and Other Financial Assets have been disclosed in notes 10 and 11 respectively. Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Board on an annual basis, and may be updated throughout the year subject to approval of the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

26 Financial instruments (continued)

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.

(h) Liquidity risk management

Liquidity risk arises from the possibility that the Group and the Parent may be unable to settle a transaction on the due date. The 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.

The Group and the Parent manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Included in Note 23 is a listing of additional undrawn facilities that the company and the consolidated entity has at their disposal to further reduce liquidity risk.

Liquidity risk tables

The following table detail the company's and the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company or the consolidated entity can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year		1 to 5 years		More than 5 years	
		2009	2008	2009	2008	2009	2008
	%	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
Financial Liabilities							
Trade payables	-	3,682	4,995	-	-	-	-
Other payables and accruals	-	2,388	1,823	-	-	-	-
Other payables	11%	850	850	2,550	3,400	-	-
Due to related parties	12%	5,040	-	-	-	-	-
Bank overdrafts	8%	1,551	952	-	-	-	-
Finance leases	7%	731	82	3,179	89	-	-
Loan payable	5%	4,353	3,998	13,825	16,138	-	-
Total Financial Liabilities		18,595	12,700	19,554	19,627	-	-
Parent							
Financial Liabilities							
Other payables	-	48	64	-	-	-	-
Finance leases	8%	73	82	18	89	-	-
Total Financial Liabilities		121	146	18	89	-	-

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

26 Financial instruments (continued)

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.

(j) 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 EBDITA multiples and will be satisfied 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 2009.

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. 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 Directors 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.

Performance based remuneration

Performance based remuneration is at the discretion of the Remuneration and Nomination Committee. This can take the form of share options or cash payments. During the year no options were issued and no cash retention bonuses were paid. Options are valued using the binomial method.

27 Key management personnel compensation (continued)

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 2009 were $157,000 (2008: $167,000). 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 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 his duties. The CEO may terminate this agreement with one month's notice and the Parent with six 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 of the company and group does not directly link the remuneration of Directors and senior Executives to parent performance or shareholder wealth.

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

	2009	2008	2007	2006	2005
Sales Revenue ($000's)	48,596	54,082	48,683	46,963	37,954
Net Profit After Tax ($000s)	1,320	956	1,174	1,434	310
Dividends Paid (cents)	1	2	1	Nil	Nil

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	
	$	$	$	$
	2009	2008	2009	2008
Short-term employee benefits	1,491,940	1,601,890	157,000	167,000
Post-employment benefits	71,119	78,992	14,130	15,030
Share-based payment	123,511	126,599	123,511	126,599
	1,686,570	1,807,481	294,641	308,629

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)
- R. Perich (Non-Executive Director)
- M. Miles (Non-Executive Director)
- B. W. Bootle (Alternate Director), resigned 12 December 2008
- R. J. F. Macleod (Executive Director Strategy, Corporate Development and Chief Financial Officer)
- G. J. Hughes (Chief Operating Officer), resigned 3 July 2009.
- M. E. Jenkins (Chief Financial Officer & Company Secretary), resigned 25 September 2008
- M. Christian (General Manager Manufacturing), resigned 31 December 2008
- P. Wilson (General Manager Leeton Manufacturing Operations), commenced in July 2008
- M. Gilio (Group Finance Manager & Company Secretary), appointed Company Secretary 25 September 2008
- P. Bartier (National Supply Chain 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. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

Options are granted to the Executive Directors to acquire ordinary shares in Freedom Nutritional Products Limited.

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

2009	P. R. Gunner	G.H. Babidge	A. M. Perich	R. Perich	M. Miles	B. W. Bootle (i)	R. J. F. Macleod
	$	$	$	$	$	$	$
Short term benefits							
Salaries and fees	63,000	355,755	30,000	32,000	32,000	-	228,755
Bonus	-	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-	-
Post employment benefits							
Superannuation	5,670	13,745	2,700	2,880	2,880	-	13,745
Equity compensation							
Options	-	42,934	-	-	-	11,393	42,934
Total	68,670	412,434	32,700	34,880	34,880	11,393	285,434

	G.J. Hughes (ii)	P. Wilson	M. E. Jenkins (iii)	M. Christian (iv)	M. Gilio	Total
	$	$	$	$	$	$
Short term benefits						
Salaries and Fees	216,567	198,426	71,358	124,935	139,144	1,491,940
Bonus	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-

