Appendix 4D

Half yearly report

Name of Entity	So Natural Foods Australia Limited
ABN	41 002 814 235
Financial Period Ended	31 DECEMBER 2003
Previous Corresponding Reporting Period	31 DECEMBER 2002

Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	15,631	46%
Profit / (loss) from ordinary activities after tax attributable to members	(225)	N/A
Net profit / (loss) for the period attributable to members	(225)	N/A

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	Nil	
Interim Dividend	Nil	
Previous corresponding period	1.0 cents	Fully franked, 0.43 cents

Record date for determining entitlements to the dividends (if any)	N/A

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer Attachment 1.

Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	Previously lodged with ASX
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

NTA Backing

	Current Period	**Previous corresponding period**
Net tangible asset backing per ordinary security	42.5 cents	50.6 cents

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

Refer Attachment 1.

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects : Refer Attachment 1 and Statement of Financial Performance in Attachment 2.
Returns to shareholders including distributions and buy backs : Refer Attachment 1.
Significant features of operating performance : Refer Attachment 1.
The results of segments that are significant to an understanding of the business as a whole: Refer to Note 5 in Attachment 2.
Discussion of trends in performance : Refer to Note 8 in Attachment 2.
Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified: Attachment 1.

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	Freedom Foods (Aust) Pty Ltd
Date control gained	4 December 2003
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired attributable to members of the parent entity	\$19
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the previous equivalent period attributable to members of the parent entity, as if they had control	(\$23)

Loss of Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	
Date control lost	
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	

Details of Associates and Joint Venture Entities

Name of Entity	**Percentage Held**		**Share of Net Profit**	
	Current Period	**Previous Period**	**Current Period**	**Previous Period**
Aggregate Share of Net Profits				

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	✓
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: N/A			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: N/A			

Attachments Forming Part of Appendix 4D

Attachment #	**Details**
1	ASX Announcement
2	Interim Financial Report

Signed By (Director/Company Secretary) Company Secretary	
Print Name	Michael Jenkins
Date	26 February 2004

Attachment 1

First Half Commentary

So Natural Foods produced an operating loss after tax for the six months ended 31 December 2003 of ($225,000) (compared to a profit of $310,000 for the corresponding period last year).

As foreshadowed at the Company's AGM in October 2003 and a statement to the ASX on 13 February 2003, the result has been principally impacted by the expensing of new marketing initiatives for the So Natural and Paramount Seafood brands in the first half for which a resulting uplift in profit contribution has yet to be achieved. This marketing spend was $804,000 above that of the previous corresponding half year period.

Soy division sales were down 5.6% on last year due to increased competitor activity and the impact of retailer pricing strategies. The increased marketing spend on new initiatives and lower yield from domestic soy beans purchased during the 2003 drought also affected results. Improvements in production efficiencies achieved last year were broadly maintained and should further improve in the second half due to increased contract packing volumes coming on stream. Since February 2004, the Company has secured improved promotional pricing and ranging in retail for some soy beverage lines.

The Paramount Seafood contribution was on budget, notwithstanding some reduction in retail distribution from October 2003. Overall, the Company is pleased with the development of the Paramount business and in particular the strategic partnership with Bumble Bee Seafood's LLC. This relationship has been further strengthened with the recent extension of the procurement agreement for a new term of 5 years with a further option for an additional 5 years.

The first month profit contribution from the recently acquired Freedom Foods Pty Limited business was in line with expectations.

On 16th February 2004, the Company announced a binding heads of agreement with Mr Ian Thorpe, arguably Australia's most successful and popular sports person to establish two joint ventures for the exclusive marketing of food and beverage and seafood products in overseas markets. Ian Thorpe will also provide endorsement for a range of So Natural and Thorpedo products in Australia and New Zealand over time.

As part of the arrangements, Ian Thorpe's interests will initially receive 1.5 million shares in So Natural issued at $0.75 cents per share, with a further 500,000 shares to be issued subject to profit performance.

