



Freedom Foods Group Limited

Offer Information Statement

for a non-renounceable pro-rata entitlement offer for convertible redeemable preference shares

16 November 2010

This Offer closes at 5.00pm (Sydney time) on Thursday 9 December 2010.

This document is an important document that requires your immediate attention. It should be read in its entirety. If after reading this document you have any questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

Important Information

This Offer Information Statement (**Information Statement**) is NOT A PROSPECTUS and has a lower level of disclosure requirements than a prospectus. This Information Statement is an offer information statement under s 709(4) of the Corporations Act. A copy of this Information Statement dated 16 2010 was lodged with the Australian Securities and Investments Commission (**ASIC**) on 16 November 2010. The Expiry Date of this Information Statement is 13 months after the date of this Information Statement. ASIC takes no responsibility for the contents of this Information Statement.

This Information Statement sets out all information that, in the opinion of the Directors, is likely to be material to the decision of an Eligible Shareholder whether or not to acquire CRPS. The terms of the Offer are set out in Schedule 1 of this Information Statement.

You should read this Information Statement carefully and in its entirety before deciding whether to invest in CRPS. Eligible Shareholders who access this Information Statement on FNP's website should ensure they download and read the entire Information Statement. In particular, you should consider the risk disclosure outlined at section 7 which could affect the operating and financial performance of FNP or the value of an investment in CRPS.

You should consult your accountant, financial advisor or other professional adviser to evaluate whether or not to participate in the Offer.

Before deciding whether to apply for CRPS, you should consider whether CRPS are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits and risks involved. If, after reading the Information Statement, you have any questions about the Offer, you should contact your accountant, financial or other professional adviser.

The taxation consequences of any investment in CRPS will depend on the investor's particular circumstances. It is the responsibility of Eligible Shareholders to make their own enquiries concerning the taxation consequences of an investment in CRPS. If you are in doubt as to the course you should follow, you should seek professional advice from your accountant, financial adviser or other professional adviser. For further information in relation to the tax treatment of your investment, you should seek professional advice.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Information Statement which is not contained in this Information Statement. Any information or representation not so contained may not be relied upon as having been authorised by FNP in connection with the Offer. Except as required by law and only to the extent so required, neither FNP nor any other person warrants the future performance of FNP or any return on any investment made pursuant to this Information Statement.

Offers outside Australia and New Zealand

This Offer is available to Australian and New Zealand residents located in Australia or New Zealand respectively. The distribution of this Information Statement in jurisdictions outside of Australia and New Zealand may be restricted by law. Persons who obtain this Information Statement in jurisdictions outside of Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Information Statement does not constitute an offer or an invitation in any place outside of Australia or New Zealand where, or any person to whom, it would be unlawful to make such an offer or invitation.

This Information Statement will be generally available during the Exposure Period on request.

Exposure Period

The Corporations Act prohibits FNP from processing applications in the seven (7) day period after the date the Information Statement is lodged with ASIC. The period is known as the Exposure Period. This Exposure Period may be extended by the ASIC by up to seven (7) days. The purpose of the Exposure Period is to enable this Information Statement to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period.

Applications for CRPS received during the Exposure Period will not be accepted until the Exposure Period has expired and no preference will be given to persons who lodge their Application Forms during the Exposure Period. The Board of FNP reserves the right to close the offer early, or extend the offer, without prior notice, up to the date of expiry of this Information Statement. No CRPS will be issued on the basis of this Information Statement later than 13 months after the date of this Information Statement.

IMPORTANT INFORMATION FOR NEW ZEALAND INVESTORS

General

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008.

This Offer and the contents of this Information Statement are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Currency

This Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Certain words and terms used in this Information Statement have defined meaning, which are described in the Glossary of this Information Statement.

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1 Chairman's letter

Dear Shareholder

Freedom Foods Group Limited Equity Raising – Offer

On behalf of Freedom Foods Group Limited (**FFNP**), I am pleased to invite you to participate in a 1-for-3.2 non-renounceable pro-rata entitlement offer of convertible redeemable preference shares (**CRPS**) at an offer price of \$0.30 per CRPS (the **Offer**).

It is FFNP's intention to raise up to approximately \$7.2 million through the Offer.

Shareholders who subscribe for CRPS will be entitled to participate in the non-renounceable pro-rata entitlement offer of options for shares in FFNP for no upfront consideration with an exercise price of \$0.40, pursuant to a prospectus lodged with ASIC on 16 November 2010.

This Information Statement and the prospectus lodged with ASIC on 16 November 2010 will be available on the FFNP website at www.ffnpl.com.au.

The proceeds of the Offer will be used to fund working capital for the Freedom Foods business and to provide balance sheet flexibility for other growth initiatives including potential additional investment in A2 Corporation Limited, in which FFNP holds a strategic shareholding.

The Offer is not underwritten, which means that there is no guarantee that any proceeds will be raised, however, the major shareholder in FFNP, Arrovest Pty Limited, has indicated that it intends to subscribe for its full entitlement pursuant to the Offer.

This Information Statement contains important information including:

- Key Dates for the Offer;
- Description of FFNP's business;
- Instructions on "How to Apply" setting out how to accept all or part of your entitlement or apply for Additional CRPS in the Offer if you choose to do so;
- Risks associated with investing in CRPS; and
- Terms of the CRPS.

The Offer closes at 5.00pm on Thursday 9 December 2010.

This Information Statement is also accompanied by a personalised Entitlement and Acceptance Form which details your entitlement.

To participate, you need to ensure that your completed personalised Entitlement and Acceptance Form, together with your application monies, OR your application monies paid via BPAY[®], is received by FFNP before this time, according to the instructions that are set out on the personalised Entitlement and Acceptance Form. Please refer to the instructions on "How to Apply" that accompany this letter for further information.

Shareholders with registered addresses outside Australia and New Zealand are not eligible to participate in the Offer.

For Eligible Shareholders, it is important to note that your entitlement is non-renounceable and will not be tradeable on the ASX or otherwise transferable. This means that shareholders who do not take up their entitlement in full will not receive any value in respect of those entitlements they do not take up. Eligible Shareholders are able to apply for more CRPS than their entitlement.

You should read this Information Statement carefully and consult your accountant, financial advisor or other professional adviser to evaluate whether or not to participate in the Offer.

On behalf of the management team and the Board of FNP, I invite you to consider this investment opportunity and, as always, thank you for your ongoing support of our company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Perry Gunner', with a long horizontal line extending to the right.

Perry Gunner
Non Executive Chairman

2 Key dates for the Offer

Event	Date
Information Statement lodged with ASIC	16 November 2010
Offer commences	16 November 2010
“Ex” date	18 November 2010
End of standard Exposure Period	23 November 2010
Record Date	24 November 2010
Offer Closes	9 December 2010
Despatch of certificates and confirmation notices	17 December 2010

Note: Dates and times are indicative only and subject to change. All times and dates refer to Sydney time.

Applicants are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Offer opens. FNP reserves the right, subject to the *Corporations Act 2001* (Cth) (the **Corporations Act**), ASX Listing Rules and other applicable laws to vary the dates of the Offer, including extending the Offer or accepting late applications, either generally or in particular cases, without notice.

3 CRPS Summary

Set out below is a summary of the key terms and conditions of the CRPS. This information is a summary only, and should be read carefully in conjunction with the other information contained in this Information Statement, including the full terms of issue set out in Schedule 1. If you are uncertain if the CRPS are a suitable investment for you, you should consult your accountant, financial advisor or other professional advisor.

Issuer	Freedom Foods Group Limited
Class	Convertible redeemable preference shares (CRPS).
Issue Size	24,198,557 CRPS
CRPS Issue Price	\$0.30 cents per CRPS
CRPS Listing	Unlisted
Maturity Date of CRPS	Perpetual with no maturity, but redeemable after 3 years at the option of FNP.
Transferability	The CRPS are transferable.
Dividend Rate	The dividend rate is 9.0% p.a on the issue price of \$0.30. It is a preferred, discretionary and non cumulative dividend and CRPS holders have no claim or entitlement in respect of a non payment. Dividends are to be payable half-yearly in arrears. CRPS holders who convert their CRPS prior to a dividend payment date will not be entitled to any dividend for that part period in respect of that CRPS. However upon conversion to ordinary shares a holder who is on the register on the record date for a dividend payable in respect of ordinary shares will be entitled to the full ordinary dividend for that period.
Franking	The Dividend Rate assumes full franking up to the corporate tax rate. If the dividend is unfranked or partially franked, the dividend will be increased to compensate for the unfranked amount.
Ranking	Dividends on the CRPS will be payable in April and October each year until converted or redeemed. CRPS holders are entitled to receive dividends in priority to holders of ordinary shares and equally with the holders of other CRPS that may be issued by FNP on these terms. FNP may not pay any dividend on ordinary shares in any 6 month period unless and until the preferred dividend for that period is paid in full on the CRPS.
Conversion	CRPS are convertible into fully paid ordinary shares in FNP on the basis that each CRPS is convertible at the election of the CRPS holder into one ordinary share, subject to any restrictions imposed by the Corporations Act and ASX Listing Rules. There

is no time limit within which CRPS must be converted. No additional consideration is payable on conversion.

Notwithstanding the right of holders of CRPS to convert at any time, all CRPS will convert into ordinary shares automatically on the occurrence of certain trigger events including certain transactions involving a change in control of FNP, such as a takeover of FNP or a scheme or merger between FNP and another body.

Voting Rights

No CRPS carries any voting rights except as follows:

- a right to vote while a dividend (or part of a dividend) in respect of the CRPS is unpaid;
- a right to vote on a proposal to reduce FNP's share capital;
- a right to vote on a resolution that will approve the terms of a share buy back agreement;
- a right to vote on a proposal that affects the rights attached to the issue of CRPS;
- a right to vote on a proposal to winding up FNP;
- a right to vote on a proposal for the disposal of the whole of FNP's property, business and undertaking;
- a right to vote during FNP's wind up;
- a right to vote as may be required by the Corporations Act; and
- while FNP is listed on ASX, a right to vote in any other circumstance in which the ASX listing rules require holders of preference shares to be entitled to vote.

Redemption

From the date that is 3 years from the date of issue of the CRPS, FNP may redeem the CRPS at its option for the payment per CRPS of the higher of:

- the issue price of \$0.30; and
- an amount determined by the Board of FNP with reference to the value of a CRPS as determined by an independent expert appointed by the Board.

Participation

Prior to conversion of the CRPS, CRPS holders do not have a right to participate in issues of securities to, or capital reconstructions affecting, holders of ordinary shares and unless the directors otherwise determine in their discretion, no right to an adjustment to the conversion ratio of CRPS.

4 FNP business overview

FNP is a diversified food company operating in the Health and Wellness Sector. Its portfolio of wholly owned businesses and business investments has consumer brands with leading or growing market shares in their categories, including Freedom Foods, a2 milk™, Australia's Own, Paramount and Brunswick.

FNP's brands and products are positioned in the "free from" market segments comprising food and beverage products manufactured to be free from key allergens such as gluten, wheat, nuts, dairy and in the case of a2 milk™, A1 protein, while also maintaining a superior nutritional profile.

The market for "free from" products continues to expand in Australia and internationally reflecting the rising prevalence of food allergies and intolerances and the increasing consumer demand for health conscious products that eliminate potentially unhealthy ingredients.

The ability to meet growing demand for "free from" food and beverages has been limited by the requirement for strict manufacturing and quality control and a lack of available quality manufacturing capacity. To meet this demand, FNP acquired a 14,000sqm food grade manufacturing site at Leeton in regional NSW in 2008 and has substantially completed a major capital expenditure project to enable production of cereals, snacks and baked products.

FNP management believes the investment positions Freedom Foods, a wholly owned business of FNP, for growth opportunities domestically and internationally. In particular, the investment is expected to increase vertical integration in production processes, eliminate the majority of 3rd party suppliers, improve product margins, develop new products and open up new distribution channels in Australia and potentially also in international markets such as Asia, North America and in Europe.