27 Key management personnel compensation (continued)

2009	G.J. Hughes (ii)	P. Wilson	M. E. Jenkins (iii)	M. Christian (iv)	M. Gilio	Total
	$	$	$	$	$	$
Post employment benefits						
Superannuation	13,226	-	3,750	-	12,523	71,119
Equity compensation						
Options	-	-	26,250	-	-	123,511
Total	229,793	198,426	101,358	124,935	151,667	1,686,570

(i) Mr B. W. Bootle resigned as alternate Director on 12 December 2008

(ii) Mr G. J. Hughes resigned as Chief Operating Officer on 3 July 2009

(iii) Mr M. E. Jenkins resigned as Chief Financial Officer and Company Secretary on 25 September 2008

(iv) Mr M. Christian resigned as General Manager of Manufacturing 31 December 2008

2008	P. R. Gunner	G.H. Babidge	A. M. Perich	R. Perich	S.F. Higgs	M. Miles	R. J. F. Macleod
	$	$	$	$	$	$	$
Short term benefits							
Salaries and fees	63,000	325,871	30,000	32,000	10,000	32,000	211,871
Bonus	-	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-	-
Post employment benefits							
Superannuation	5,670	13,129	2,700	2,880	900	2,880	13,129
Equity compensation							
Options	-	42,934	-	-	-	-	42,934
Total	68,670	381,934	32,700	34,880	10,900	34,880	267,934
	B. W. Bootle	**G.J. Hughes**	**P. J. Nathan (i)**	**M. E. Jenkins**	**M. Christian**	**M. Hauptfleisch (ii)**	**Total**
	$	$	$	$	$	$	$
Short term benefits							
Salaries and Fees	-	223,509	144,843	185,000	189,596	55,200	1,502,890
Bonus	-	50,000	-	-	22,000	-	72,000
Non monetary	-	-	27,000	-	-	-	27,000
Post employment benefits							-
Superannuation	-	10,421	12,283	15,000	-	-	78,992
Equity compensation							
Options	22,731	-	9,000	9,000	-	-	126,599
Total	22,731	283,930	193,126	209,000	211,596	55,200	1,807,481

(i) Mr Nathan's role changed to General Manager of A2 and as such was no longer considered as a key management personnel for the Freedom Nutritional Products group in the 2009 year.

27 Key management personnel compensation (continued)

(ii) Due to a change in role Mrs M Hauptfleisch is not considered a key management personnel in the 2009 year.

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 2008	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2009
2009	No.	No.	No.	No.	No.
P. R. Gunner	360,517	-	-	-	360,517
G.H. Babidge	69,217	-	-	-	69,217
A. M. Perich (2)	35,530,385	-	-	634,069	36,164,454
R. Perich (2)	35,530,385	-	-	634,069	36,164,454
M. Miles	104,353	-	-	2,314	106,667
B. W. Bootle	42,486	-	-	943	43,429
R. J. F. Macleod	156,108	-	-	-	156,108
G. J. Hughes	-	-	-	-	-
P. Wilson	-	-	-	-	-
M. E. Jenkins	30,326	-	-	(3,957)	26,369
M. Christian	-	-	-	-	-
M. Gilio	-	-	-	-	-

28 Related party transactions (continued)

2008	Balance at 1 July 2007	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2008
	No.	No.	No.	No.	No.
P. R. Gunner	321,017	-	-	39,500	360,517
G.H. Babidge	69,217	-	-	-	69,217
A. M. Perich (1)	34,901,799	-	-	628,586	35,530,385
R. Perich (1)	34,901,799	-	-	628,586	35,530,385
S. F. Higgs	384,615	-	-	-	384,615
M. Miles	51,069	-	-	53,284	104,353
B. W. Bootle	40,855	-	-	1,631	42,486
R. J. F. Macleod	156,108	-	-	-	156,108
G. J. Hughes	-	-	-	-	-
P. Nathan	40,000	-	-	(40,000)	-
M. E. Jenkins	30,326	-	-	-	30,326
M. Christian	-	-	-	-	-
M. Hauptfleisch	-	-	-	-	-

(1) 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.

