Appendix 4D

Half yearly report

Name of Entity	So Natural Foods Australia Limited
ABN	41 002 814 235
Financial Period Ended	31 DECEMBER 2004
Previous Corresponding Reporting Period	31 DECEMBER 2003

Results for Announcement to the Market

	$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	18,518	19%
Profit / (loss) from ordinary activities after tax attributable to members	(181)	20%
Net profit / (loss) for the period attributable to members	(181)	20%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil

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	41.9 cents	42.5 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 Attachment 1.
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)	N/A
Date control gained	N/A
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	N/A
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	N/A

Loss of Control Gained Over Entities Having Material Effect

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

Details of Associates and Joint Venture Entities

Name of Entity	**Percentage Held**		**Share of Net Profit**	
	Current Period	**Previous Period**	**Current Period**	**Previous Period**
Thorpedo Foods Pty Ltd	25%	Nil	Nil	Nil
Aggregate Share of Net Profits			Nil	Nil

Audit/Review Status

<table>
<tr><td colspan="4">This report is based on accounts to which one of the following applies:
(Tick one)</td></tr>
<tr><td>The accounts have been audited</td><td></td><td>The accounts have been subject to review</td><td>✓</td></tr>
<tr><td>The accounts are in the process of being audited or subject to review</td><td></td><td>The accounts have not yet been audited or reviewed</td><td></td></tr>
<tr><td colspan="4">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</td></tr>
<tr><td colspan="4">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</td></tr>
</table>

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	23 February, 2005

Attachment 1

First Half Commentary

Overview

So Natural Foods Australia Limited (ASX Code SNF) produced an operating loss after tax and amortisation for the six months ended 31 December 2004 of ($181,000). This result, although unsatisfactory, represents an improvement on both the corresponding and immediate prior six month periods. We continue to forecast an operating profit for the financial year without allowing for the impact of the investment in Thorpedo Foods Pty Limited.

Divisional Performance

EBITDA for the six months totalled $774,000, more than double the previous corresponding period, and cash flow from operations (net of capital expenditure) totalled $607,000 compared to negative cash flow for the corresponding period.

At the company's AGM in October 2004, the Managing Director provided an overview of the operating plans for the 2005 year and said that an improvement in profitability over the previous year is expected. The company is on plan to achieve this improvement and has numerous growth options on which to build.

For the soy and rice division, sales performance was stable when compared to the previous six month period on an overall lower cost base. As the UHT soy and rice market grew by 3.6% over the past six months this reflected a small loss of market share. Further reductions in manufacturing costs of this division will be achieved following implementation of the manufacturing joint venture as detailed below. The company has secured additional soy contract packing volume to take effect from April 2005 and will seek ranging of enhanced branded soy beverages by year end.

The 2005 strategy for the Paramount Seafood division is to build brand momentum and sales and we were successful in securing additional ranging of core and new seafood lines in the major grocery chains towards the end of the first half. As part of this strategy we undertook marketing initiatives with Ian Thorpe and launched new packaging which cost around $400,000 in the half year. A number of new seafood lines will soon appear on supermarket shelves including blue back salmon, salmon in oil and Thorpedo tuna steaks.

Freedom Foods performed better than planned during the half with sales consistently exceeding $1m per month. We are continually assessing and presenting new product opportunities to the trade and recently commenced new marketing initiatives emphasizing the health benefits of Freedom Foods products with endorsement from the successful Olympian, Jane Saville.

Beverage Manufacturing Joint Venture

The company announced in December 2004 its intention to establish a manufacturing joint venture for the soy and rice, dairy milk and associated beverage contract manufacturing activities in association with Leppington Pastoral Company Pty Limited (LPC). The commencement date for the joint venture is planned for March 2005.

The joint venture will acquire the company's manufacturing plant and equipment and contract pack soy and rice beverages for SNF and dairy milk for LPC on a cost recovery basis. Over time, it will seek to expand contract packing for third parties. The joint venture will relocate to new factory premises in the greater Sydney area which would allow for the sale of the company's land and buildings at Taren Point.

The joint venture is being established with a primary focus on growth in dairy milk products for LPC and third party contract packing. The spreading of factory overheads will provide an immediate reduction in the cost base for the soy and rice business. The sale of plant and equipment and the ultimate sale of land and buildings will reduce funds employed in the soy and rice division by around $8 million.

