

# Freedom Nutritional Products Limited

A.B.N 41 002 814 235

## Appendix 4E

### Preliminary Final Report Year ended 30 June 2010 (Previous Corresponding Reporting Period 30 June 2009)

#### Results for Announcement to the Market

<i>In Thousands of AUD</i>	\$'000	Percentage change over previous corresponding period
<b>Revenues</b>	<b>44,443</b>	<b>(10%) decrease</b>
<b>Net Profit</b>	<b>3,357</b>	<b>154% Increase</b>
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend declared</b>	Nil	Nil
<b>Interim Dividends paid</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>	N/A	

#### Net Tangible Assets per Security

	30 June 2010	30 June 2009
<i>In Thousands of AUD</i>		
<b>Net tangible assets</b>	<b>16,997</b>	<b>6,895</b>
<b>Net assets</b>	<b>40,263</b>	<b>30,161</b>
<b>Total number of shares (in thousands)</b>	<b>77,435</b>	<b>54,660</b>
<b>Net assets per security</b>	<b>0.52</b>	<b>0.55</b>
<b>Net tangible assets per security</b>	<b>0.22</b>	<b>0.13</b>

The accounts are in the process of being audited or subject to review



**Mark Gilio**  
Company Secretary  
26<sup>th</sup> August 2010

**FREEDOM NUTRITIONAL PRODUCTS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated \$000	
		2010	2009
Revenue from sale of goods	1	44,443	49,388
Cost of sales		(30,676)	(34,874)
<b>Gross profit</b>		<b>13,767</b>	<b>14,514</b>
Other income	1	465	654
Marketing expenses		(1,558)	(1,872)
Selling and distribution expenses		(4,862)	(5,392)
Administrative expenses		(3,741)	(3,916)
Loss on disposal of Non Current Assets		(250)	-
Profit before depreciation, income tax, finance costs and equity accounted investments	2	3,821	3,988
Depreciation		(1,004)	(453)
Profit before income tax, finance costs and equity accounted investments		2,817	3,535
Finance costs	2	(1,031)	(1,247)
Unrealised fair value mark-to-market of derivative financial instruments	2	-	(706)
Share of profit of joint ventures accounted for using the equity method	9	1,308	212
<b>Profit before income tax</b>		<b>3,094</b>	<b>1,794</b>
Income tax benefit/(expense)		263	(474)
<b>Profit for the year</b>		<b>3,357</b>	<b>1,320</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>3,357</b>	<b>1,320</b>
Profit attributable to:			
Owners of the parent		3,357	1,320
Non-controlling interests		-	-
		<b>3,357</b>	<b>1,320</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		3,357	1,320
Non-controlling interests		-	-
		<b>3,357</b>	<b>1,320</b>
<b>Earnings per share</b>			
From continuing operations:			
Basic earnings per share (cents per share)	3	5.0	2.4
Diluted earnings per share (cents per share)	3	5.0	2.4
Dividends per share paid (cents per share)		-	1.0

*Notes the financial statements are included.*

**FREEDOM NUTRITIONAL PRODUCTS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	Notes	Consolidated \$000	
		2010	2009
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(a)	34	762
Trade and other receivables		9,362	10,247
Other financial assets		784	1,078
Inventories		7,121	6,853
Current tax assets		151	-
Prepayments		610	637
		<u>18,062</u>	<u>19,577</u>
Assets Classified as held for Sale		4,141	-
<b>Total Current Assets</b>		<u>22,203</u>	<u>19,577</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method		1,152	3,535
Deferred tax assets		2,038	1,958
Property, plant and equipment		22,431	15,323
Goodwill		6,992	6,992
Other intangible assets		16,274	16,274
<b>Total non-current assets</b>		<u>48,887</u>	<u>44,082</u>
<b>Total assets</b>		<u>71,090</u>	<u>63,659</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		7,252	7,493
Borrowings	4	15,576	9,558
Current tax liabilities		-	72
Provisions		868	667
<b>Total current liabilities</b>		<u>23,696</u>	<u>17,790</u>
<b>Non-current liabilities</b>			
Trade and other payables		1,064	1,686
Borrowings	4	5,766	13,742
Deferred tax liability		47	17
Provisions		254	263
<b>Total non-current liabilities</b>		<u>7,131</u>	<u>15,708</u>
<b>Total liabilities</b>		<u>30,827</u>	<u>33,498</u>
<b>Net assets</b>		<u>40,263</u>	<u>30,161</u>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		33,637	27,019
Reserves		919	792
Retained earnings		5,707	2,350
<b>Total equity</b>		<u>40,263</u>	<u>30,161</u>

