Appendix 4D

Half yearly report

Name of Entity	So Natural Foods Australia Limited
ABN	41 002 814 235
Financial Period Ended	31 DECEMBER 2005
Previous Corresponding Reporting Period	31 DECEMBER 2004

Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	23,533	27%
Profit / (loss) from ordinary activities after tax attributable to members	647	851%
Net profit / (loss) for the period attributable to members		

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	11.5 cents	45.5 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 6 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**
Contract Beverage Packers of Australia Pty Ltd	50%	50%	Nil	Nil
Aggregate Share of Net Profits			Nil	Nil

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	3 March, 2006

Attachment 1

So Natural Foods reports successful first half

So Natural Foods Australia Limited (ASX Code SNF) produced a consolidated profit after tax and amortisation for the six months ended 31 December 2005 of $646,603.

Highlights of the first half result are as follows:

- Net Profit after tax of $647k up from the December 04 half profit of $68k, a significant improvement on both the corresponding and immediate prior six month periods.
- Consolidated sales up 27%, reflecting growth in existing businesses and impact of prior year acquisitions. Comparable sales growth for the half year period for key business units included Soy & Rice beverages + 6.0%, Paramount Seafoods +11.2% and Freedom Foods + 5.5%.
- Improved performance across each division with the benefits of the CBPA Joint Venture and the acquisition of Brunswick Seafoods contributing to the result.
- Completion of a Strategic Partnership in Japan between Thorpedo Foods and Yakult Honsha of Japan.

Key Performance Comparison

6 months to 31 Dec	2005 $'000	2004* $'000	% Change
Net Sales Revenues	23,533	18,518	27%
EBITDA	1,414	853	66%
EBIT	1,350	270	400%
Net Profit	647	68	851%

Note:
*2004 financial results included revenue and contribution attributable to non soy beverage contract packaging volumes that are accounted for in FY 2005 under the CBPA joint venture and not consolidated by SNF.

Group Ratios

6 months to 31 Dec	2005	2004	% Change
Basic EPS (cents per share)	1.5	0.2	650%
Return on Funds Employed (1)	9.3%	2.1%	343%
Net Debt / EBITDA	2.4	3.2	(25%)
Capital Expenditure ($'000)	98	167	(41%)

Note:
1. Return on funds Employed is defined as annualised first half EBIT over Funds Employed.

Divisional Performance

Seafood

The seafood division, now our largest contributor, performed ahead of plan. Paramount salmon sales were significantly ahead of last year with comparable sales for the period increasing by 11.2%, reflecting the brand consolidating a No 2 category position. Brunswick sardines maintained its brand leadership position, performing well in both Australia and New Zealand and assisting in building seafood category critical mass.

We continue to focus on building volume in our key product lines through improved consumer awareness and gaining distribution of new lines of both salmon and sardines. We have recently increased our selling prices due to the effect of lower catches of wild salmon in Alaska and sardines from Canada last year. Our procurement partner/strategic shareholder Bumble Bee Foods has sourced our requirements on satisfactory terms and our shelf pricing remains very competitive. Thorpedo tuna steaks were successfully launched in grocery during the period.

Soy & Rice Beverages

For the soy and rice division, sales performance broadly matched expectations, with comparable sales for the period increasing by 6%, reflecting improved proprietary and contract soy volumes. We have increased marketing support of our core So Natural brand as we consolidate our portfolio of brands. UHT soy and rice market growth slowed to around 3% in value over the past 6 months and our share of proprietary and contract pack brands marginally increased. The CBPA manufacturing joint venture is operating satisfactorily and our soy and rice cost base has reduced compared to the previous year. CBPA was successful in securing additional dairy milk contract packing volume to take effect from February 2006.

Freedom Foods

Freedom Foods performed ahead of plan during the half with comparable sales for the period increasing by 5.5%. Growth was impacted by distribution delays and supply issues with certain third party manufacturers. To sustain and build on our leadership position in special dietary foods, we continue to develop new product opportunities for the grocery trade and we launched a new range of snack breads and crackers to build on our biscuit range during the half.

We continue to focus on our core range of cereals, snacks and biscuits, which account for in excess of 80% of our sales. We have further product initiatives underway and are working with our outsourced manufacturers to further reduce costs.

Thorpedo Foods - Domestic

Thorpedo Foods domestic sales and contribution were behind plan. Our focus in the Australian market is on building distribution of the Thorpedo beverage range in gyms, sports clubs, schools and the grocery channel, supported by our own direct sales team and targeted media. We are also developing new product ranges to further extend the domestic brand portfolio. These initiatives should result in a positive contribution during the 2007 financial year.

Thorpedo Foods - International

Thorpedo Foods and Yakult Strategic Partnership in Japan

The company announced in December 2005 that Yakult Honsha (Yakult) and Thorpedo Foods had entered into a master licence agreement to enable Yakult to manufacture, market and sell beverages branded and endorsed using Thorpedo Foods intellectual property on an exclusive basis for the Japan market. The master licence has been extended to cover yogurt products as well and Thorpedo Foods is keen to explore further opportunities for collaboration with Yakult.

The commercial terms of the master licence provide for licence fees for products introduced and developed by Yakult utilising the Thorpedo brands, with a minimum annual licence fee agreed for the term from mid 2006 until March 2009.