Seafood Acquisition

As advised in December 2004, SNF is negotiating the potential acquisition of an ambient seafood business to further expand on the Paramount seafood business. The business is highly synergistic with Paramount and would require no increase in infrastructure for SNF. The acquisition, which is subject to due diligence and board approvals will be EPS positive and primarily funded from the proceeds of the manufacturing JV transaction to be concluded in March.

Thorpedo Foods

SNF holds a 25% investment in Thorpedo Foods Pty Limited for which results are not consolidated. SNF is funding the development of this business which involves the initial launch in Australia of a range of innovative functional beverages and foods and the development of offshore markets in association with local partners.

The Australian launch of Thorpedo advanced hydration ultra low GI energy water took place from October 2004. The support from the grocery channel has been strong, whereas sales in the fragmented petrol and convenience channel are below plan. The marketing strategy for the Thorpedo brand is about communicating the personal link of Ian Thorpe with the products he is bringing to market. Ian will be actively involved in our marketing and support programs over coming months to assist building brand awareness and sales momentum.

We are progressing our plans for launching beverages and other products in Hong Kong and the USA and are continuing to assess market entry options for Japan and China.

Consistent with its strategy, Thorpedo Foods Pty Limited incurred a trading loss for the six months ended 31 December, 2004 from the expensing of launch costs for the Australian market and offshore market development.

Capital Issues

During the half year, the company undertook a number of capital raising initiatives to fund growth initiatives. The company raised $5 million from the issue of 8,333,333 unlisted convertible notes at a face value of $0.60 and raised a further $1.3 million from an offer of ordinary shares at $0.60 through a share placement plan to existing shareholders. In December 2004, the company made a placement of 5,000,000 ordinary shares at $0.60 to interests associated with LPC and looks forward to working closely with them in the future.

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2004.

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.

Auditors Independence Declaration

In accordance with the audit Independence requirements of the Corporations Act 2001, the Directors have received and are satisfied with the "audit Independence Declaration" provided by the So Natural Foods Group external auditors PKF. The Audit Independence Declaration has been attached with the "review" opinion at the back of this half-year financial report.

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 has 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 23rd day of February 2005

SO NATURAL FOODS AUSTRALIA LIMITED
Statement of Financial Performance
For the half year ended 31 December 2004

	Note	31 Dec 2004 $'000	31 Dec 2003 $'000
Revenue from ordinary activities	*2*	18,518	15,631
Expenses from ordinary activities, excluding borrowing costs, depreciation and amortisation	*3*	17,744	15,312
Earnings before Interest, Tax, Depreciation & Amortisation		774	319
Interest		(171)	(199)
Depreciation of non-current assets		(583)	(510)
Amortisation of Goodwill		(113)	(60)
Loss from ordinary activities before income tax expense		(93)	(450)
Income tax expense relating to ordinary activities		(48)	(230)
Loss from ordinary activities after income tax expense		(141)	(220)
Net Profit attributable to outside equity interest		(40)	(5)
Net Loss attributed to members of the parent entity at the end of the financial period		(181)	(225)
Basic loss per share (cents per share)		(0.4)	(0.8)
Diluted loss per share (cents per share)		(0.4)	(0.8)

The Statements 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 2004

	31 Dec 2004 $'000	30 June 2004 $'000
CURRENT ASSETS		
Cash	4,648	485
Receivables	7,975	5,897
Inventories	6,512	6,228
Other	983	1,120
TOTAL CURRENT ASSETS	20,118	13,730
NON-CURRENT ASSETS		
Property, plant and equipment	9,000	9,394
Deferred tax assets	1,419	1,399
Loans to associated companies	4,855	713
Intangibles	4,790	4,897
Other	541	448
TOTAL NON-CURRENT ASSETS	20,605	16,851
TOTAL ASSETS	40,723	30,581
CURRENT LIABILITIES		
Payables	7,996	6,341
Interest bearing liabilities	640	1,028
Current tax liabilities	92	-
Provisions	459	462
TOTAL CURRENT LIABILITIES	9,187	7,831
NON-CURRENT LIABILITIES		
Interest bearing liabilities	9,452	4,800
Deferred tax liabilities	508	531
Provisions	64	57
TOTAL NON-CURRENT LIABILITIES	10,024	5,388
TOTAL LIABILITIES	19,211	13,219
NET ASSETS	21,512	17,362
EQUITY		
Contributed equity	19,955	15,665
Retained profits	1,453	1,631
Parent entity interest	21,408	17,296
Outside equity interest	104	66
TOTAL EQUITY	21,512	17,362