*Notes the financial statements are included.*

**FREEDOM NUTRITIONAL PRODUCTS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated \$000	
		2010	2009
<b>Cash flows from operating activities</b>			
Receipts from customers		45,082	51,802
Payments to suppliers and employees		(40,982)	(46,483)
Interest and other costs of finance paid		(1,338)	(1,595)
Income tax paid / (refund)		9	(423)
Receipt of government grant		-	47
<b>Net cash provided by operating activities</b>	6(b)	2,771	3,348
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		19	34
Payment for purchase of property, plant and equipment		(7,225)	(8,426)
Acquisition of business assets	6(d)	-	(1,062)
Interest received		-	10
Investment in jointly controlled entity		(10)	-
Loan from related party		-	4,500
Advance from / (to) Joint Venture		294	(371)
<b>Net cash used in investing activities</b>		(6,922)	(5,315)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,332	-
Payment of share issue costs		(215)	-
Proceeds from borrowings		4,362	3,547
Repayment of borrowings		(3,023)	(1,975)
Dividends paid		-	(527)
<b>Net cash provided by financing activities</b>		3,456	1,045
Net decrease in cash and cash equivalents		(695)	(922)
Cash and cash equivalents at beginning of financial year		(671)	251
<b>Cash and cash equivalents at end of financial year</b>	6(a)	(1,366)	(671)

*Notes the financial statements are included.*

**FREEDOM NUTRITIONAL PRODUCTS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Attributable to equity holders of the parent						
	Fully paid ordinary shares \$'000	Retained earnings \$'000	Equity - settled employee benefits reserve \$'000	Asset revaluation reserve \$'000	Total \$'000	Non controlling interest \$'000	Total Equity \$'000
<b>CONSOLIDATED</b>							
<b>Balance as at 30 June 2008</b>	26,999	1,575	192	473	29,239	-	29,239
Equity issues	20	-	-	-	20	-	20
Profit for the year	-	1,320	-	-	1,320	-	1,320
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	1,320	-	-	1,320	-	1,320
Recognition of share-based payments	-	-	127	-	127	-	127
Dividends paid	-	(545)	-	-	(545)	-	(545)
<b>Balance as at 30 June 2009</b>	27,019	2,350	319	473	30,161	-	30,161
Equity issues	6,833	-	-	-	6,833	-	6,833
Share issue costs	(215)	-	-	-	(215)	-	(215)
Profit for the year	-	3,357	-	-	3,357	-	3,357
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	3,357	-	-	3,357	-	3,357
Recognition of share-based payments	-	-	127	-	127	-	127
Dividend paid	-	-	-	-	-	-	-
<b>Balance as at 30 June 2010</b>	33,637	5,707	446	473	40,263	-	40,263

*Notes to the statement of changes in equity are included.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

1	Revenue	Consolidated	
		\$000	
		2010	2009
	Continuing operations		
	- Sale of goods	44,071	48,596
	- Interest received		
	- Loans and receivables		
	- Cash and cash equivalents	16	10
	- License fee	356	782
		44,443	49,388
	Other revenue		
	- Government/State grants - refer below	85	50
	- Gain/(loss) on disposal of fixed assets	13	(15)
	- Payroll Tax Refund	10	-
	- Rental income	3	65
	- Convertible note interest	-	263
	- Management fee received	354	291
		465	654

The above government grant is the Export Market Development Grant received for 2009 and receivable for 2010 (\$22,000 2010, \$50,000 2009).

The above state grants are the Dept of Innovation Grant (\$20,000) and State Training Grant (\$43,000) receivable for 2010.

The above Convertible note interest relates to interest receivable on convertible notes issued to A2 Dairy Products Pty Limited.

2	Profit for the year before tax	Consolidated	
		\$000	
		2010	2009
	Profit for the year was arrived at after charging the following expenses:		
	<u>Finance costs</u>		
	- Interest on bank overdrafts and loans	990	1,235
	- Interest on obligations under finance leases	41	12
	- Interest on convertible notes	-	-
	Total borrowing costs	1,031	1,247
	Unrealised fair value mark-to-market of derivative financial instruments (i)	-	706
	Unrealised foreign currency exchange losses/(gains)	8	(151)
	Depreciation on property, motor vehicles, plant and equipment	1,004	453
	Gain/Loss on disposal of plant and equipment	(13)	15
	Rental expense on operating leases (equipment)	123	82
	Rental expense on operating leases (property)	222	496
	Research and development costs expensed	100	530
	Impairment of trade receivables	10	3
	<u>Employee benefit expense</u>		
	Post employment benefits - defined contribution plans	587	544
	Share-based payments - equity settled share based payments	127	127
	Redundancies	321	465
	Other employee benefits	5,302	5,654
	Total employee benefit costs	6,337	6,790

(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.