This comprehensive transaction represents a company transforming event, given the opportunity to expand into new products and markets together with the endorsement by Ian Thorpe of a range of products over time.

During the half year, 4 million ordinary shares were issued at $0.75 cents per share to fund the Freedom Foods Pty Limited acquisition and other growth initiatives consistent with the Company's functional food strategy.

Outlook

As a result of recently announced initiatives, So Natural remains well placed to continue to enhance its position within the functional foods sector and to build new revenue streams in complementary products and markets.

The Board is committed to further investment in brand positioning and awareness and building the Company's product range. While this strategy is at the expense of short term returns, it should allow for significantly improved performance in the years ahead. The agreement with Ian Thorpe significantly broadens the potential of this strategy.

Assuming current market conditions continue, the Company is forecasting profitable trading in the six months to 30 June 2004. Given present investment opportunities the Board is unlikely to recommend a dividend this financial year.

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

Directors

The names of directors who held office during or since the end of the half-year:

C. C. Grubb – Chairman (Non Executive)
G.H. Babidge – Managing Director (Executive)
G. J. Reaney – Director (Non Executive)
M. van Ryn – Director (Non Executive)
S. F. Higgs - Director (Non Executive)
P. R. Gunner - Director (Non Executive)

Review of Operations

Refer to Attachment 1.

Rounding of Amounts

The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded to the nearest $1,000.

The report is signed in accordance with a resolution of the Board of Directors.

Geoff H. Babidge
Director

Dated on this 25th day of February 2004

SO NATURAL FOODS AUSTRALIA LIMITED
Statement of Financial Performance
For the half year ended 31 December 2003

	Note	31 Dec 2003 $'000	31 Dec 2002 $'000
Revenue from ordinary activities	*2*	15,631	10,687
Expenses from ordinary activities, excluding borrowing costs	*3*	15,882	10,242
Borrowing costs		199	51
Profit from ordinary activities before income tax expense		(450)	394
Income tax expense relating to ordinary activities		(230)	84
Profit from ordinary activities after income tax expense		(220)	310
Net profit attributable to outside equity interest		(5)	-
Net profit attributed to members of the parent entity at the end of the financial period		(225)	310
Basic earnings per share (cents per share)		(0.8)	1.5
Diluted earnings per share (cents per share)		(0.8)	1.4

The Statement of Financial Performance is to be read in conjunction with the attached notes.

SO NATURAL FOODS AUSTRALIA LIMITED
Statement of Financial Position
As at 31 December 2003

	31 Dec 2003 $'000	30 June 2003 $'000
CURRENT ASSETS		
Cash	2,047	1,507
Receivables	6,346	5,236
Inventories	4,957	5,728
Deferred tax assets	615	696
Other	1,839	1,364
TOTAL CURRENT ASSETS	15,804	14,531
NON-CURRENT ASSETS		
Intangibles	3,821	2,082
Investments	117	-
Property, plant and equipment	9,475	9,263
Deferred tax assets	616	-
Other	351	245
TOTAL NON-CURRENT ASSETS	14,380	11,590
TOTAL ASSETS	30,184	26,121
CURRENT LIABILITIES		
Payables	6,358	6,604
Interest bearing liabilities	1,070	508
Current tax liabilities	615	-
Provisions	378	315
TOTAL CURRENT LIABILITIES	8,421	7,427
NON-CURRENT LIABILITIES		
Interest bearing liabilities	4,844	4,231
Deferred tax liabilities	-	327
Provisions	43	27
TOTAL NON-CURRENT LIABILITIES	4,887	4,585
TOTAL LIABILITIES	13,308	12,012
NET ASSETS	16,876	14,109
EQUITY		
Contributed equity	14,625	11,730
Retained profits	2,155	2,379
Parent entity interest	16,780	14,109
Outside equity interest	96	-
TOTAL EQUITY	16,876	14,109

The Statement of Financial Position is to be read in conjunction with the attached notes.