FNP's recent investment in the A2 Dairy Products Australia joint venture has delivered strong growth in sales and profitability during the last twelve months, reflecting increasing awareness of the potential health benefits of consuming a2 milk™ in a balanced diet and improved shelf presence and availability. FNP management believes the business has further growth opportunities through ongoing communication of the product benefits to both consumers and health professionals and on extending into additional product categories beyond drinking milk such as Infant Formula. FNP recently sold its 50% shareholding in A2 Dairy Products to A2 Corporation Limited in which FNP now holds a strategic 25% equity shareholding. FNP has nominated 2 directors to the board of A2 Corporation and Geoffrey Babidge has assumed the role of Managing Director and CEO of A2 Corporation.

In the year ended 30 June 2010, FNP including 100% of its JV associates generated gross sales revenues of \$112.9m. Since 2002 when FNP operated solely in the Soy & Rice beverages market with annual sales revenue of approximately \$22m, FNP has consistently improved its operating performance. This has been achieved in an environment of limited capital investment.

5 Company management

5.1 Board of Directors

The names and particulars of the Directors of the Company are:

Mr Perry.R.Gunner

Chairman (Non-Executive)

B.Ag.Sc - is former Chairman and CEO of Orlando Wyndham Wine Group. Also current Deputy Chairman of Viterra Inc 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.

Mr Geoffrey.H.Babidge

Executive Director

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

Mr Rory.J.F.Macleod

Executive Director, Chief Financial Officer, Company Secretary

B.Econ (Hons) - has for the past 7 years been responsible for strategy, corporate development and finance. 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.

Mr Anthony.M.Perich

Director (Non-Executive)

Member of the Order of Australia - 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, 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.

Mr Ronald Perich

Director (Non-Executive)

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, 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.

Mr Melvyn Miles

Director (Non-Executive)

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.

Mr Michael R. Perich

Alternate Director (Non-Executive)

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.

6 Details of the Offer

6.1 Offer timetable

See section 2 for key dates of the Offer timetable.

6.2 Offer structure

The Offer is non-renounceable meaning that Entitlements cannot be traded on the ASX nor otherwise transferred. This means that FNP shareholders who do not take up their Entitlement to participate in the Offer will not receive any value for those Entitlements and their equity interest in FNP will be diluted at the point in time when CRPS holders convert their CRPS to Shares.

(a) Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7.00pm on Wednesday 24 November 2010 (**Record Date**);
- have a registered address in Australia or New Zealand;
- are not in the United States or US Persons or acting for the account or benefit of such persons; and
- are eligible under all applicable securities laws to receive an offer under the Offer.

The Offer is not being extended to any shareholder outside Australia and New Zealand.

(b) Entitlements

Each Eligible Shareholder is entitled to subscribe for 1 CRPS for every 3.2 existing Shares held on the Record Date.

Eligible Shareholders may also apply for additional CRPS as set out below.

(c) Additional CRPS

CRPS equal in number to those not taken up by Eligible Shareholders will be offered for subscription to Eligible Shareholders who have indicated that they wish to apply for CRPS in excess of their Entitlement (**Additional CRPS**).

If the number of Additional CRPS applied for exceeds the number of available Additional CRPS, any Additional CRPS will be issued pro rata based on the number of Additional CRPS applied for/the number of shares held on the Record Date and will be limited to the extent that there are sufficient CRPS from Eligible Shareholders who do not take up their full Entitlements or from CRPS that would have been offered to ineligible shareholders if they had been entitled to participate in the Offer. FNP may apply any scale-back in its absolute discretion.

FNP reserves the right to issue any CRPS not taken up under this Offer within three months after the close of the Offer to such persons as FNP determines in its absolute discretion. If any such CRPS are issued, they will be issued at not less than the Offer Price.

(d) Opening and Closing Dates

The Offer opens on 16 November 2010. Eligible Shareholders can choose to take up or not take up all or part of their Entitlements. Entitlement and Acceptance Forms and application monies, or BPAY® payments, must be received by FNP by no later than 5.00pm (Sydney time) Thursday 9 December 2010. Refer to section 8.2 for further details on how to apply for CRPS.

(e) Use of proceeds

The proceeds of the Offer will be used to fund working capital for the Freedom Foods business and to provide balance sheet flexibility for other growth initiatives, including potential additional investment in A2 Corporation Limited, in which FNP holds a 25% strategic shareholding.

(f) Effect of the Offer on control of FNP

The potential effect of the Offer on the control of FNP and the consequences of that effect are dependent on a number of factors, including whether or not the major shareholders take up their Entitlements, the demand from other shareholders and conversion of the CRPS.

Arrovest Pty Limited (**Arrovest**) and Telunapa Pty Ltd (**Telunapa**) (together, **Major Shareholders**) have voting power of 66.1% and 16.8% respectively. Therefore, the potential effect of the issue of CRPS (assuming those CRPS are converted) on the control of FNP is illustrated below:

If the offer is fully subscribed by shareholders and all CRPS holders convert all their CRPS to Shares.	No effect on control.
If none of the rights offered are subscribed for other than by the Major Shareholders and their associates and the Major Shareholders and their associates convert all their CRPS to Shares. Or if CRPS are fully subscribed for but only the Major Shareholders and their associates convert all their CRPS to Shares.	Arrovest's voting power would increase from 66.1% to 68.9% Telunapa's voting power would increase from 16.8% to 17.5% The voting power of minority shareholders would be reduced from 17.1% to 13.6%

A potential increase in voting power of each of the Major Shareholders and their associates discussed above was approved by FNP shareholders at the general meeting held on 28 October 2010.

(g) Overseas Shareholders

The Offer is not being made to shareholders with registered addresses outside Australia and New Zealand. FNP has determined that it would be unreasonable to make the Offer to shareholders in jurisdictions outside Australia and New Zealand having regard to the number of such shareholders, the number and value of the CRPS that would otherwise be offered and the costs in complying with the legal and regulatory requirements of those jurisdictions. No action has been taken to comply with legal and regulatory requirements of jurisdictions outside Australian and New Zealand to permit the Offer to be made in any jurisdiction outside Australia and New Zealand.

7 Risk factors

7.1 Introduction

A number of risks and uncertainties, which are both specific to FNP and of a more general nature, may affect the future operating and financial performance of FNP and the value of CRPS. You should carefully consider the following risk factors, as well as the other information provided by FNP in connection with the Offer, and consult your financial and legal advisers before deciding whether to invest. The risks and uncertainties described below are not the only ones facing FNP. Additional risks and uncertainties that FNP is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect FNP's operating and financial performance.

7.2 Specific risks that affect FNP

Investors should be aware of the risks associated with an investment in FNP. The following list of risks is not intended to be exhaustive. In particular, prospective investors should consider the following:

(a) Competition

FNP and its associate entities operate in a competitive market environment. There can be no guarantees that the competitive environment in which FNP and its associate entities currently operate will remain the same. New entrants, a material adverse change to the competitive environment or new initiatives implemented by competitors may have a material impact on the operating and financial performance of FNP and its associate entities.

(b) Consumer preferences and perceptions

FNP and its associate entities' business may be affected by changes in consumer tastes, international, national, regional and local economic conditions and demographic trends. There could be a material adverse impact on the operating and financial performance of FNP and its associate entities if health or dietary preferences cause consumers to avoid FNP and its associate entities' products in favour of alternative products.

(c) De ranging of a significant number of product lines by a major customer

The FNP business units have strong relationships with major retail customers that make it unlikely that they will be delisted entirely as a supplier. While each of the businesses brands have established a major segment position that is being actively supported by their retailer customers, there is a risk that certain of the product lines may be delisted due to retailer strategy, competitive pressure or perceived underperformance. The business has an active process of reviewing and upgrading product lines to assist their competitive position.

(d) Intellectual property

FNP and its associate entities maintain trade mark registrations in more than four jurisdictions around the world, which provide the legal underpinning for FNP and its associate entities' brands. FNP and its associate entities' trademarks and other intellectual property rights including rights to patents by A2 Corporation (25% equity associate) in relation to the marketing and distribution of A2 milk are important to FNP and its associate entities' ongoing success and competitive position. If the actions taken to establish and protect FNP and its associate entities' trademarks and other intellectual property rights are not adequate to prevent product imitation or to prevent others from seeking to block sales of FNP and its associate entities' products, it may be necessary for FNP and its associate entities to initiate or enter into litigation in the future to enforce FNP and its associate entities' trade mark rights or to defend against claims of infringement. Any legal proceedings could result in an adverse determination, which may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(e) Reputation and brand names

The success of FNP and its associate entities is highly reliant on its reputation and branding. Any factors or unforeseen issues or events that diminish FNP and its associate entities' reputation or brand names may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(f) New products and innovations

Some of the new products or brands which FNP and its associate entities intend to launch and upon which FNP proposes to develop its business, may not be successful. This may have a material adverse impact on the operating and financial performance of FNP and its associate entities. There is also a risk that certain new products that FNP and its associate entities intend to introduce will be competitively inferior to similar products manufactured and sold by competitors. In addition, these may be technological or product innovations in the future which may impact on the perceived benefits of FNP and its associate entities' products which may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(g) Production

FNP and its associate entities' primary manufacturing sites are at Leeton in regional NSW and in Taren Point, Sydney, NSW. Production at the Leeton plant will account for approximately 90% of the total manufacturing of FNP's non beverage products by March 2011. There is a risk that either manufacturing site may not be able to maintain required production levels or may be shut down entirely or in part due to natural disaster, industrial action, contamination, an industrial accident, fire, a serious power failure or explosion. If this occurred, there is a risk that production could not be sourced from an alternative manufacturer, or the sourced product may not meet FNP's required standards. This could mean that FNP and its associate entities are not able to supply their customers or supply the required amounts. It could also mean FNP and its associate entities may have quality control difficulties or may incur damage to FNP's reputation or brand names. Any or all of these matters may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(h) Company's growth strategies may not achieve their objectives

FNP has identified a number of growth strategies to continue to drive margin improvements and sales growth. There is a risk that the implementation of FNP's growth strategies could be subject to delays or cost overruns and there is no guarantee that these initiatives and strategies will generate the full benefits anticipated or result in sales growth. Any delay in implementation, failure to successfully implement, or unintended consequences or implementing any or all of FNP's turnaround initiatives and growth strategies may have an adverse effect on FNP's future financial performance.

(i) Relationships with suppliers

FNP and its associate entities have a number of important arrangements with key suppliers, including co manufacturers for supply of seafood, certain Freedom Foods products not able to be produced at Leeton and A2 dairy milk. If FNP and its associate entities' relationships with any of these suppliers deteriorates or the supplier ceases trading for any reason and FNP and its associate entities' inventory is depleted, FNP and its associate entities may not be able to source alternative products or raw materials immediately or only on less favourable terms. Any event that results in FNP and its associate entities incurring higher costs from suppliers that cannot be passed on to the consumer may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(j) Finished goods and raw material price changes

While a number of the finished goods and raw materials purchases by FNP are subject to continual price movement, FNP purchases these items on forward contracts, which typically provide cover

for periods between 3 and 6 months ahead depending on the nature of the product. These periods may not provide management and the business adequate time to pass price increases on to the customer through retail pricing or re shape the product to maintain margins.

(k) Product liability and compliance

FNP and its associate entities have procedures and policies in place to ensure compliance with the Australian and New Zealand Food Standards and to ensure FNP's products are free from contamination. Contamination, or an extortion threat on the basis of an alleged or actual contamination, of one of FNP and its associate entities' products, may lead to business interruption, product recalls or liabilities to consumers. While FNP maintains insurance cover with respect to a certain number of these risks, FNP and its associate entities may not be able to enforce its rights in respect of these policies. If FNP and its associate entities do recover an amount under their insurance policies for loss suffered, it may not be sufficient to offset any damage to the financial condition, reputation or prospects of FNP and its associate entities caused by the contamination or extortion threat. Product contamination or an extortion threat may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

Failure to comply with Australian and New Zealand Food Standards or other laws and regulations governing the manufacturing and sale of food could result in revocation of licences or registrations FNP and its associate entities require in order to conduct their business. This may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(l) Insurance

FNP and its associate entities have in place insurance which it considers appropriate to its circumstances. However, not all material risks associates with FNP and its associated entities' business have been insured, as the relevant insurance may not be available or on terms which the Directors consider appropriate. In addition, no assurance can be given that FNP and its associate entities' insurance will be available in the future on reasonable terms or will provide adequate coverage against claims made. If FNP and its associate entities incur uninsured losses or liabilities, this may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(m) Environment

FNP and its associate entities' operations are subject to environmental laws and regulations. FNP and its associate entities could incur material costs in order to comply with those laws and regulations, or as a consequence of a breach of those laws and regulations. Such costs could arise due to the historic operations and activities of others conducted on a site owned or operated by FNP and its associate entities. Those costs may have a material adverse impact on the operating and financial performance of FNP and its associate entities. In addition, changes to environmental laws and regulations may have a material adverse impact on the operating and financial performance of FNP and its associate entities.