During the financial year the Group utilised foreign exchange contracts for the purchase of inventory and for the purchase of manufacturing equipment for the Freedom Foods Leeton site. The foreign exchange contracts were denominated in USD and \$CDN. As at 30 June 2010 there were no foreign exchange contracts held.

The contracts related 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 cash flow implications for the designated foreign currency purchase, relating to purchase of inventory or other capital assets.

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 sheet 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 statement of comprehensive income. As there were no foreign exchange contracts open as at 30 June 2010 a valuation at fair value of foreign exchange contracts held at balance sheet date reflected no adjustment compared with a loss of \$706,000 (\$AUD) as at 30 June 2009.

(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, fair value mark to market of derivative financial instruments and asset write downs) was \$4,511,000 (2009: \$4,568,000).

### 3 Earnings per share

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>Cents per share</b>	
Basic earnings per share	5.0	2.4
Diluted earnings per share	5.0	2.4

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

	<b>\$000</b>	
(a) Earnings used in the calculation of basic EPS	3,357	1,320
(b) Earnings used in the calculation of diluted EPS	3,357	1,320
	<b>Number '000</b>	
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	66,823	54,635
Add weighted average number of options outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	66,823	54,635

During 2010 no options were issued over ordinary shares by the Parent.

### 4 Borrowings

	<b>Consolidated</b>	
	<b>\$000</b>	
	<b>2010</b>	<b>2009</b>
<b>Secured - at amortised cost</b>		
<b>Current</b>		
Bank overdrafts (i)	1,400	1,433
Loan payable (i)	13,047	3,073
Finance leases (ii) (iii)	1,129	552
Due to related parties	-	4,500
<b>Non-current</b>		
Loan payable (i)	-	11,050
Finance leases (ii) (iii)	5,766	2,692
	<b>21,342</b>	<b>23,300</b>

Disclosed in the financial statements as:

Current borrowings	15,576	9,558
Non-current borrowings	5,766	13,742
	<u>21,342</u>	<u>23,300</u>

(i) Secured by assets.

(ii) Secured by leased assets.

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

## 5 Dividends

	2009	
	Cents per share	Total \$'000
<b>Recognised amounts</b>		
Fully paid ordinary shares		
Final dividend in relation to 30 June 2008: fully franked at a 30% tax rate	1.0	545

On 26 August 2010, the Directors declared that there will be no fully franked final dividend paid in respect of the financial year 2010.

	Parent \$000	
	2010	2009
Adjusted franking account balance	472	481
Impact on franking account balance of dividends not recognised	-	-

## 6 Notes to the statement of cash flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of Cash Flows, 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated \$000	
	2010	2009
Cash	34	762
Overdraft	(1,400)	(1,433)
	<u>(1,366)</u>	<u>(671)</u>

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

Profit for the year	3,357	1,320
Depreciation	1,004	453
Movement in provision for employee entitlements	192	(154)
Write off of inventory	-	2
(Gain) / loss on disposal of assets	(13)	15
Foreign currency revaluation	8	(151)
Unrealised fair value mark-to-market of derivative financial instruments	-	706
Fair value interest recognised regarding Leeton facility	172	-
Share based payments	127	127
Interest received	(16)	(10)
Interest capitalised	(479)	(322)
Non cash interest expensed	-	252
(Gain) / Loss in jointly controlled entity	(1,308)	(212)

### Changes in Assets and Liabilities

Decrease in receivables	857	1,546
(Increase) / Decrease in inventory	(168)	735
Decrease / (Increase) in other assets	41	(349)
(Increase) / Decrease in deferred tax assets	(75)	100
Decrease in accounts payable	(730)	(606)
Decrease in provision for income tax	(227)	(119)
Increase / (Decrease) in provision for deferred income tax	29	15
Net cash from operating activities	<u>2,771</u>	<u>3,348</u>



(c) **Non-cash financing and investing activities**

During the current financial year, the Group acquired \$49,000 (2009: \$nil) of motor vehicles under finance leases. These acquisitions will be reflected in the statement of Cash Flows over the term of the finance lease via lease repayments.