The Statements 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 2004

	31 Dec 2004 $'000	31 Dec 2003 $'000
Cash flows from operating activities		
Receipts from customers	16,732	15,441
Payments to suppliers and employees	(15,354)	(16,588)
Interest received	-	8
Interest and other costs of finance paid	(171)	(199)
Income taxes paid	-	(27)
Net operating cash flows	1,207	(1,365)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(167)	(390)
Payment for subsidiary, net of cash acquired	-	(1,740)
Loans to Other Entities	(4,170)	-
Research & Development	(152)	-
Net investing cash flows	(4,489)	(2,130)
Cash flows from financing activities		
Proceeds from issue of shares	4,304	2,895
Proceeds from issues of Convertible Notes	5,000	-
Proceeds from loans from other Entities	-	652
Loan to Subsidiary	69	
Repayment of interest bearing liabilities	(69)	(27)
Share Issue Expenses	(14)	-
Convertible Notes Issue Expenses	(275)	-
Net financing cash flows	9,015	3,520
Net increase in cash	5,733	25
Cash at beginning of period	(409)	1,080
Cash at end of period	5,324	1,105

The Statements 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 2004 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 2004 annual report.

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

	31 Dec 2004 $'000	31 Dec 2003 $'000
NOTE 2: REVENUES FROM ORDINARY ACTIVITIES		
Revenues from ordinary activities is comprised as follows:		
Revenue from sales or services	18,518	15,623
Interest revenue	-	8
Total revenue from ordinary activities	18,518	15,631
NOTE 3: EXPENSES FROM ORDINARY ACTIVITIES		
Expenses from ordinary activities excluding borrowing costs, depreciation and amortisation is comprised as follows:		
Bad debts provided	21	12
Discontinuance of ESL production	128	-
Other expenses from ordinary activities	17,595	15,300
Total expenses from ordinary activities	17,744	15,312

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated 31 Dec 2004 $'000
NOTE 4: DIVIDENDS PAID	
Final fully franked ordinary dividend of cents (2003: Nil) per share paid during the interim period.	Nil
Total dividends paid	Nil

NOTE 5: SEGMENT INFORMATION

The company operates within the Functional Food Industry in Australia.

NOTE 6: EQUITY SECURITIES ISSUED

	31 Dec 2004 Shares	31 Dec 2003 Shares	31 Dec 2004 $'000	31 Dec 2003 $'000
Shares issued via rights issue				
Shares issued via placements	7,173,969	4,000,000	4,304,300	3,000,000
Shares issued to employees	-	-	-	-
Share issue from option conversion	-	-	-	-

NOTE 7: CONVERTIBLE NOTES ISSUED

The Company issued 8,333,333 convertible notes of 60 cents each with an interest rate of 9.5% for 3 years. The Allotment date was 7 September 2004.

NOTE 8: 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 2004 Annual Report a deed of cross guarantee exists between the parent company and its subsidiaries.

NOTE 9: SUBSEQUENT EVENTS

Nil

NOTE 10: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(a) Project Plan and Implementation Status

So Natural Foods Australia Limited has commenced transitioning its accounting policies and financial reporting from the current Australian standards to Australian equivalent of International Financial Reporting standards (IFRS).

So Natural formed an IFRS project team during 2003-2004 financial year with the objective of proactively managing the analysis and impact assessment of pending standards. The IFRS project team's primary objective is to manage the transition of So Natural Foods Australia Limited from Australian Accounting Standards to IFRS in 2005 (year ending 30 June 2006). The two key objectives of the project team are to ensure:

1. Internal Readiness: Includes, policies, procedures and training
2. External communication: Timely and accurate

Since inception the project team has researched IFRS's and identified the areas where the difference between current Australian Accounting Standards and IFRS are likely to have a material impact on so Natural Foods Australia Limited. Consequently, we advise that reported results beyond 2005 could materially vary to those reported under current Australian Accounting Standards, as noted below.

As IFRS implementation continues into the next period, the project team will continue its analysis, increasing its level of detail into reengineering of policies and procedures affected.

(b) Impact assessment on adoption

Income Taxes

The Australian equivalent to IFRS (AASB 112 Income Taxes) requires the company to use a balance sheet liability method which focuses on the tax effects of transactions and other events that effect amounts recognised in either the statement of financial position or a tax based balance sheet.
At this time it is impracticable to estimate the impact of the adoption of the standard.