(n) Banking Facilities

There are certain conditions attaching to FNP's existing bank facility which will determine the extent of the facility available to FNP. If those conditions are not met, FNP may not have available funds sufficient to enable it to conduct business in the manner envisaged. FNP has established bank facilities comprising term facilities and multi option facilities inclusive of bank overdraft facilities, secured by first registered mortgage over all the groups' property, excluding items discharged under an equipment finance arrangement with NAB. The multi option and bank overdraft facilities are subject to annual review including compliance with covenants.

(o) Management

In common with many businesses, the success of FNP, will, to a significant extent, be dependent on the expertise and experience of the executive directors and other senior management, the loss of one or more of whom could have a material adverse effect on FNP. Whilst FNP has entered into service agreements with the Executive Directors and they are shareholders, the retention of their services cannot be guaranteed.

(p) Taxation implications

Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in FNP securities, or the holding or disposal of those securities. Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which FNP operates, may impact FNP's future tax liabilities.

(q) Credit Risks

Credit market conditions and the operating performance of FNP will affect borrowing costs as well as FNP's capacity to repay, refinance and increase its debt.

7.3 General risks relating to equity investments and markets

Investors should be aware that there are risks associated with any investment listed on the ASX. The value of Shares and therefore CRPS may rise above or fall below the Offer Price, depending on the financial condition and operating performance of FNP. Further, the price at which Shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of FNP and over which FNP and its directors have no control. These external factors include:

- economic conditions in Australia and overseas;
- investor sentiment in the domestic and international stock markets;
- changes in fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism or military conflicts.

Investors should note that the historic share price performance of Shares provides no guidance as to its future share price performance.

(a) Risks relating to an investment in CRPS

Liquidity of CRPS is limited as the CRPS are unlisted and the ability to sell is limited unless the CRPS are converted to Shares.

Dividends on the CRPS are discretionary and non-cumulative and accordingly there is a risk that dividends will not be paid. Therefore, if a dividend is not paid in full for any particular dividend period, the CRPS holder has no claim in respect of a dividend entitlement.

8 Action required by Shareholders

8.1 What you may do

The number of CRPS to which Eligible Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. Eligible Shareholders may:

- take up all of the Entitlement in full;
- take up part of the Entitlement and allow the balance to lapse;
- allow all of the Entitlement to lapse; or
- take up all of the Entitlement and apply for Additional CRPS.

8.2 How to apply for CRPS

(a) Complete and return the accompanying Entitlement and Acceptance Form with your application monies or make a payment by BPAY®

If you decide to take up all or part of your Entitlement, or apply for Additional CRPS, please complete and return the personalised Entitlement and Acceptance Form with the requisite application monies or pay your application monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form.

Your Acceptance Form and your application monies, or your BPAY® payment, must be received by 5.00pm (Sydney time) on Thursday 9 December 2010.

FNP will treat you as applying for as many CRPS as your payment will pay for in full. Amounts received by FNP in excess of your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional CRPS as your Excess Amount will pay for in full.

If you take no action you will not be allocated CRPS and your Entitlement will lapse. Your Entitlement to participate in the Offer is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlement before the close of the Offer you will be allotted your CRPS on or about 17 December 2010. If you apply for Additional CRPS, you will be issued these on or about 17 December 2010. FNP's decision on the number of CRPS to be allocated to you will be final.

FNP reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

By completing an Entitlement and Acceptance Form or paying your application monies through BPAY®, shareholders will be deemed to have made the representations, warranties and agreements set out in the Entitlement and Acceptance Form.

(b) Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and

- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of CRPS which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5.00pm on Thursday 9 December 2010 (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any application monies received for more than your final allocation of CRPS and Additional CRPS will be refunded on or around 17 December 2010. No interest will be paid on any application monies received or refunded.

(c) Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the application monies, payable to "FNP Entitlement Offer" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to \$0.30 multiplied by the number of CRPS and Additional CRPS that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant accounts to cover the application monies as your cheques will be processed on the day of receipt. If the amount of your cheque for application monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of CRPS you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole CRPS as your cleared application monies will pay for (and to have specified that number of CRPS on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any application monies received for more than your final allocation of CRPS and Additional CRPS will be refunded on or around 17 December 2010. No interest will be paid on any application monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

8.3 Mail

To participate in the Offer, your payment must be received no later than the close of the Offer at 5.00pm on Thursday 9 December 2010. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with application monies using the reply paid or self-addressed envelope provided with this Information Statement, or mail to:

FNP CRPS Entitlements Issue
Registries Limited
GPO Box 3993
Sydney, NSW 2001
Australia

9 Additional information

9.1 Consents to be named and consent to the inclusion of information in the Information Statement

The following consents have been given in accordance with Section 716 of the Corporations Act and have not been withdrawn as at the date of lodgement of the Information Statement with ASIC:

Deloitte Touche Tohmatsu has consented to be named in this Information Statement as 'Company Auditors', and to the including of FNP Auditor's Report in the form and context in which that document is included and to any express references to that document in this Information Statement in the form and context in which those references are included. In its capacity as 'Company Auditors', Deloitte Touche Tohmatsu does not make any other statement in this Information Statement nor is any other statement in this Information Statement based upon a statement by Deloitte Touche Tohmatsu.

Arrovest Pty Limited has consented to be named in this Information Statement as a 'Major Shareholder' and to the inclusion of the statement of intention of Arrovest Pty Limited to subscribe for its full entitlement pursuant to the Offer, in the form and context in which that statement is included and to any express references to that statement in this Information Statement in the form and context in which those references are included. In its capacity as 'Major Shareholder', Arrovest Pty Limited does not make any other statement in this Information Statement nor is any other statement in this Information Statement based upon a statement by Arrovest Pty Limited.

9.2 Directors' authorisation

In accordance with Section 720 of the Corporations Act, each Director has consented in writing to:

- (a) the issue of this Information Statement;
- (b) the lodgement of this Information Statement with ASIC; and

has not withdrawn that consent.

9.3 Inspection of documents

Copies of the following documents will be made available for inspection during normal business hours at the registered office of FNP until the Closing Date:

- (a) FNP Constitution;
- (b) this Information Statement; and
- (c) any other documents referred to in the Information Statement.

Copies of this Information Statement will be provided without charge upon request within a reasonable time after a request is received by FNP.

9.4 Privacy notification

The accompanying Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth). FNP collects, holds and uses that personal information in order to access your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested of you in the Entitlement and Acceptance Form, FNP will not be able to process your application for CRPS appropriately.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) FNP.

9.5 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of CRPS.

9.6 Applications cannot be withdrawn

Eligible Shareholders cannot withdraw their application once it has been lodged.

9.7 Future performance and forward looking statements

Neither FNP nor any other person warrants or guarantees the future performance of the CRPS, Additional CRPS or any return on any investment made pursuant to this Information Statement. Forward looking statements, opinions and estimates provided in the Information Statement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of FNP and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Information Statement.

9.8 Governing Law

This Information Statement, the Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for CRPS submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

9.9 Nominees

The Offer is being made to all shareholders on the register of FNP at the Record Date with an address in Australia or New Zealand. FNP is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws. Any person in the United States with a holding through a nominee may not participate in the Offer and the nominee must not send any materials into the United States.

9.10 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this Information Statement.

Any information or representation that is not in this Information Statement may not be relied on as having been authorised by FNP, or its related bodies corporate in connection with the Offer. Except as required by law, and only to the extent so required, neither FNP, nor any other person, warrants or guarantees the future performance of FNP or any return on any investment made pursuant to this Information Statement.

10 Financial information

Section 715(2) of the Corporations Act requires this Information Statement to include a copy of an audited financial report of FNP covering a period of 12 months and having a balance date that occurs within the last six months before the date of this Information Statement. Accordingly, FNP have presented the audited accounts for the 12 month period ending on 30 June 2010. The financial report also includes the comparative figures for the financial year ending on 30 June 2009 as this Information Statement is required to include comparative financial information for FNP's last financial year that ended prior to the 12 month period being reported on.

Please refer to Attachment A of this Information Statement for the financial report.

11 Glossary

Additional CRPS means an additional CRPS issued pursuant to any shortfall in the Offer.

Arrovest means Arrovest Pty Limited.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691.

Board means the board of Directors of FNP from time to time.

Closing Date means 5pm on Thursday 9 December 2010.

CRPS means a convertible redeemable preference share issued under this Offer.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means a director of FNP from time to time.

Eligible Shareholder means a holder of Shares who:

- (a) has a registered address in Australia or New Zealand;
- (b) is eligible under all applicable securities laws to receive an offer under the Offer.
- (c) is not in the United States or a US Person or acting for the account or benefit of such persons; and
- (d) is registered as a holder of Shares as at the Record Date.

Entitlement and Acceptance Form means the form accompanying this Information Statement and which details the entitlement of Eligible Shareholders.

Entitlement means the opportunity to subscribe for 1 CRPS for every 3.2 Shares held as at the Record Date.

Excess Amount means the opportunity to subscribe in excess of the Entitlement.

Expiry Date means the third anniversary of the Issue Date.

Exposure Period as defined in section 727(3) of the Corporations Act.

FNP means Freedom Foods Group Limited ABN 41 002 814 235.

Information Statement means this Offer Information Statement dated 16 November 2010.

Issue Date means the date on which the CRPS are issued under this Offer.

Issue Price means the price payable for each of the CRPS under this Offer, being \$0.30.

Listing Rules means the listing rules of the ASX.

Offer means the 1-for-3.2 non-renounceable pro-rata entitlement offer of CRPS, on the terms and conditions set out in this Information Statement.

Offer Price means the price of \$0.30 offered per CRPS pursuant to the Offer.

Record Date means 7.00pm on Wednesday 24 November 2010.

Regulations means the Corporations Regulations 2001.

Share means an FNP ordinary share.

Shareholder means a holder of Shares.

Telunapa means Telunapa Pty Ltd.

Schedule 1 — Terms of CRPS

Note: Defined terms used in this Appendix are set out in clause 10 below.

1 Description

These are the terms of issue on which the Company will issue a number of \$0.30 convertible redeemable preference shares (**CRPS**) paying non-cumulative dividends.

The issue price and face value of each CRPS will be \$0.30 (**Issue Price**).

2 Dividends

2.1 Dividends

- (a) Subject to these terms the holder of each CRPS is entitled to a Dividend in respect of each Dividend Period (**Dividend Entitlement**) calculated in accordance with the following formula:

Dividend Entitlement =

$$\frac{\text{Dividend Rate} \times \text{Issue Price} \times N}{365}$$

Where:

N is the number of days in that Dividend Period; and

Dividend Rate is 9%.

- (b) If any Dividend is not franked to 100% under Part IIIA of the Tax Act (or any provisions that revise or replace that Part), the amount of the Dividend will be grossed up in accordance with the following formula:

Grossed up Dividend =

$$\frac{D}{1 - [T_i \times (1 - f)]}$$

where:

D is the Dividend;

T_i is the Australian corporate tax rate applicable at that time to the franking account of the Company from which

that Dividend will be franked, expressed as a decimal; and

f is the Franking Rate applicable to that Dividend.

2.2 Payment of Dividend

The payment of a Dividend is subject to:

- (a) the Directors, at their discretion, declaring the Dividend to be payable or otherwise resolving to pay the Dividend; and
- (b) there being no impediment under the Corporations Act to the Company paying the Dividend.

2.3 Non-Cumulative Dividends

The entitlement of a holder of CRPS to the payment of a Dividend is non cumulative so that if, because of the provisions of clause 2.2, a Dividend is not paid in respect of a Dividend Period or the Dividend paid in respect of a Dividend Period is less than the Dividend Entitlement for that Dividend Period, the holder has no claim in respect of that Dividend Entitlement, or the balance of that Dividend Entitlement.