(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.

	<b>Consolidated</b>	
	<b>\$000</b>	
	<b>2010</b>	<b>2009</b>
Details of these transaction are:		
Purchase consideration	-	1,000
Incidental costs - Norganic Foods (Australia)	-	62
Cash consideration	-	1,062
Assets and liabilities held at acquisition date:		
Brands (Intellectual property)	-	1,062
	-	1,062
Goodwill on acquisition	-	-
	-	1,062

7 **Contingent liabilities**

	<b>Consolidated</b>	
	<b>\$000</b>	
	<b>2010</b>	<b>2009</b>
Bank guarantee arising from rental of office premises. No liability is expected to accrue.	14	17

8 **Parent entity disclosures**

(a) **Financial position**

	<b>Parent</b>	
	<b>\$000</b>	<b>\$000</b>
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets	1,845	1,025
Non-current assets	36,201	28,935
<b>Total assets</b>	<b>38,046</b>	<b>29,960</b>
<b>Liabilities</b>		
Current liabilities	410	377
Non-current liabilities	203	134
<b>Total liabilities</b>	<b>613</b>	<b>511</b>
<b>Net Assets</b>	<b>37,433</b>	<b>29,449</b>
<b>Equity</b>		
Issued capital	33,637	27,019
Reserves	445	319
Retained earnings	3,351	2,111
<b>Total equity</b>	<b>37,433</b>	<b>29,449</b>

(b) **Financial performance**

	<b>Parent</b>	
	<b>\$000</b>	<b>\$000</b>
	<b>2010</b>	<b>2009</b>
Profit for the year	1,240	1,731
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>1,240</b>	<b>1,731</b>

(c) **Contingent liabilities of the parent entity**

	<b>Parent</b>	
	<b>\$000</b>	<b>\$000</b>
	<b>2010</b>	<b>2009</b>
Bank guarantee	14	17

(d) Commitments for the acquisition of property, plant and equipment by the parent entity

	Parent	
	\$000	\$000
	2010	2009
<b>Plant and equipment, PV of minimum future lease payments</b>		
Not longer than 1 year	21	68
Longer than 1 year and not longer than 5 years	55	18
Longer than 5 years	-	-

9 Jointly controlled operations and assets

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

Name of venture	Country of incorporation	Principal activity	Output interest	
			%	
			2010	2009
CBPA	Australia	Contract beverage packing services	50	50
A2DP	Australia	Sale of a2 milk	50	50

In May 2009, the group increased its shareholding ownership in A2DPA from 1% to 50%.

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

	CBPA		A2DP	
	\$000		\$000	
	2010	2009	2010	2009
Balance at 1 July	676	601	2,859	913
Share of profits/(losses) for the year	476	75	832	137
	1,152	676	3,691	1,050
Dividends	-	-	-	-
Additions (i) (ii)	-	-	450	1,809
Balance at 30 June	1,152	676	4,141	2,859

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

(ii) The Group converted accrued interest on convertible notes of \$250,000 and a related party loan of \$200,000 to ordinary shares at par value on July 2009.

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

	CBPA		A2DP	
	\$000		\$000	
	2010	2009	2010	2009
Current assets	5,419	4,205	3,506	2,829
Non current assets	4,819	4,600	770	645
Total assets	10,238	8,805	4,276	3,474
Current liabilities	4,651	4,369	1,353	929
Non current liabilities	4,909	4,232	644	1,540
Total Liabilities	9,560	8,601	1,997	2,469
Net assets	678	204	2,279	1,005
Shareholder funds	678	204	2,279	1,005
Revenue	14,379	11,452	13,010	1,942
Profit / (loss) after income tax	476	75	832	137

## 10 Financing Facilities

As at 30 June 2010, the consolidated entity had an excess of current liabilities over current assets amounting to \$1,503,000. This excess resulted from the financing facilities with the principal financier maturing in October 2010 and as a result, such associated liabilities being classified as current as at 30 June 2010.

The directors expect that an unconditional offer of a new financing facility will be received in the near future and that the quantum and terms and conditions of the new financing facility will be sufficient to support the existing business. The expected new financing facility together with the projected cash flow forecasts, provide the directors with reasonable expectation that the company and the consolidated entity will have sufficient financial accommodation to enable the payment of their debts as and when they fall due for a period of at least 12 months from the date of signing the financial statements.

However, in the event that a new financing facility is not completed, significant uncertainty would exist as to the ability of the company and the consolidated entity to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts as stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.