Share options of the Parent

	Balance at 1 July	Lapsed	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.	No.
2009										
G.H. Babidge	2,400,000	-	-	-	-	2,400,000	1,550,000	-	1,550,000	425,000
B. W. Bootle	900,000	(450,000)	-	-	-	450,000	450,000	-	450,000	225,000
R. J. F. Macleod	2,000,000	-	-	-	-	2,000,000	1,150,000	-	1,150,000	425,000
P. Nathan	300,000	-	-	-	-	300,000	300,000	-	300,000	150,000
M. E. Jenkins	300,000	-	-	-	-	300,000	300,000	-	300,000	150,000
2008										
G.H. Babidge	2,400,000	-	-	-	-	2,400,000	1,125,000	-	1,125,000	425,000
B. W. Bootle	900,000	-	-	-	-	900,000	225,000	-	225,000	225,000
R. J. F. Macleod	2,000,000	-	-	-	-	2,000,000	725,000	-	725,000	425,000
P. Nathan	300,000	-	-	-	-	300,000	150,000	-	150,000	150,000
M. E. Jenkins	400,000	(100,000)	-	-	-	300,000	150,000	-	150,000	150,000

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

28 Related party transactions (continued)

During the financial year nil options (2008: nil) were exercised by key management personnel.

Further details of the Employee Share Option Plan and of share options granted during 2009 and 2008 financial years are contained in note 29 to the financial statements.

(iii) Other transactions with key personnel of the Group

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 $355,000 to its ultimate parent entity (2008: $702,000). The ultimate parent entity Arrovest Pty Ltd holds 66% of the fully paid ordinary shares of Freedom Nutritional Products Limited (2008: 65%).
- the Parent paid Directors fees totalling $67,580 to Messrs A. M. Perich and R. Perich (2008: $67,580). Messrs A. M. Perich and R. Perich each hold an interest in Arrorvest Pty Limited which is a registered holder of shares in the Parent.
- the Parent made payments of $330,000 (2008: $365,000) to a controlled entity for selling, corporate and financial services. The amount is payable on the last day of the financial year.
- the Parent paid rental income of $57,000 (2008: $57,000) to CBPA.
- the Parent received fees for management services provided of $120,000 (2008: $15,000) from CBPA.
- The Group was reimbursed by CBPA $3,080,000 (2008: $2,407,000) for labour services provided.

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

- Non Current loans totalling $27,529,000 are receivable from subsidiaries (2008: $26,335,000).
- Current loans totalling $998,000 are receivable from joint ventures (2008: $955,000).
- Current loans totalling $4,500,000 are repayable to an associate of the ultimate parent (2008: $nil).

All amounts advanced to or payable to related parties are unsecured and are at call.

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.

(ii) Transactions between the Group and its related parties

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

- CBPA sold goods totalling $5,852,000 (2008: $7,668,000) to the Group at cost.

28 Related party transactions (continued)

- The Group made interest payments of $264,000 (2008: $57,00) to Arrovest Pty Ltd. The weighed average interest rate on the loans is 12%.
- The Group received rental income of $25,000 (2008: $17,000) from A2DP.
- The Group was reimbursed by A2DP $764,000 (2008: $883,000) for labour and other administrative services provided.
- The Group received interest income of $263,000 (2008: $184,000) from A2DP on its convertible notes. The effective interest rate on the convertible notes is 15.8% (2008: 15.8%).

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 $452,000 are receivable from joint ventures (2008: $707,000).
- Current loans totalling $nil are repayable to the associate of the ultimate parent (2008: $nil).

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) Transactions between joint ventures in which the entity is a venturer and other related parties of the Group

During the financial year, the following transactions occurred between joint ventures in which the entity is a venturer and other related parties of the Group:

- Leppington Pastoral Company sold goods and services totalling $8,659,000 (2008: $5,147,000) to CBPA at cost.
- CBPA incurred a Dairy Management Fee payable to Leppington Pastoral Company totalling $nil (2008: $111,000).

These services are provided under normal terms and conditions.

(iv) Guarantee

The Parent has guaranteed 50% of the A2DP debtor finance facility up to $1.5m. The remaining 50% has been guaranteed by the other party to this jointly controlled entity. The amount of the exposure at balance date is $nil (2008: $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. There are no vesting conditions attached to these options other than continuing employment within the Group.

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 financial year ended 30 June 2007 option series 4 vest in four equal tranches over a period of 4 years and option series 5 vests in two equal tranches over two years.

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

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 29 January 2003	700,000	29/01/03	29/01/08	0.80	-
(2) Issued 3 September 2003	275,000	3/09/03	3/09/08	0.85	-
(3) Issued 27 July 2005	1,000,000	27/07/05	27/07/10	0.50	-
(4) Issued 30 November 2006	4,300,000	30/11/06	30/11/11	0.50	0.10
(5) 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 nil (2008: $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.