2.4 Calculation of Dividends

All calculations of Dividends will be to four decimal places. For the purposes of making any Dividend payment in respect of a holder's aggregate CRPS, any fraction of a cent will be disregarded.

2.5 Dividend Payment

Subject to this clause 2, Dividends in respect of a Dividend Period will be payable on CRPS in arrears on:

- (a) a date to be declared by the Company each April and October until the CRPS are converted; and
- (b) the date of redemption determined under clause 4.

2.6 Withholding Obligations

The Company will be entitled to deduct from any Dividend payable to a holder the amount of any withholding or other tax, duty or levy required by

law to be deducted from it. Where any such deduction is made:

- (a) the Company will pay the amount required to be deducted to the relevant revenue or collection authority within the time allowed for such payment;
- (b) the holder will be paid the balance of the Dividend after allowance for the payment referred to in paragraph (a) above; and
- (c) upon compliance by the Company with paragraphs (a) and (b) above, the holder will be deemed to have been duly paid the Dividend by the Company.

2.7 Record dates

- (a) A Dividend is only payable to those persons registered as holders of CRPS at the record date for CRPS holders in respect of each relevant Dividend, or in the case of a dividend payable under clause 2.5(b), to those holders who have given notice to the Company to convert those CRPS or to those holders of CRPS whose CRPS the Company has elected to redeem or repurchase, as applicable.
- (b) For the avoidance of doubt, a Shortfall Dividend is only payable to those persons registered as holders of CRPS at the record date in respect of the Shortfall Dividend.

3 Conversion

3.1 Meaning of Conversion

A CRPS confers all of the rights attaching to one fully paid Ordinary Share, subject to any adjustment calculated in accordance with clause 3.6, but these rights do not take effect until 5.00 pm Sydney time on the date of conversion determined below. At that time:

- (a) all other rights or restrictions conferred on that CRPS under the terms of issue will no longer have effect (except for rights relating to a Dividend which is due but has not been paid on or before the date of conversion which will subsist); and
- (b) that converted CRPS will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a share so ranking.

The taking effect of the rights of CRPS under this clause is, for the purposes of these terms of issue, termed “conversion”. Conversion does not constitute cancellation, redemption or termination of a CRPS or an issue, allotment or creation of a new share.

3.2 Conversion by the holder

Holders of CRPS may require the Company to convert all or some of their CRPS on 14 days’ written notice to the Company.

3.3 Trigger Event Conversion

- (a) If a Trigger Event occurs, all CRPS on issue will convert on the last Business Day of the week following the week in which the Trigger Event is announced on ASX.
- (b) **A Trigger Event** means the occurrence of either of the following events:
 - (i) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional; and
 - (A) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (B) the Directors issue a statement recommending acceptance of the offer; or
 - (ii) the Company lodges with ASIC a draft explanatory statement for a scheme of arrangement that the Company proposes to enter into under Part 5.1 of the Corporations Act which, if approved and implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented, and either the Company releases to the market an opinion from an independent expert that the proposed scheme is fair and reasonable or the scheme is approved by the court.
- (c) Where a Trigger Event occurs the Company must announce the occurrence of that event to the market in accordance with the ASX Listing Rules.

3.4 Conversion notices

- (a) A notice given by a CRPS holder under clause 3.2 is irrevocable.
- (b) A notice given by a CRPS holder under clause 3.2 must be accompanied by evidence of title reasonably acceptable to the Company for the CRPS being converted and is not taken to be a valid notice unless and until such evidence is received by the Company.
- (c) A form of notice which may be used by CRPS holders under clause 3.2 must be made available by the Company upon request.
- (d) A notice is taken to be issued for the purposes of this clause 3.4 when it is mailed in a prepaid envelope to an address, or sent to a fax number or electronic address, permitted by the Company's constitution, irrespective of when it is actually received by the Company.

3.5 Conversion

Each CRPS will on the relevant date of conversion convert into one Ordinary Share, subject to any adjustment calculated in accordance with clause 3.6.

3.6 Adjustments for bonus issues

- (a) Subject to paragraph (b) below, if the Company makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, and the Board determines in its discretion that holders of CRPS should be able to participate in the pro rata bonus issue, the number of ordinary shares into which each CRPS will convert will be adjusted in accordance with the following formula:

$$CN = \frac{RD + RN}{RD}$$

Where:

CN means the adjusted Conversion Number for each CRPS;

RN means the number of Ordinary Shares issued pursuant to the bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of

new Ordinary Shares pursuant to the bonus issue.

- (b) Paragraph (a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan or a dividend reinvestment plan.

3.7 Adjustment for capital reconstruction

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is dealt with under clause 3.6) into a lesser or greater number of securities, the CRPS must, in accordance with the ASX Listing Rules (as they apply to the Company), be reconstructed, consolidated, divided or reclassified by the Directors on the same basis and the Issue Price (for the purpose of calculating the Dividends on the CRPS) shall be adjusted by the Directors as appropriate.

3.8 Discretion in adjustment of conversion mechanism

Where:

- (a) any of the adjustment provisions set out in clauses 3.6 to 3.7 or the number of additional Ordinary Shares to be allotted on conversion of the CRPS, is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence); or
- (b) the Company makes a distribution other than by way of dividend in the ordinary course of business or makes a pro rata offer to Ordinary Shares holders to subscribe for, or purchase, securities in any company other than the Company in a way which does not, in the reasonable opinion of the Directors, result in an appropriate adjustment to the Conversion Number; or
- (c) any other event occurs in relation to the Company that may have a diluting or concentrative effect on the value of the Ordinary Shares,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the CRPS and the Ordinary Shares, the Directors may:

- (d) make such alterations to the Conversion Number as the Directors reasonably considers appropriate or necessary to maintain that relativity; or
- (e) extend an entitlement to the holders of the CRPS to participate in such distribution or pro rata offer based upon the number of Ordinary Shares to which those holders would have been entitled if their CRPS had been converted on a date nominated by the Directors as the Directors reasonably considers appropriate to maintain the relativity.

4 Redemption and repurchase

4.1 Company may redeem

The Company may redeem the CRPS at its option on the terms set out in this clause 4 at any time from the date that is 3 years from the date of issue.

4.2 Redemption notice

- (a) If the Company wishes to redeem a holder's CRPS it must serve a redemption notice on that holder of CRPS, stating the date on which the redemption will occur, which can be no earlier than the 15th Business Day after the date of the notice, and the redemption amount to be paid.
- (b) If the Company receives a conversion notice under clause 3.2 in respect of CRPS after serving a redemption notice under this clause 4.2 the conversion notice will be of no effect.
- (c) The Company may not issue a redemption notice in respect of CRPS for which it has already received a valid conversion notice under clause 3.2.

4.3 Payments on redemption

- (a) The Company may fund the redemption of CRPS only out of profits or the proceeds of a new issue of shares made for the purpose of redemption. If funds are not available from either of these sources, CRPS cannot be redeemed.
- (b) For each CRPS redeemed, the Company will pay the holder of that CRPS a Dividend for

the Dividend Period ending on the date of redemption plus the greater of:

- (i) the Issue Price; and
- (ii) an amount determined by the board with reference to the value of CRPS as determined pursuant to clause 4.4.

- (c) On payment of the amounts in clause 4.3(b), the relevant CRPS will be deemed to have been redeemed and the Company will cancel those CRPS. A CRPS, once redeemed and cancelled, cannot be reissued.

4.4 Valuation of CRPS

- (a) If the Board wishes to redeem CRPS, it must appoint an independent expert no less than 28 Business Days before the proposed date for dispatch of the redemption notice to value the CRPS using the valuation methodology set out in section 667C of the Corporations Act.
- (b) The expert must be an independent registered valuer to assess the fair market value of the CRPS, and to establish the price at which the CRPS is to be redeemed by the Company.

5 CRPS general rights

5.1 CRPS Rights Ranking

CRPS rank equally amongst themselves in all respects.

5.2 Preferential Dividend

Until conversion, the CRPS rank in priority to Ordinary Shares for the payment of dividends. The Company may not pay any dividends on Ordinary Shares in any Dividend Period unless and until the preferred dividend for that Dividend Period is paid in full on the CRPS.

In any Dividend Period, the directors of the Company must not pay a dividend on any other shares of the Company which rank equally with CRPS as to dividends, unless dividends are paid in relation to the CRPS and paid on those other shares in proportion to the amounts to which the holders of CRPS and the other shares respectively are entitled in respect of that Dividend Period.

5.3 Return of Capital on a winding up

Until conversion, if there is a return of capital on a winding up of the Company, CRPS holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares, in respect of each CRPS held, a cash payment equal to the sum of:

- (a) the amount of any Dividend Entitlement calculated on a daily basis (assuming a 365 day year) throughout the period from and including the preceding Dividend Payment Date to the date of commencement of the winding up; and
- (b) the Issue Price,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the CRPS.

CRPS do not confer on their holders any right to participate in the profits or property of the Company except as set out in these terms of issue.

5.4 Shortfall on winding up

If, upon a return of capital on a winding up, there are insufficient funds to pay in full the amounts referred to in clause 5.3 and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the CRPS on a winding up, the holders of the CRPS and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.

5.5 Participation in surplus assets

The CRPS do not confer on their holders any further right to participate in the surplus assets of the Company on a winding up beyond the rights set out in clauses 5.3 and 5.4 above.

5.6 Restrictions on other issues

Until the date on which all CRPS have been converted or redeemed, the Company must not, without approval of a special resolution passed at a separate meeting of holders of the CRPS, issue shares ranking in priority to the CRPS or permit the conversion of any existing shares into shares ranking equally or in priority to the CRPS. The Directors may issue further CRPS or other preference shares ranking equally with any existing CRPS without the approval of a special resolution of holders of CRPS.

5.7 Non-payment of dividends in respect of a Fixed Dividend Period

If a Dividend is not declared in respect of a Fixed Dividend Period or the Dividend declared in respect of the Fixed Dividend Period is less than the Dividend Entitlement for that Dividend Period (the amount of the shortfall being the **Shortfall**) or the declared Dividend for a Fixed Dividend Period is not paid in full, the Company must not, without the approval of a special resolution passed at a meeting of holders of CRPS:

- (a) pay a cash dividend or make any distribution on any share over which the CRPS rank in priority; or
- (b) redeem, cancel or acquire for any consideration (whether cash or other property) any share in the Company or return capital,

until such times as:

- (c) a Dividend equal to the Dividend Entitlement for that Fixed Dividend Period is paid in full;
- (d) there are no CRPS remaining on issue that are unconverted; or
- (e) the Shortfall Dividend is paid in accordance with clause 5.8 prior to the next Fixed Dividend Payment Date.

5.8 Satisfaction of a Shortfall Dividend

Without derogating from the fact that the Dividend Entitlement is non-cumulative and that the Directors are under no obligation to declare or resolve to pay a Dividend, if at any time:

- (a) the Directors declare, and fix a date for payment of, a Dividend other than a Dividend payable in respect of a Dividend Period under clause 2.5;
- (b) the amount of that Dividend equals the aggregate amount of the Shortfall in respect of the immediately preceding Fixed Dividend Period and the date fixed for payment is a date before the next Fixed Payment Date referred to in clause 5.7(e),

then once that Dividend (the Shortfall Dividend) is paid it will be treated as having been paid for the purposes of clause 5.7 so that the restrictions on the Company in clause 5.7(a) and (b) shall no longer apply.

5.9 Non-payment of dividend on date of conversion

If the Dividend payable on a CRPS on the date of conversion is not paid, the Company must not, for the period of one year after the date of conversion:

- (a) declare or pay a cash dividend or make any distribution on any share over which the CRPS rank (or if there are no CRPS remaining unconverted, previously ranked) in priority for participation in profits; or
- (b) redeem, cancel or acquire for any consideration (whether cash or other property) any share in the Company or conduct a capital reduction under which any consideration is paid or distributed.

5.10 ASX Listing Rules compliance

Notwithstanding anything else in these Terms, the rights of a holder of CRPS may be changed by resolution of the Board to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of a reorganisation.

5.11 Participation in New Issues

Until the CRPS are converted they will confer no rights to subscribe for new securities in the Company or to participate in any rights issue or bonus issues.

5.12 Transferability

The CRPS are transferable. All applications to transfer CRPS must be made by lodging with the Company a completed transfer form in a form approved by the Company. Any CRPS certificates relating to the CRPS to be transferred must also be surrendered to the Company at the same time. The transfer takes effect upon the transferee's name being entered on the register.