SO NATURAL FOODS AUSTRALIA LIMITED
Statement of Cash Flows
For the half year ended 31 December 2003

	31 Dec 2003 $'000	31 Dec 2002 $'000
Cash flows from operating activities		
Receipts from customers	15,441	11,665
Payments to suppliers and employees	(16,588)	(11,680)
Interest received	8	22
Interest and other costs of finance paid	(199)	(51)
Income taxes paid	(27)	(24)
Net operating cash flows	(1,365)	(68)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(390)	(1,032)
Payment for subsidiary, net of cash acquired	(1,740)	-
Proceeds from sale of property, plant and equipment	-	33
Net investing cash flows	(2,130)	(999)
Cash flows from financing activities		
Proceeds from issue of shares	2,895	1,500
Proceeds from loans from other entities	652	616
Repayment of interest bearing liabilities	(27)	(170)
Net financing cash flows	3,520	1,946
Net increase (decrease) in cash	25	879
Cash at beginning of period	1,080	1,076
Cash at end of period	1,105	1,955

The Statement of Cash Flows is to be read in conjunction with the attached notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by So Natural Foods Australia Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

	31 Dec 2003 $'000	31 Dec 2002 $'000
NOTE 2: REVENUES FROM ORDINARY ACTIVITIES		
Revenues from ordinary activities is comprised as follows:		
Revenue from sales or services	15,623	10,665
Interest revenue	8	22
Total revenue from ordinary activities	15,631	10,687
NOTE 3: EXPENSES FROM ORDINARY ACTIVITIES		
Expenses from ordinary activities excluding borrowing costs is comprised as follows:		
Depreciation of non-current assets	510	363
Amortisation of goodwill	60	-
Bad debts provided	12	12
Other expenses from ordinary activities	15,300	9,867
Total expenses from ordinary activities	15,882	10,242

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated 31 Dec 2003 $'000
NOTE 4: DIVIDENDS PAID	
Final fully franked ordinary dividend of cents (2002: 1.0 cents) per share paid during the interim period.	N/A
Total dividends paid	

NOTE 5: SEGMENT INFORMATION

The company operates within the Functional Food Industry in Australia.

NOTE 6: DISCONTINUED OPERATIONS

Nil

NOTE 7: CONTINGENT LIABILITIES

Business undertakings:	
Bank guarantees - limit	20

Current exposure:
A statement of claim has been received from a customer relating to products provided in 1998 and 1999. The Company is defending this claim and believes it will be successful.

As disclosed in the 30 June 2003 Annual Report a deed of cross guarantee exists between parent company and its subsidiaries.

NOTE 8: SUBSEQUENT EVENTS

On 16 February 2004 the company announced that it had entered into a binding heads of agreement to establish two joint ventures for the exclusive marketing of food and beverage products in overseas markets with Mr Ian Thorpe, arguably Australia's most successful and popular sports person. Mr Thorpe will also provide endorsement for a range of So Natural and Thorpedo beverage products in Australia and New Zealand.

The company will have 75% equity interest in the seafood joint venture (SJV) and an initial interest of 25% in the food and beverage joint venture (F&BJV). The company will have an obligation to increase its shareholding in the F&BJV by 15% within 5 years to a maximum shareholding of 75%.

Upon completion of contracts, Mr Thorpe's interests will receive 1.5 million shares in the company and a further 500,000 shares subject to an agreed profit performance hurdle.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The accompanying interim financial statements and notes, as set out on pages 7 to 12:

    (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

    (b) give a true and fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Geoff H. Babidge
Director

Dated on this 25th day of February 2004

A Member Firm of PKF International

PKF

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& Business Advisers

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INDEPENDENT REVIEW REPORT

Scope

We have reviewed the financial report of So Natural Foods Australia Limited for the half-year ended 31 December 2003 as set out on pages 8 to 13. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The directors of So Natural Foods Australia Limited are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of So Natural Foods Australia Limited is not in accordance with:

(a) the Corporations Act 2001, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

PKF

PKF
Chartered Accountants

Bruce Gordon

Bruce Gordon
Partner
Sydney, 25 February 2004