Expected volatility is based on historical share price volatility over the past 2 years. It is expected that options will be exercised only in the event of market price exceeding exercise price.

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

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	5,900,000	0.50	6,100,000	0.51
Granted during financial year	-	-	-	-
Lapsed during financial year	(450,000)	0.50	(200,000)	0.80
Cancelled during financial year	-	-	-	-
	5,450,000	0.50	5,900,000	0.50
Exercisable at end of financial year	3,750,000	0.50	2,375,000	0.50

Balance at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of $0.50 (2008: $0.50), and a weighted average remaining contractual life of 740 days (2008: 1,105 days). No options were exercised during the financial year.

30 Contingent liabilities

	Consolidated $000		Parent $000	
	2009	2008	2009	2008
Bank guarantee arising from rental of office premises. No liability is expected to accrue.	17	17	17	17

31 Controlled entities

	Country of Incorporation	Ownership interest	
Controlled Entity		2009	2008
Paramount Seafoods Pty Limited (i)	Australia	100%	100%
Nutrition Ventures Pty Limited (i)	Australia	100%	100%
Nutrition Ventures Financing Pty Limited (i)	Australia	100%	100%
Freedom Foods Pty Limited (i)	Australia	100%	100%
Australian Natural Foods Holdings Pty Limited (i)	Australia	100%	100%
Thorpedo Foods Group Pty Limited (i)	Australia	100%	100%
Thorpedo Foods Pty Limited	Australia	50.01%	50.01%
Thorpedo Seafoods Pty Limited	Australia	75%	75%

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 2009 financial report.

(i) These companies are members of the tax consolidated group.

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
- Freedom Foods Pty Limited
- Paramount Seafoods Pty Limited
- Australian Natural Foods Holdings Pty Limited
- Nutrition Ventures Pty Limited
- Thorpedo Foods Group Pty Limited
- Nutrition Ventures Financing 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. The consolidated financial report of the closed group would not be materially different from the report of the group as a whole.

33 Jointly controlled operations and assets

The Group is a venturer in the following jointly controlled operations and assets:

			Output interest %	
Name of venture	Country of incorporation	Principal activity	2009	2008
CBPA	Australia	Contract beverage packing services	50	50
A2DP	Australia	Sale of a2 milk	50	1

Reconciliation of movement in investments accounted for using the equity method:

	CBPA $000		A2DP $000	
	2009	2008	2009	2008
Balance at 1 July	601	768	913	329
Share of profits/(losses) for the year	75	(317)	137	(38)
	676	451	1,050	291
Dividends	-	-	-	-
Additions (i)	-	150	1,809	622
Balance at 30 June	676	601	2,859	913

(i) The Groups holding of non-listed unsecured convertible notes in A2DP were converted at par value on 1 May 2009.

Summarised financial information in respect of Freedom Nutritional Products Limited's share in the joint venture is set out below:

	CBPA $000		A2DP $000	
	2009	2008	2009	2008
Current assets	4,205	3,202	2,829	42
Non current assets	4,600	4,894	645	13
Total assets	8,805	8,096	3,474	55
Current liabilities	4,369	3,168	929	28
Non current liabilities	4,232	4,799	1,540	65
Total Liabilities	8,601	7,967	2,469	93
Net assets	204	129	1,005	(38)
Shareholder funds	204	129	1,005	(38)
Revenue	11,452	5,451	1,942	109
Profit / (loss) after income tax	75	(317)	137	(38)

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.

During the financial year, Freedom Foods Pty Limited entered into an equipment lease with National Australia Bank to assist in financing equipment requirements for the Freedom manufacturing site at Leeton. The maximum facility limit is for financing amounts of up to $8 million with a lease term of 5 years with a 20% residual.

The facility is secured by the financed equipment and Freedom Foods obligations under the lease are guaranteed by Freedom Nutritional Products Limited.

35 Acquisition of business

On the 18th November 2008 contingent consideration of $1,000,000 plus addition incidental costs associated with the acquisition of the business assets of Norganic Foods (Australia) Pty Ltd were paid. This payment has resulted in an increase to the value of intangibles by the amount of the deferred consideration. Details of the acquisitions and additional incidental costs are as follows:

	Consolidated $000		**Parent $000**	
	2009	2008	2009	2008
Purchase consideration - Norganic foods (Australia)	1,000	4,500		
Incidental costs - Norganic foods (Australia)	62	618	-	-
Incidental costs - Cookieman	-	56	-	-
Cash consideration	1,062	5,174	-	-

Any goodwill arising from business combinations is recognised because the cost of the combination included a control premium paid to acquire the business combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the net profit for the period is $3,917,000 (2008: $513,000) attributable to the additional business generated by Norganic Foods (Australia) on a gross margin basis.