6 Voting Rights

Prior to conversion, a CRPS does not entitle its holder to vote at any general meeting of the Company except in the following circumstances:

- (a) on a proposal:
 - (i) to reduce the share capital of the Company;
 - (ii) that affects rights attached to the CRPS;

- (iii) to wind up the Company; or
- (iv) for the disposal of the whole of the property, business and undertaking of the Company;
- (b) on a resolution to approve the terms of a buy back agreement;
- (c) during a period in which a Dividend on the CRPS which has been declared as payable on a Fixed Dividend Payment Date has not been paid in full;
- (d) during the winding up of the Company;
- (e) as may otherwise be required by the Corporations Act; or
- (f) while the Company is listed on ASX, in any other circumstances in which the ASX Listing Rules require holders of CRPS to be entitled to vote.

If a poll is conducted on a resolution on which a holder of CRPS is entitled to vote under this clause 6, the holder has 1 vote for each CRPS he or she holds.

6.2 Number of votes

On a show of hands, a CRPS holder has one vote. On a poll, a CRPS holder has one vote for each CRPS held by that CRPS holder.

7 Meetings

A CRPS holder has the same right as the holder of an Ordinary Share to receive notice of and to attend a general meeting of the Company and to receive a copy of any documents to be laid before that meeting.

8 Listing

8.1 Quotation

The Company will not apply to ASX for official quotation of the CRPS.

The Company must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, listing of all converted CRPS and additional Ordinary Shares issued under clause 3 on ASX.

9 Amendments to the terms of issue

Subject to complying with all applicable laws, the Company may without the authority, assent or approval of CRPS holders amend or add to these terms of issue if such amendment or addition is, in the opinion of the Company:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the holders of the CRPS.

10 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these terms of issue and the Company's constitution, then, to the maximum extent permitted by law, the provisions of these terms of issue will prevail.
- (b) If a calculation is required under these terms of issue, unless the contrary intention is expressed, the calculation will be performed to four decimal places.
- (c) Definitions and interpretations under the Company's constitution will also apply to these terms of issue.
- (d) References to clauses are to clauses of these terms of issue. References in these terms to paragraphs are to paragraphs of the clause in which the reference is made.
- (e) References to \$ are to Australian Dollars.

The following expressions shall have the following meanings:

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules which regulate all entities listed on the market operated by the ASX.

Board means the board of Directors of the Company.

Business Days has the same meaning as in the ASX Listing Rules.

Company means Freedom Foods Group Limited (ACN 002 814 235).

Conversion means the taking effect of the rights of the CRPS under these terms of issue.

Conversion Number means the number of ordinary shares into which each CRPS is entitled to convert and is equal to one unless adjustment in accordance with clause 3.6.

Corporations Act means the Corporations Act 2001 (Cth).

CRPS means the convertible redeemable preference shares issued under these terms.

Director means a director of the Company.

Directors means the directors of the Company from time to time.

Dividend means a dividend in respect of the CRPS.

Dividend Rate is 9% pa.

Dividend Entitlement has the meaning set out in clause 2.1(a).

Dividend Payment Date means each date on which a Dividend is payable in accordance with clause 2.5 whether or not a Dividend is paid on that date.

Dividend Period means in respect of a CRPS:

- (a) the period from (and including) the date of allotment of the CRPS until but not including the first Dividend Payment Date;
- (b) thereafter the period from (and including) each Dividend Payment Date until but not including the first to occur of:
 - (i) the next Dividend Payment Date; or

- (ii) the conversion or redemption date of that CRPS.

rewritten in the Income Tax Assessment Act 1997;

Fixed Dividend Period means a Dividend Period ending on a Fixed Dividend Payment Date.

- (d) any other Act setting the rate of income tax payable; and

Fixed Dividend Payment Date means the Dividend Payment Dates specified under 2.5(a).

- (e) any regulation promulgated thereunder.

Trigger Event means any of the events listed in clause 3.3 that will trigger the CRPS on issue to convert.

Franking Rate, in relation to a Dividend, means the franking percentage (within the meaning of Part IIIAA of the Tax Act or any part that replaces or revises that part) of the Dividend, expressed as a decimal.

Issue Price means the price payable for each of the CRPS under this Offer, being \$0.30.

Offer means the invitation made by the Company for the Company's existing shareholders to apply for CRPS pro rata with their existing shareholdings.

Ordinary Resolution means a resolution passed by the Company which requires only a simple majority to pass (i.e. more than 50% of the members present at the meeting, either in person, or by proxies, if allowed by the constitution).

Ordinary Share means an ordinary share in the Company.

Shortfall means the Shortfall referred to in clause 5.7.

Shortfall Dividend means the dividend declared in respect of the Fixed Dividend Period is less than the Dividend Entitlement for the Dividend Period.

Special Resolution means a resolution where at least 75% of the votes cast by members entitled to vote on a special resolution must be in favour of the resolution for it to be passed.

Tax Act means:

- (c) the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997 as the case may be as amended and a reference to any section of the Income Tax Assessment Act 1936 includes a reference to that section as

Attachment A —
FNP Financial Report Year ended 30 June 2010

FREEDOM FOODS GROUP LIMITED



CONCISE FINANCIAL REPORT 2010

On 28 october 2010, shareholders approved the change of name of the company from Freedom Nutritional Products Limited to Freedom Foods Group Limited. The company is herein referred to as Freedom Foods Group Limited formally Freedom Nutritional Products Limited.

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Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Consolidated \$'000	
		2010	2009
Revenue from sale of goods	5	44,443	49,388
Cost of sales		(30,676)	(34,874)
Gross profit		13,767	14,514
Other income	5	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	6	3,821	3,988
Depreciation		(1,004)	(453)
Profit before income tax, finance costs and equity accounted investments		2,817	3,535
Finance costs	6	(1,031)	(1,247)
Unrealised fair value mark-to-market of derivative financial instruments	6	-	(706)
Share of profit of joint ventures accounted for using the equity method	34	1,308	212
Profit before income tax		3,094	1,794
Income tax benefit/(expense)	7	263	(474)
Profit for the year		3,357	1,320
Other comprehensive income		-	-
Total comprehensive income for the year		3,357	1,320
Profit attributable to:			
Owners of the parent		3,357	1,320
Non-controlling interests		-	-
		3,357	1,320
Total comprehensive income attributable to:			
Owners of the parent		3,357	1,320
Non-controlling interests		-	-
		3,357	1,320
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)	9	5.0	2.4
Diluted earnings per share (cents per share)	9	5.0	2.4
Dividends per share paid (cents per share)		-	1.0

Notes to the statement of comprehensive income are included on pages 26 to 70.

Consolidated Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Consolidated \$'000	
		2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	22(a)	34	762
Trade and other receivables	10	9,362	10,247
Other financial assets	11	784	1,078
Inventories	12	7,121	6,853
Current tax assets	7	151	-
Prepayments		610	637
		18,062	19,577
Assets Classified as held for Sale	38	4,141	-
Total Current Assets		22,203	19,577
Non-current assets			
Investments accounted for using the equity method	11	1,152	3,535
Deferred tax assets	7	2,038	1,958
Property, plant and equipment	14	22,431	15,323
Goodwill	13	6,992	6,992
Other intangible assets	13	16,274	16,274
Total non-current assets		48,887	44,082
TOTAL ASSETS		71,090	63,659
LIABILITIES			
Current liabilities			
Trade and other payables	15	7,252	7,493
Borrowings	16	15,576	9,558
Current tax liabilities	7	-	72
Provisions	17	868	667
Total current liabilities		23,696	17,790
Non-current liabilities			
Trade and other payables	15	1,064	1,686
Borrowings	16	5,766	13,742
Deferred tax liability	7	47	17
Provisions	17	254	263
Total non-current liabilities		7,131	15,708
TOTAL LIABILITIES		30,827	33,498
NET ASSETS		40,263	30,161
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	18	33,637	27,019
Reserves	19	919	792
Retained earnings	20	5,707	2,350
TOTAL EQUITY		40,263	30,161

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Consolidated \$'000	
		2010	2009
Cash flows from operating activities			
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
Net cash provided by operating activities	22(b)	2,771	3,348
Cash flows from investing activities			
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	22(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)
Net cash used in investing activities		(6,922)	(5,315)
Cash flows from financing activities			
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)
Net cash provided by financing activities		3,456	1,045
Net decrease in cash and cash equivalents		(695)	(922)
Cash and cash equivalents at beginning of financial year		(671)	251
Cash and cash equivalents at end of financial year	22(a)	(1,366)	(671)

Notes to the statement of cash flows are included on pages 26 to 70.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Attributable to equity holders of the parent						
	Notes	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
CONSOLIDATED								
Balance as at 30 June 2008		26,999	1,575	192	473	29,239	-	29,239
Equity issues	18	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	19	-	-	127	-	127	-	127
Dividends paid	21	-	(545)	-	-	(545)	-	(545)
Balance as at 30 June 2009		27,019	2,350	319	473	30,161	-	30,161
Equity issues	18	6,833	-	-	-	6,833	-	6,833
Share issue costs	18	(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	19	-	-	127	-	127	-	127
Dividend paid	21	-	-	-	-	-	-	-
Balance as at 30 June 2010		33,637	5,707	446	473	40,263	-	40,263

Notes to the statement of changes in equity are included on pages 26 to 70.

1 Corporate Information

The financial report of Freedom Nutritional Products Limited for the year ended 30 June 2010 was authorised for issue in accordance with resolution of Directors on 23 September 2010.

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

2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

AASB 101 *Presentation of Financial Statements* (as revised September 2007)

AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*

AASB 8 *Operating Segments*

AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments*

Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)

2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

AASB 2008-1 *Amendments to Australian Accounting Standard- Share-based Payments: Vesting Conditions and Cancellations*

AASB 123 *Borrowing Costs* (as revised in 2007) and AASB 2007- 6 *Amendments to Australian Accounting Standards arising from AASB 123*

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

2 Adoption of New and Revised Accounting Standards (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2010	30 June 2011
AASB 2009-8 <i>Amendments to Australian Accounting Standards—Group Cash-Settled Share-based Payment Transactions</i>	1 January 2010	30 June 2011
AASB 2009-10 <i>Amendments to Australian Accounting Standards—Classification of Rights Issues</i>	1 February 2010	30 June 2011
AASB 124 <i>Related Party Disclosures</i> (revised December 2009), AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	1 January 2011	30 June 2012
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	30 June 2011

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 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.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

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 facilities are classified as current liabilities as at 30 June 2010.

The directors have received a letter of offer for a replacement financing facility which contains conditions precedent that are considered procedural in nature. The new financing facility, together with the projected cash flow forecasts, provide the directors with the expectation that the company and consolidated entity will have sufficient financial accommodation to support the existing business and 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.

3 Significant Accounting Policies

(continued)

(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.

Key sources of estimation uncertainty:

Impairment of goodwill and other intangible assets

Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the cash generating units to which the goodwill or other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The value of the goodwill as at the end of the financial year was \$6,992,000, with no impairment loss charged against this goodwill.

The value of other intangible assets as at the end of the financial year was \$16,274,000, with no impairment loss charged against the other intangible assets.

Further details in relation to the goodwill and other intangible assets of the consolidated entity are set out in note 13.

(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 statement of comprehensive income 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.

(e) Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, 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.

(f) 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.

(g) Foreign currency translation

Both the functional and presentation currency of Freedom Nutritional Products Limited and its

3 Significant Accounting Policies

(continued)

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 end of each reporting period. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

(h) 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 statement of financial position 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 cash flows 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 end of each reporting period. 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 statement of comprehensive income 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%

(i) 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.

(j) Borrowing cost

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

3 Significant Accounting Policies

(continued)

costs eligible for capitalisation.

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

(k) 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.

(l) 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(m).

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. 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.

(m) 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.

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.

(n) Inventories

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

3 Significant Accounting Policies

(continued)

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.

(o) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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 Statement of Cash Flows, 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 statement of financial position.

(p) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

(q) 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.

(r) 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 cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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.

(s) 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 short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits 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.

3 Significant Accounting Policies

(continued)

(t) 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.

(u) 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 statement of financial position 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(j). 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.

(v) 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.