Property, Plant and Equipment

The Australian equivalent to IFRS (AASB 116 Property Plant and Equipment) states the recoverable amount of an asset is determined as the fair value less costs to sell. This will result in a change to the So Natural Foods Australia Limited Group Accounting Policy. As reliable estimation of the future financial position at the time of impairment testing is not known the financial impact cannot be quantified.

Goodwill

Based on 30 June 2004 results So Natural Foods has an annual charge to goodwill amortisation of approximately $164,000. Under the Australian equivalents to IFRS (AASB 3 Business Combinations) acquired Goodwill will not require amortisation, but instead will be subject to annual impairment testing. This will result in a change to the So Natural Foods Australia Limited Group Accounting Policy which amortises goodwill over a period of no greater than 20 years. Under the new policy an expense for Goodwill amortisation would only occur to the extent that an asset was impaired. As reliable estimation of the future financial position at the time of impairment testing is not known, the financial impact cannot be quantified.

Research and Development

The Australian equivalent to IFRS (AASB 138 Intangible Assets) requires the company to expense its research costs as incurred. This will result in a change to the So Natural Foods Australia Limited Group Accounting Policy which amortises research over a period of no greater than 18 months from commercial production.
At this time it is impracticable to estimate the impact of the adoption of the standard.

Licenses, Patents, Trademarks and Other
The Australian equivalents to IFRS (AASB 138 Intangible Assets) requires the company to assess Licenses, Patents, Trademarks as having either a finite life, will be amortised their life, or an infinite life, will be subject to annual impairment testing. This will result in a change to the So Natural Foods Australia Limited Group Accounting Policy which amortises these costs over a period of no greater than 18 months.
At this time it is impracticable to estimate the impact of the adoption of the standard.

Hedges
The Australian equivalents to IFS (AASB 139 Financial Instruments: Recognition and Measurement) recognise three types of hedging, fair value hedge accounting, cash flow hedge accounting, and hedges of investment in foreign operations. Fair value and cash flow hedges can only be accounted for as hedges if effective hedge tests are met, which include the following:

- identify the type of hedge – fair value or cash flow;
- identify the hedge item or transaction;
- identify the nature of the risk being hedged;
- identify the hedge instrument;
- demonstrate that the hedge has and will continue to be highly effective; and
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change to the So Natural Foods Australia Limited Group Accounting Policy which currently treats general hedges over forward purchases as effective for the purpose of hedge accounting. So Natural foods is currently reviewing its hedging process to determine whether the procedures and documentation of hedging could be changed in order to meet the documentation requirements of IFRS. If management decides that the hedging process cannot be designed to result in an effective hedge (as defined in IFRS) then all gains and losses on forward currency contracts will be accounted for directly in the Statement of Financial Performance.

Share Based Payments
The Australian equivalent to IFRS (AASB 2 Share-Based Payments) requires that benefits provided to employees in the form of employee options are recognised as remuneration. This requires that management obtain a valuation for options granted and expense the value to the Statement of Financial Performance over the vesting period. So Natural Foods Australia Limited Group Accounting policy does not require expensing of options, as a result there may be a decrease in profit on adoption of IFRS. As future option plans are not known the value of options expensed to the Statement of Financial Performance cannot reliably determined.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 8 to 15:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

a) the financial statements and notes are in accordance with the Corporations Act 2001; and

b) there are reasonable grounds to believe that So Natural Foods Australia Limited will be able to pay its debts as and when the become due and payable.

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

Geoff Babidge
Director

Dated on this 23rd day of February 2005

PKF

Chartered Accountants
& Business Advisers

NSW Partnership
ABN 83 236 985 726

Level 10, 1 Margaret Street
Sydney NSW 2000

DX 10173 Sydney Stock Exchange NSW

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Independent review report to the members of So Natural Foods Australia Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for So Natural Foods Australia Limited and its controlled entities ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statements on the basis of the review procedures performed, which were limited primarily to enquiries of company personnel and analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Independent review report to the members of So Natural Foods Australia Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe 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 2004 and of its performance for the half-year ended on that date; and

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

b) other mandatory professional reporting requirements in Australia.

PKF

Bruce Gordon
Partner

Sydney
23 February 2005

A Member Firm of PKF International

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Lead auditor's independence declaration
Under section 307C of the Corporations Act 2001

To the Directors of So Natural Foods Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004, there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

PKF

Bruce Gordon
Partner

Sydney
23 February 2005