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 2009

The Director's declare that:

(a) 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;

(b) 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

(c) 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
Chairman

G.H. Babidge
Managing Director

Sydney, 2 September 2009

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Freedom Nutritional Products Limited, which comprises the balance sheet as at 30 June 2009, 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 22 to 71.

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

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 2009 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Freedom Nutritional Products Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P A Roberts
Partner
Chartered Accountants
Parramatta, 2 September 2009

Shareholding

Substantial shareholders

The number of shares held by the substantial shareholder as listed in the Parent's register as at 31 August 2009 is:

Shareholder	Number
Arrovest Pty Limited	36,164,454
Telunapa Pty Ltd	9,000,000

Class of shares and voting Rights

At 31 August 2009, there were 54,660,270 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 2009

Category	Ordinary
1 - 1,000	318
1,001 - 5,000	272
5,001 - 10,000	90
10,001 - 100,000	126
100,001 - and over	17
	823

Non marketable securities which are holdings of less than 1,350 ordinary shares are held by 359 shareholders. This statistic is based on the share register as at 31 August 2009.

20 largest ordinary shareholders as at 31 August 2009

	Name	Number of Ordinary Shares Held	% Held of Ordinary Capital
1	Arrovest Pty Limited	36,164,454	66.16%
2	Telunapa Pty Ltd	9,000,000	16.47%
3	National Nominees Limited	1,109,903	2.03%
4	East Coast Rural Holdings Pty Limited	450,138	0.82%
5	Mr & Mrs S Higgs	384,615	0.70%
6	Mr & Mrs P Gunner ATF Perry Gunner Superannuation Fund	360,517	0.66%
7	Mr & Mrs J Perry	200,000	0.37%
8	Mr T E Morris	194,054	0.36%
9	Anisam Pty Limited	192,308	0.35%
10	Economic Consultancy Services Pty Ltd	192,308	0.35%
11	Mr L Lip & Ms Y F Chong	175,298	0.32%
12	Gallium Pty Limited	162,180	0.30%
13	Cebourn Partners Pty Limited	156,108	0.29%
14	Symspur Pty Limited	140,871	0.26%
15	Goldacre Investments Pty Ltd ATF Goldacre Superannuation Fund	124,372	0.23%
16	RD & KA McGavin Pty Limited ATF RD & KA McGavin Superannuation Fund	115,385	0.21%
17	Mr & Mrs M Miles	106,667	0.20%
18	Berzins Asset Management Pty Limited	100,000	0.18%
19	Mr & Mrs C Tuckwell	100,000	0.18%
20	Mr & Mrs G Kelly	99,655	0.18%
		49,528,833	90.61%

The proportion of ordinary shares held by the 20 largest shareholders is 90.61%

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

All Member Exchanges.

Company Secretary
Mark Gilio

Principal Registered Office
80 Box Road,
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Fax: (02) 9525 5406

Share Registry
Registries Limited
Level 7, 207 Kent Street,
Sydney NSW 2000
Tel: (02) 9290 9600
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

Solicitors
Gilbert & Tobin
2 Park Street,
Sydney NSW 2001
Tel: (02) 9263 4000
Fax: (02) 9263 4111

Addisons
Level 12, 60 Carrington Street,
Sydney NSW 2000
Tel: (02) 8915 1000
Fax: (02) 8916 2000

Bankers
Bank of Western Australia Ltd.
Level 26, 45 Clarence Street,
Sydney NSW 2000
Tel: (02) 8299 8000
Fax: (02) 8299 8293

National Australia Bank Ltd.
26/255 George Street
Sydney NSW 2000
Tel: (02) 9237 1171
Fax:(02) 9237 1400

Auditor
Deloitte Touche Tohmatsu
Chartered Accountants
The Barrington,
Level 10, 10 Smith Street,
Parramatta NSW 2150
Tel: (02) 9840 7000
Fax: (02) 9840 7001

Management
Geoff Babidge - Chief Executive Officer and Managing Director

Rory Macleod - Executive Director, Strategy, Corporate Development and Chief Financial Officer

Mark Gilio - Group Finance Manager and Company Secretary

Phil Wilson - General Manager Leeton Manufacturing Operations

Peter Bartier - National Supply Chain Manager

Freedom Nutritional Products Limited

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