3 Significant Accounting Policies

(continued)

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(u).

(w) 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 statement of financial position 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.

(x) 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 statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

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

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

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

3 Significant Accounting Policies

(continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, 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.

(y) 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 statement of financial position.

Cash flows are included in the Statement of Cash Flows 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.

(z) 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 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 statement of comprehensive income 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'.

3 Significant Accounting Policies

(continued)

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 the end of each reporting period. 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.

(aa) 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 Operating Segments

The Group is organised into three 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.

The company has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in their capacity as the chief operating decision maker of the company in order to allocate resources to the segments and assess their performance. The segments identified do not represent a significant change from those presented in prior years.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	External sales		Other revenue		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Segment revenue						
<i>Continuing operations</i>						
Seafood	18,093	19,691	-	-	18,093	19,691
Freedom Foods	25,804	28,700	-	-	25,804	28,700
Thorpedo Foods	174	205	378	832	552	1,037
Other	-	-	-	-	459	614
Total revenue of the consolidated group					44,908	50,042

Revenue generated by equity accounted associates from external sales is not consolidated, instead under the equity method of accounting, the carrying amounts of interest in joint venture entities are increased or decreased to recognise the Group's 50% share of post acquisition profits or losses and other changes in net assets of the joint ventures.

97% of total external sales of the consolidated group and equity accounted associates are generated in Australia (2009: 95%)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (continued)

4 Operating Segments (continued)

	2010 \$'000	2009 \$'000
Segment result		
<i>Continuing operations</i>		
Seafood	3,440	3,222
Freedom Foods	4,010	4,192
Thorpedo Foods	249	572
	7,699	7,986
FNPL share of equity accounted associates	1,308	212
Shared services	(3,878)	(4,706)
Finance costs	(1,031)	(1,245)
Depreciation	(1,004)	(453)
Profit before income tax	3,094	1,794
Income tax expense	263	(474)
Profit for the year from continuing operations	3,357	1,320

Total profit from equity accounted associates for the period totalled \$2,616,000 (2009: \$414,000).

The consolidated entities 50% share of these profits was \$1,308,000 (2009: \$212,000).

5 Revenue

	Consolidated \$'000	
	2010	2009
<i>Continuing operations</i>		
• 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
<i>Other revenue</i>		
• 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 (2010 \$22,000, 2009 \$50,000).

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.

6 Profit for the year before tax

	Consolidated \$'000	
	2010	2009
Profit for the year was arrived at after charging the following expenses:		
Finance costs		
• 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
Employee benefit expense		
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.

6 Profit for the year before tax (continued)

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).

7 Income Taxes

	Consolidated \$'000	
	2010	2009
Income tax recognised in profit or loss		
Tax expense comprises:		
Current income tax expense	(258)	295
Adjustments recognised in the current year in relation to the current tax of prior years	45	65
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(50)	114
Deferred tax expense/(income) relating to the origination and reversal of temporary differences transferred from wholly owned subsidiaries within the tax-consolidated group	-	-
Income tax expense /(income)	(263)	474
Attributable to continuing operations	(263)	474

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

Profit from continuing operations	3,094	1,794
Income tax expense calculated at 30%	928	538
Effect of revenue/expenses that are not deductible in determining taxable profit	(1,228)	(89)
Effect of tax concessions (research and development)	(8)	(40)
Previously unrecognised and unused tax losses now recognised as deferred tax assets	-	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	45	65
	(263)	474

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.

Income tax recognised in other comprehensive income.

No current or deferred tax amounts were charged/(credited) directly to the other comprehensive income during the year.

7 Income Taxes (continued)

	Consolidated \$'000	
	2010	2009
Current tax assets		
Income tax receivable attributable to:		
• Entities in the tax-consolidated group	151	-
• Other	-	-
	151	-
Current tax liabilities		
Income tax payable attributable to:		
• Entities in the tax-consolidated group	-	71
• Other	-	1
	-	72

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Opening Balance \$'000	Charged to income \$'000	Closing balance \$'000
Consolidated 2010			
Temporary differences:			
Provisions	273	64	337
Doubtful debts	9	3	12
Property plant & equipment	7	(31)	(24)
Other	317	(152)	165
	606	(116)	490
Unused tax losses and credits:			
Tax losses (i)	1,013	148	1,161
Withholding tax paid	322	18	340
	1,335	166	1,501
	1,941	50	1,991
Presented in the statement of financial position as follows:			
Deferred tax (liability) - non current			(47)
Deferred tax asset - non current			2,038
			1,991

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

	Opening Balance \$'000	Charged to income \$'000	Closing balance \$'000
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

7 Income Taxes (continued)

Consolidated 2009	Opening Balance \$'000	Charged to income \$'000	Closing balance \$'000
Unused tax losses and credits:			
Tax losses	1,224	(211)	1,013
Withholding tax paid	266	56	322
	1,490	(155)	1,335
	2,055	(114)	1,941
Presented in the statement of financial position as follows:			
Deferred tax (liability) - non current			(17)
Deferred tax asset - non current			1,958
			1,941

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 \$	
Current year	2010	2009
Remunerations of the auditors of the Group for:		
• audit or review of the financial report	167,660	145,000
• taxation advice and preparation of tax returns	43,542	43,575
• accounting advice	5,838	-
	217,040	188,575

The auditor of the consolidated entity is Deloitte Touche Tohmatsu.

9 Earnings per share

	Consolidated	
	2010	2009
	Cents per share	
Basic earnings per share	5.0	2.4
Diluted earnings per share	5.0	2.4

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

	\$'000	
(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
	Number '000	
(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.

10 Trade and other receivables

	Consolidated \$'000	
	2010	2009
Current		
Trade receivables	8,712	9,396
Allowance for doubtful debts	(43)	(31)
	8,669	9,365
Other receivables	693	882
	9,362	10,247

The average credit period on sales of goods is 37 days (2009: 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 increased by \$12,000 (2009: decreased by \$91,000) in the Group. Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$43,000 (2009: \$31,000). The Group does not hold any collateral over these balances.

	Consolidated \$'000	
	2010	2009
Current (i)	8,545	9,287
Past due but not impaired (ii)	124	78

10 Trade and other receivables (continued)

- (i) The current receivables for the Group are with a weighted average of 38 days (2009: 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 135 days (2009: 86 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 81% (2009 - 87%) of sales and 86% (2009 - 86%) of year end receivables are concentrated in major supermarkets throughout Australia.

Movement in the allowance for doubtful debts

	Consolidated \$'000	
	2010	2009
Balance at the beginning of the year	31	122
Impairment losses recognised on receivables	8	-
Amounts written off as uncollectable	-	(55)
Amounts recovered during the year	4	3
Impairment losses reversed	-	(39)
Balance at the end of the year	43	31

Other receivables

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

11 Other financial assets

	Consolidated \$'000	
	2010	2009
Current		
Loans to joint ventures - refer Note 28 Related party transactions	784	1,078
Non-current		
Investment in joint venture entities - refer note 34 Jointly controlled operations and assets	1,152	3,535
	1,152	3,535

(i) Loans to related parties:

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.

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

12 Inventories

	Consolidated \$'000	
	2010	2009
Current		
Raw materials	1,228	751
Finished goods	5,909	6,134
Provision for stock obsolescence	(36)	(32)
Work In Progress Factory	20	-
	7,121	6,853

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

13 Intangibles

	Goodwill \$'000	Brand Names \$'000	Total \$'000
2010			
Balance at 1 July 2009	6,992	16,274	23,266
Costs incurred during the year	-	-	-
Balance at 30 June 2010	6,992	16,274	23,266
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

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 2010 financial year (2009: \$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.

13 Intangibles (continued)

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

	Consolidated \$'000	
	2010	2009
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 five-year period, and a discount rate of 10.3% pa (2009: 9.9% 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	
	2010	2009
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	(263)	(141)
Total Buildings	4,587	4,709
Total Land and Buildings	4,737	4,859
Plant and Equipment (at cost)	15,553	3,163
Accumulated depreciation	(2,039)	(1,463)
	13,514	1,700
Capital work in progress at cost	4,122	8,713
Total Owned Plant and Equipment	17,636	10,413

14 Property, plant and equipment (continued)

	Consolidated \$'000	
	2010	2009
Motor Vehicles (under finance leases)	157	148
Accumulated depreciation	(99)	(97)
Total Motor Vehicles	58	51
Total property, plant and equipment	22,431	15,323

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
Group 2010					
Balance at 1 July 2009	150	4,709	10,413	51	15,323
Additions	-	-	8,319	49	8,368
Disposals	-	-	(254)	(2)	(256)
Depreciation expense	-	(122)	(842)	(40)	(1,004)
Balance at 30 June 2010	150	4,587	17,636	58	22,431
Group 2009					
Balance at 1 July 2008	150	4,830	2,279	137	7,396
Additions	-	-	8,426	-	8,426
Disposals	-	-	(7)	(39)	(46)
Depreciation expense	-	(121)	(285)	(47)	(453)
Balance at 30 June 2009	150	4,709	10,413	51	15,323

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

	Consolidated \$'000	
	2010	2009
Freehold land and buildings	122	121
Plant and equipment	842	285
Motor vehicles	40	47
	1,004	453

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (continued)

15 Trade and other payables

	Consolidated \$'000	
	2010	2009
Current		
Trade payables (i)	4,754	3,682
Other payables and accruals (ii)	2,498	3,105
Other financial liabilities (iii)	-	706
	7,252	7,493
Non-current		
Other payables and accruals (ii)	1,064	1,686
	1,064	1,686

- (i) The average credit period on purchases of certain goods from North America is 60 days (2009: 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 \$1,724,000 (2009: \$2,402,000) for the purchase of the Leeton property. The portion of this payable due to be settled within 12 months is \$660,000 (2009: \$717,000).
- (iii) Liability arising from year end mark to market of unrealised derivative financial instruments.

16 Borrowings

	Consolidated \$'000	
	2010	2009
Secured - at amortised cost		
Current		
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
Non-current		
Loan payable (i)	-	11,050
Finance leases (ii) (iii)	5,766	2,692
	21,342	23,300
Disclosed in the financial statements as:		
Current borrowings	15,576	9,558
Non-current borrowings	5,766	13,742
	21,342	23,300

- (i) Secured by assets as detailed in note 35.
- (ii) Secured by leased assets as detailed in note 24.
- (iii) Included as part of the finance leases is the Equipment Financing utilised to purchase equipment for Leeton.

17 Provisions

	Consolidated \$'000	
	2010	2009
Current		
Employee benefits (i)	868	667
Non-current		
Employee benefits	254	263
	1,122	930
Employee benefits movement		
Balance at 1 July	930	1,084
Additional provision recognised	1,147	549
Amounts used	(955)	(703)
Balance at 30 June	1,122	930

- (i) The current Group provision for employee benefits includes \$163,000 of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2009: \$214,000).

18 Issued capital

Fully paid ordinary shares		
77,435,382 (2009: 54,660,270) ordinary shares fully paid	33,637	27,019
Balance at 1 July	27,019	26,999
Issue of shares (i)(ii)	6,618	20
Balance at 30 June	33,637	27,019

- (i) During the year there were 22,775,112 ordinary shares issued for 30 cents per share. Issue costs of \$215,207 were incurred during the share issue process.
- (ii) During the prior year there were 53,533 ordinary shares issued for 45 cents per share which incurred \$3,700 worth of Share issue costs.

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 2010, there were 4,700,000 (30 June 2009: 5,450,000 of which 750,000 have lapsed in the financial year ended 30 June 2010) unissued ordinary shares for which options were outstanding.

19 Reserves

	Consolidated \$'000	
	2010	2009
Asset revaluation	473	473
Equity-settled employee benefits	446	319
	919	792
Equity-settled employee benefits		
Balance at 1 July	319	192
Share based payment	127	127
Balance at 30 June	446	319

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	473
Revaluation increment	-	-
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

	Consolidated \$'000	
	2010	2009
Balance at 1 July	2,350	1,575
Net profit attributable to members of the parent	3,357	1,320
Dividends paid	-	(545)
Balance at 30 June	5,707	2,350

21 Dividends

	2009	
	Cents per share	Total \$'000
Recognised amounts		
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.

21 Dividends (continued)

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

22 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)
	(1,366)	(671)

(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	2,771	3,348

22 Notes to the statement of cash flows (continued)

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

(c) Non-cash financing and investing activities

During the current financial year, the Group acquired \$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.

	Consolidated \$'000	
	2010	2009
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

23 Standby arrangements and unused credit facilities

	Consolidated \$'000	
	2010	2009
Financing Facility		
Secured bank overdraft facility		
• amount used	1,400	1,433
• amount unused	600	567
	2,000	2,000
Secured loan facilities		
• amount used	13,047	14,140
• amount unused	3	60
	13,050	14,200
Secured finance facilities		
• amount used	7,520	3,159
• amount unused	480	4,841
	8,000	8,000
Unused financing facilities	1,083	5,468

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		Present value of minimum future lease payments	
	Consolidated \$'000		Consolidated \$'000	
	2010	2009	2010	2009
Finance lease liabilities				
Payable:				
• No later than 1 year	1,701	731	1,129	552
• Later than 1 year but not later than 5 years	6,514	3,179	5,766	2,692
Minimum future lease payments (i)	8,215	3,910	6,895	3,244
Less future finance charges	(1,320)	(666)	-	-
Present value of minimum lease payments	6,895	3,244	6,895	3,244
Included in the financial statements as: (note 16)				
Current borrowings			1,129	552
Non-current borrowings			5,766	2,692
			6,895	3,244

- (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 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	
	2010	2009
Non-cancellable operating lease commitments		
• Not longer than 1 year	114	369
• Longer than 1 year but not longer than 5 years	4	60
	118	429
Group's share of jointly controlled entities capital commitments		
• Not longer than 1 year	624	652

25 Personnel note

	Consolidated Number	
	2010	2009
The entity employs casual and full time staff numbering	133	140

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 2009. 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.

	Consolidated \$'000	
	2010	2009
Financial liabilities		
Debt (i)	19,942	21,867
Cash and cash equivalents	1,366	671
Net debt	21,308	22,538
Equity (ii)	40,263	30,161
Net debt to equity ratio	53%	75%

26 Financial instruments (continued)

- (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, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk and liquidity risk.

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

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	
	2010	2009	2010	2009
Consolidated				
US dollars (USD)	498	647	214	54
Canadian dollars (CAD)	100	766	1,013	503

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.

26 Financial instruments (continued)

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 had entered into contracts (for terms not exceeding 12 months) to purchase finished goods from suppliers in the United States and Canada. 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. The Group had no outstanding foreign exchange contracts as at 30 June 2010.

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	
	2010	2009	2010	2009	2010	2009	2010	2009
			FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
Outstanding contracts								
Consolidated								
Buy US Dollars								
Less than 3 months	-	0.685	-	2,713	-	3,960	-	(609)
3 to 6 months	-	0.705	-	175	-	219	-	(1)
Over 6 months	-	0.792	-	1,735	-	2,190	-	(23)
Buy Canadian Dollars								
Less than 3 months	-	0.878	-	1,025	-	1,168	-	(69)
3 to 6 months	-	0.923	-	780	-	845	-	(4)
Over 6 months	-	-	-	-	-	-	-	-
							-	(706)

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. Sensitivity rates 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.

26 Financial instruments (continued)

	Profit or loss \$'000	
	2010	2009
Consolidated		
US dollars (USD) impact		
AUD appreciates by 7%	(22)	(96)
AUD depreciates by 7%	25	110
Canadian dollars (CAD) impact		
AUD appreciates by 8.8%	166	(52)
AUD depreciates by 8.8%	(197)	62

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 Group is 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:

Group		Fixed rate maturing in					
Financial Instrument	Note	Weighted average effective interest rate	Variable Rate		Less than 1 year		1 to 5 years
			2010	2009	2010	2009	2010
		%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash and cash equivalents	22	0%	34	762	-	-	-
Total Financial Assets			34	762	-	-	-
Financial Liabilities							
Bank overdrafts	16	10%	1,400	1,433	-	-	-
Finance leases	16	7%	-	-	1,129	552	5,766
Other payable	15	11%	-	-	660	717	1,064
Due to related parties	16	12%	-	-	-	4,500	-
Loan payable	16	6%	13,047	14,123	-	-	-
Total Financial Liabilities			14,447	15,556	1,789	5,769	6,830

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 100 basis point increase in interest rates on the exposure to interest rates as detailed in the above table.

The impact of a 100 basis point interest rate movement during the year with all other variables being held constant will be:

26 Financial instruments (continued)

- an increase/decrease on the consolidated entity's net profit of \$72,000 (2009: \$111,000) respectively.

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

A 100 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. 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.

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

(h) Liquidity risk management

Liquidity risk arises from the possibility that the Group 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 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 details the consolidated entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

26 Financial instruments (continued)

	Weighted average effective interest rate	Less than 1 year		1 to 5 years		More than 5 years	
		2010	2009	2010	2009	2010	2009
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Financial Liabilities							
Trade payables	-	4,754	3,682	-	-	-	-
Other payables and accruals	-	1,838	2,388	-	-	-	-
Other payables	11%	850	850	1,700	2,550	-	-
Due to related parties	12%	-	5,040	-	-	-	-
Bank overdrafts	10%	1,539	1,551	-	-	-	-
Finance leases	7%	1,701	1,701	6,514	6,514	-	-
Loan payable	6%	13,737	4,353	-	13,825	-	-
Total Financial Liabilities		24,419	19,565	8,214	22,889	-	-

(i) Fair value of financial instruments

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

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. Under the arrangements TFG had a call option to acquire up to 75% in Thorpedo Foods Pty Limited until 30 September 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.

On 8 September 2009, TFG exercised a call option and acquired an additional 24.99% in Thorpedo Foods Pty Limited bringing its interest in Thorpedo Foods Pty Limited at 30 June 2010 to 75%. The additional 24.99% was acquired for \$60.

27 Key management personnel compensation

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

27 Key management personnel compensation (continued)

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.

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.

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 2010 were \$163,000 (2009: \$157,000). 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

27 Key management personnel compensation (continued)

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.

	2010	2009	2008	2007	2006
Sales Revenue (\$000's)	44,071	48,596	54,082	48,683	46,963
Net Profit After Tax (\$000s)	3,357	1,320	956	1,174	1,434
Dividends Paid (cents)	-	1	2	1	Nil
Basic Earnings per Share (cents)	5.0	2.4	2.0	2.6	3.2

The Remuneration and Nomination Committee considers that the Parent's 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	
	\$	\$
	2010	2009
Short-term employee benefits	1,559,655	1,618,546
Post-employment benefits	95,759	82,513
Share-based payment	85,868	123,511
Termination payments	141,356	-
	1,882,638	1,824,570

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)
 R. J. F. Macleod (Executive Director Strategy, Corporate Development and Chief Financial Officer)
 P. Wilson (General Manager Leeton Manufacturing Operations), commenced July 2008
 M. Gilio (Group Finance Manager & Company Secretary), appointed Company Secretary 25 September 2008
 P. Bartier (National Supply Chain Manager)
 P. Brown (Executive General Manager Sales)
 C. Pensini – (Leeton Manufacturing and Operations Manager), commenced 1 July 2009

27 Key management personnel compensation (continued)

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:

	P. R. Gunner	G.H. Babidge	A. M. Perich	R. Perich	M. Miles	R. J. F. Macleod	
2010	\$	\$	\$	\$	\$	\$	
Short term benefits							
Salaries and fees	63,000	375,778	36,000	32,000	32,000	255,778	
Bonus	-	-	-	-	-	-	
Non monetary	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Post employment benefits							
Superannuation	5,670	15,428	2,700	2,880	2,880	14,222	
Equity compensation							
Options	-	42,934	-	-	-	42,934	
Total	68,670	434,140	38,700	34,880	34,880	312,934	
	G.J. Hughes (i)	P. Wilson	M. Gilio	P. Bartier	P. Brown (ii)	C. Pensini (iii)	Total
	\$	\$	\$	\$	\$	\$	\$
Short term benefits							
Salaries and Fees	-	187,692	159,011	136,697	144,084	137,615	1,559,655
Bonus	-	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-	-
Other	141,356	-	-	-	-	-	141,356
Post employment benefits							
Superannuation	-	-	14,323	12,303	12,968	12,385	95,759
Equity compensation							
Options	-	-	-	-	-	-	85,868
Total	141,356	187,692	173,334	149,000	157,052	150,000	1,882,638

(i) G.J. Hughes received a \$141,356 termination payment made 3 July 2009

(ii) P. Brown commenced 10 August 2009

(iii) C. Pensini commenced 1 July 2009

27 Key management personnel compensation (continued)

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	P. Bartier	Total
	\$	\$	\$	\$	\$	\$	\$
Short term benefits							
Salaries and Fees	216,567	198,426	71,358	124,935	139,144	126,606	1,618,546
Bonus	-	-	-	-	-	-	-
Non monetary	-	-	-	-	-	-	-
Post employment benefits							
Superannuation	13,226	-	3,750	-	12,523	11,394	82,513
Equity compensation							
Options	-	-	26,250	-	-	-	123,511
Total	229,793	198,426	101,358	124,935	151,667	138,000	1,824,570

(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

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 34 to the financial statements.

28 Related party transactions (continued)

(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 2009	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2010
	No.	No.	No.	No.	No.
2010					
P. R. Gunner	360,517	-	-	150,215	510,732
G.H. Babidge	69,217	-	-	28,840	98,057
A. M. Perich (1)	36,164,454	-	-	15,000,000	51,164,454
R. Perich (1)	36,164,454	-	-	15,000,000	51,164,454
M. Miles	106,667	-	-	100,000	206,667
R. J. F. Macleod	156,108	-	-	26,667	182,775
P. Wilson	-	-	-	-	-
M. Gilio	-	-	-	-	-
P. Bartier	-	-	-	-	-
P. Brown	-	-	-	-	-
C. Pensini	-	-	-	-	-
	Balance at 1 July 2008	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2009
	No.	No.	No.	No.	No.
2009					
P. R. Gunner	360,517	-	-	-	360,517
G.H. Babidge	69,217	-	-	-	69,217
A. M. Perich (1)	35,530,385	-	-	634,069	36,164,454
R. Perich (1)	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	-	-	-	-	-

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

28 Related party transactions (continued)

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.
2010										
G.H. Babidge (i)	2,400,000	-	-	-	-	2,400,000	1,975,000	-	1,975,000	425,000
B. W. Bootle	450,000	(450,000)	-	-	-	-	-	-	-	-
R. J. F. Macleod (i)	2,000,000	-	-	-	-	2,000,000	1,575,000	-	1,575,000	425,000
P. Nathan	300,000	-	-	-	-	300,000	300,000	-	300,000	-
M. E. Jenkins	300,000	(300,000)	-	-	-	-	-	-	-	-
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

- (i) As at 27 July 2010 700,000 vested options relating to G.H. Babidge and 300,000 vested options relating to R.J.F. Macleod expired in accordance with the provisions of the Employee Share Option Plan.

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

During the financial year nil options (2009: nil) were exercised by key management personnel.

Further details of the Employee Share Option Plan and of share options granted during 2010 and 2009 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 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 \$5,527,000 (2009: \$5,852,000) to the Group at cost.
- The Group made interest payments of \$284,000 (2009: \$264,000) to Arrovest Pty Ltd. The weighed average interest rate on the loans is 12%.

28 Related party transactions (continued)

- The Group received rental income of \$35,000 (2009: \$25,000) from A2DP.
- The Group was reimbursed by A2DP \$769,000 (2009: \$764,000) for labour and other administrative services provided.
- The Group received interest income of \$nil (2009: \$263,000) from A2DP on its convertible notes. The effective interest rate on the convertible notes was 15.8%.

These services are provided under normal terms and conditions.

(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. Refer to Note 34

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

- Current loans totalling \$784,000 are receivable from joint ventures (2009: \$1,078,000).

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

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

(iii) 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 \$8,596,000 (2009: \$8,659,000) to CBPA at cost.

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 (2009: \$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				\$	\$
(3) Issued 27 July 2005	1,000,000	27/07/05	27/07/10	0.50	-
(4) Issued 30 November 2006	3,400,000	30/11/06	30/11/11	0.50	0.10
(5) Issued 26 April 2007	300,000	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 (2009: \$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 3	Series 4	Series 5
Grant date share price	0.38	0.50	0.48
Exercise price	0.50	0.50	0.50
Expected volatility	15%	20%	20%
Option life	5 years	5 years	5 years
Dividend yield	Nil	2.5%	2.5%
Risk-free interest rate	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:

	2010		2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	5,450,000	0.50	5,900,000	0.50
Granted during financial year	-	-	-	-
Lapsed during financial year	(750,000)	0.50	(450,000)	0.50
Cancelled during financial year	-	-	-	-
	4,700,000	0.50	5,450,000	0.50
Exercisable at end of financial year	3,850,000	0.50	3,750,000	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 (2009: \$0.50), and a weighted average remaining contractual life of 423 days (2009: 740 days). No options were exercised during the financial year.

30 Contingent liabilities

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

31 Controlled entities

Controlled Entity	Country of Incorporation	Ownership interest	
		2010	2009
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	75%	50.01%
Thorpedo Seafoods Pty Limited	Australia	75%	75%

The consolidated statement of comprehensive income and statement of financial position of the entities party to the deed of cross guarantee is the consolidated statement of comprehensive income and statement of financial position included in the 2010 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
- Paramount Seafoods Pty Limited
- Nutrition Ventures Pty Limited
- Nutrition Ventures Financing Pty Limited
- Freedom Foods Pty Limited
- Australian Natural Foods Holdings Pty Limited
- Thorpedo Foods Group 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 Parent entity disclosures

(a) Financial position

	Parent	
	\$'000	\$'000
	2010	2009
Assets		
Current assets	1,845	1,025
Non-current assets	36,201	28,935
Total assets	38,046	29,960

33 Parent entity disclosures (continued)

	Parent	
	\$'000	\$'000
	2010	2009
Liabilities		
Current liabilities	410	377
Non-current liabilities	203	134
Total liabilities	613	511
Net Assets		
	37,433	29,449
Equity		
Issued capital	33,637	27,019
Reserves	445	319
Retained earnings	3,351	2,111
Total equity	37,433	29,449

(b) Financial performance Parent

	\$'000	\$'000
	2010	2009
Profit for the year	1,240	1,731
Other comprehensive income	-	-
Total comprehensive income	1,240	1,731

(c) Contingent liabilities of the parent entity Parent

	\$'000	\$'000
	2010	2009
Bank guarantee	14	17

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

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

34 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	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%.

34 Jointly controlled operations and assets (continued)

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

	CBPA \$'000		A2DP \$'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 \$'000		A2DP \$'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

35 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 2009, 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.

36 Acquisition of business

On 18 November 2008 contingent consideration of \$1,000,000 plus additional incidental costs associated with the acquisition of the business assets of Norganic Foods (Australia) Pty Ltd were paid. This payment resulted in an increase to the value of intangibles by the amount of the deferred consideration.

36 Acquisition of business (continued)

Details of the acquisitions and additional incidental costs are as follows:

	Consolidated \$'000	
	2010	2009
Purchase consideration - Norganic foods (Australia)	-	1,000
Incidental costs - Norganic foods (Australia)	-	62
Cash consideration	-	1,062

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 \$4,298,000 (2009: \$3,917,000) attributable to the additional business generated by Norganic Foods (Australia) on a gross margin basis.

37 Subsequent events

On 21 May 2010 Freedom Nutritional Products Limited announced that it had entered into a Sale and Subscription Implementation Agreement with A2 Corporation Limited ("A2C") (NZAX:ATM) under which it would sell its 50% interest in A2 Dairy Products Australia Pty Limited (being 2,700,000 fully paid ordinary shares) to A2C in consideration for 120,376,950 fully paid ordinary shares in A2C, being 25% of the enlarged A2C transaction.

The transaction was completed on 22 July 2010. Freedom Nutritional Products directors, Geoffrey Babidge, Melvyn Miles and Perry Gunner have been appointed to the Board of A2 Corporation Limited and Perry Gunner will assume the role of Deputy Chairman.

The transaction will result in Freedom Nutritional Products recording a profit on sale of its 50% interest in A2 Dairy Products Australia of approximately \$3.9 million in the following financial year.

The Group has finance facilities, comprising bank overdraft, multi option and term facilities with BankWest. The facility was subject to renewal following an initial 3 year term in October 2010. The Group has received a proposal in relation to a refinancing of the facilities with the security profile generally consistent with the existing facilities. The Group expects new facilities to be formally established on or before 31 October 2010.

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

38 Assets Classified as Held for Sale

	Consolidated \$'000	
	2010	2009
Investments Accounted for Using the Equity Method Held for Sale (Note 34)	4,141	-
	4,141	-

On 21 May 2010 Freedom Nutritional Products Limited announced that it had entered into a Sale and Subscription Implementation Agreement with A2 Corporation Limited ("A2C") (NZAX:ATM) under which it would sell its 50% interest in A2 Dairy Products Australia Pty Limited (being 2,700,000 fully paid ordinary shares) to A2C in consideration for 120,376,950 fully paid ordinary shares in A2C, being 25% of the enlarged A2C transaction.

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

FREEDOM NUTRITIONAL PRODUCTS LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2010

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) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements.
- (c) 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
- (d) 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, 23 September 2010



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

We have audited the accompanying financial report of Freedom Nutritional Products Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 consolidated 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. Those 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 of the financial report that gives a true and fair view, 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.

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 consolidated entity's financial position as at 30 June 2010 and of its 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 statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

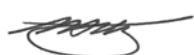
We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Freedom Nutritional Products Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



P A Roberts
Partner
Chartered Accountants
Parramatta, 23 September 2010

Company Secretary

Rory Macleod

Principal Registered Office

80 Box Road
Taren Point, NSW 2229
Tel: (02) 9526 2555
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
Phil Wilson – General Manager Leeton Manufacturing Operations
Peter Brown – Executive General Manager Sales
Peter Bartier – National Supply Chain Manager
Chris Pensini – Leeton Manufacturing and Operations Manager



FREEDOM FOODS GROUP LIMITED

ABN 41 002 814 235 | Ph: 02 9526 2555 | Fax: 02 9525 5406
80 Box Road Taren Point NSW 2229 | PO Box 2531 Taren Point NSW 2229

FREEDOM FOODS GROUP LIMITED

ABN: 41 002 814 235

ENTITLEMENT OFFER ACCEPTANCE FORM

NON-RENOUCEABLE ENTITLEMENT OFFER OF UP TO 24,198,557 CONVERTIBLE REDEEMABLE PREFERENCE SHARES (CRPS) AT AN ISSUE PRICE OF THIRTY CENTS EACH ON THE BASIS OF 1 CRPS FOR EVERY 3.2 ORDINARY SHARES HELD, PAYABLE IN FULL UPON ACCEPTANCE OF THIS OFFER.

Registries

All correspondence to
Registries Limited
GPO Box 3993
Sydney NSW 2001

Tel: 1300 737 760 (within Aust)
Tel: + 61 2 9290 9600 (outside Aust)
Fax: + 61 2 9279 0664
www.registries.com.au
registries@registries.com.au

Entitlement No.

Subregister

SRN/HIN.

Number of Shares held at 7.00pm on 24 November 2010

Offer Closes: 9 December 2010 at 5:00pm EST

<Barcode>

A Entitlement Offer Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by the close date with payment will constitute acceptance of the Entitlement Offer. Your signature is only required when an alteration to your address is indicated by you over the page.

Entitlement to CRPS on the basis of 1 CRPS for 3.2 Ordinary Shares held	Price Per CRPS	Amount Payable for Full Acceptance, at \$0.30 per CRPS
	at \$0.30 Per CRPS =	

If you wish to accept **PART OF YOUR ENTITLEMENT ONLY** please complete this form showing in the box below the **NUMBER OF CRPS BEING ACCEPTED** and the appropriate amount payable.

Number of CRPS accepted	Price Per CRPS	Amount Enclosed
	at \$0.30 Per CRPS =	\$

B Apply for Additional CRPS (if available)

If you wish to apply for Additional CRPS in addition to your Entitlement above please insert the number of CRPS in the box below and the appropriate amount payable. These Additional CRPS will be allotted in FNP's discretion in accordance with the Information Statement dated 16 November 2010 (Information Statement).

Number of Additional CRPS Applied for	Price Per CRPS	Amount Enclosed
	at \$0.30 Per CRPS =	\$

C Payment

Payment may only be made by BPAY or cheque. Cash will not be accepted via the mail or at the Freedom Nutritional Products Limited Share Registry. Payments cannot be made at any bank. **Payment must be received by no later than 5.00pm (Sydney time) Thursday 9 December 2010.**

Payment Option 1 – BPAY



Biller Code: 89383
Ref: «BPayCRN»

Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.

More info: www.bpay.com.au

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- To pay via BPAY please contact your participating financial institution
- If paying by BPAY you do not need to return this Entitlement and Acceptance Form
- If paying by BPAY the amount of your payment received in the account divided by the issue price will be deemed to be the total number of CRPS and, if applicable, Additional CRPS you are applying for.

Payment Option 2 – Cheque (record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques, bank drafts and money orders in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque, bank draft or money order must be made payable to "FNP Entitlement Offer" and crossed "Not Negotiable".
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

THIS FORM CONTINUES OVERLEAF

D Contact Details

CONTACT NAME	TELEPHONE WORK	TELEPHONE HOME	EMAIL ADDRESS
	()	()	

By submitting this Entitlement and Acceptance Form (Form) or by using the BPAY facility to accept the Offer, I/We represent and warrant that I/we have read and understood the Information Statement to which this Form relates and declare that this Form is completed and lodged according to the Information Statement and the instructions on this Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Freedom Foods Group Limited and agree to the terms and conditions of the Entitlement Offer under the Information Statement. I/We represent and warrant that I/we have not relied on any other information provided by Freedom Foods Group Limited other than as set out in the Information Statement when making my/our decision to invest. I/We agree that FNP can correct errors in the Form. I/We agree that if any amount to be refunded to me/us is less than \$2.00, the money will be paid to a charity nominated by FNP.

LODGEMENT INSTRUCTIONS TO APPLICANTS

Please read these instructions carefully

ACCEPTANCE OF YOUR ENTITLEMENT IN FULL OR PART

Multiply the number of CRPS and, if applicable, Additional CRPS applied for by \$0.30 then fill in the acceptance details, where necessary, in the space provided on the front of this form. Complete your cheque details on the front of this form and send your cheque/bank draft/money order and completed form to:

Registries Limited
GPO Box 3993
SYDNEY NSW 2001

Telephone No. 02 9290 9600
Facsimile No. 02 9279 0664

If you do not deal with your entitlement it will lapse at 5.00 pm (Sydney time) on Thursday 9 December 2010.

PAYMENT**Cheque/Bank Draft/Money Order**

All cheques, bank drafts or money orders (expressed in Australian currency and drawn on an Australian branch of a financial institution) are to be made payable to "FNP Entitlement Offer" and crossed "Not Negotiable". Personal cheques drawn on overseas banks in Australian or any foreign currency will not be accepted. These will be returned and the acceptance deemed to be invalid.

BPAY

If you make payment using BPAY you must contact your Australian bank, credit union or building society to make this payment from your cheque or savings account. For more information: www.bpay.com.au. Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY before 5.00 pm (Sydney time) on Thursday 9 December 2010. You should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by this time.

OVERSEAS SHAREHOLDERS ARE ADVISED TO ENSURE THEIR DOCUMENTS ARE POSTED TO AUSTRALIA BY AIRMAIL.

INTERPRETATION

Terms used in this Form have the same meaning as defined in the Information Statement.

CHANGES OF ADDRESS SUPPORTED BY YOUR SIGNATURE(S)

If your address is not exactly as shown, please provide details below. This is only relevant for Issuer Sponsored registered holdings. CHESS holders must notify your sponsoring broker for amendments to holdings on the CHESS Subregister.

CHANGE OF ADDRESS DETAILS – ISSUER SPONSORED ONLY		
SIGN HERE FOR ADDRESS AMENDMENTS:		

Shareholder 1 (Individual) /
Sole Director & Sole Company
Secretary

Joint Shareholder 2 (Individual) /
Director

Joint Shareholder 3 (Individual) /
Director/Company Secretary
(Delete one)

Privacy Statement:

Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Form.

Our privacy policy is available on our website (http://www.registriesltd.com.au/help/share_privacy.html).