While the terms are confidential, the nature and scope of this transaction are potentially significant to the profitability of Thorpedo Foods in the medium term. SNF currently holds a 50.01% investment in Thorpedo Foods Pty Limited with an option to move to 75% at any time until 2009.

The licensing of Thorpedo Foods intellectual property is the preferred model for the growth of this business in international markets. We will continue to explore further growth opportunities in Asia and in other countries where Ian Thorpe's intellectual property has potential.

Ian Thorpe has significantly assisted the business development and marketing activities of Thorpedo Foods in both the domestic market and most importantly in Japan in recent times and is committed to the ongoing development of this business.

Outlook

Thorpedo Foods is expecting a negative result for the current year however is forecasting profits from mid 2006 from its expanding international activities.

The group is forecasting second half consolidated revenue and earnings exceeding the first half.

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2005.

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)
R. Perich - Director (Non Executive)

Review of Operations

Refer to Attachment 1.

Adoption of Australian equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

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 3rd day of March 2006

SO NATURAL FOODS AUSTRALIA LIMITED AND CONTROLLED ENTITIES
Condensed Income Statement
for the half year ended 31 December 2005

		Consolidated	
	Note	31 Dec 2005 $'000	31 Dec 2004 $'000
Revenue from ordinary activities	*3*	23,533	18,518
Share of loss of jointly controlled entity		(27)	-
Expenses excluding finance costs and depreciation.	*4*	(22,092)	(17,665)
Profit before income tax, finance costs and depreciation.		1,414	853
Finance costs		(524)	(171)
Depreciation of non-current assets		(64)	(583)
Profit before income tax expense		826	99
Income tax expense		(246)	4
Profit after income tax expense		580	103
Net Loss/(Profit) attributable to minority interest		67	(35)
Net Profit attributed to members of the parent entity at the end of the financial period		647	68
Basic earnings per share (cents per share)		1.5	0.2
Diluted earnings per share (cents per share)		1.4	0.2

The Condensed Income Statement is to be read in conjunction with the attached notes.

All amounts relate to continuing operations.

SO NATURAL FOODS AUSTRALIA LIMITED AND CONTROLLED ENTITIES
Condensed Balance Sheet
as at 31 December 2005

	Consolidated	
	31 Dec 2005 $'000	**30 June 2005 $'000**
CURRENT ASSETS		
Cash and cash equivalents	2,321	2,599
Trade and other receivables	9,333	7,790
Financial assets	118	-
Inventories	8,051	7,199
Prepayments	528	159
	20,351	17,747
Non-current assets classified as held for sale	3,321	3,321
TOTAL CURRENT ASSETS	23,672	21,068
NON-CURRENT ASSETS		
Investment in jointly controlled entity	494	392
Deferred income tax assets	1,830	2,014
Property, plant and equipment	517	495
Intangible assets	17,162	17,114
TOTAL NON-CURRENT ASSETS	20,003	20,015
TOTAL ASSETS	43,675	41,083
CURRENT LIABILITIES		
Trade and other payables	11,712	9,743
Interest bearing loans and borrowings	37	31
Provisions	485	510
	12,234	10,284
Liabilities directly associated with non-current assets classified as held for sale	121	121
TOTAL CURRENT LIABILITIES	12,355	10,405
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	9,010	8,960
Provisions	78	66
TOTAL NON-CURRENT LIABILITIES	9,088	9,026
TOTAL LIABILITIES	21,443	19,431
NET ASSETS	22,232	21,652
EQUITY		
Contributed equity	22,058	22,058
Retained profits	1,554	907
Parent entity interest	23,612	22,965
Minority interest	(1,380)	(1,313)
TOTAL EQUITY	22,232	21,652

The Condensed Balance Sheet is to be read in conjunction with the attached notes.

SO NATURAL FOODS AUSTRALIA LIMITED AND CONTROLLED ENTITIES
Condensed Statement of Cash Flows
for the half year ended 31 December 2005

	Consolidated	
	31 Dec 2005 $'000	**31 Dec 2004 $'000**
Cash flows from operating activities		
Receipts from customers	22,284	16,732
Payments to suppliers and employees	(20,881)	(15,437)
Interest and other costs of finance paid	(528)	(171)
Net operating cash flows	875	1,124
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(98)	(167)
Loans to jointly controlled entity	(405)	-
Investment in jointly controlled entity	(129)	-
Loans from a related party	28	-
Loans to Other Entities	-	(4,170)
Net investing cash flows	(604)	(4,337)
Cash flows from financing activities		
Proceeds from issue of shares	-	4,304
Proceeds from issues of Convertible Notes	-	5,000
Proceeds from borrowings	22	-
Payment of deferred consideration	(554)	-
Repayment of interest bearing liabilities	(17)	(69)
Share Issue Expenses	-	(14)
Convertible Notes Issue Expenses	-	(275)
Net financing cash flows	(549)	8,946
Net (decrease)/increase in cash	(278)	5,733
Cash at beginning of period	2,599	(409)
Cash and cash equivalents at end of period	2,321	5,324

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

SO NATURAL FOODS AUSTRALIA LIMITED AND CONTROLLED ENTITIES
Condensed Statement of Changes in Equity
for the half year ended 31 December 2005

	Attributable to equity holders of the parent			Minority interest	Total equity
	Issued capital $'000	Retained earnings $'000	Total $'000	$'000	$'000
At 1 July 2004	15,665	631	16,296	62	16,358
Profit for the period	-	68	68	35	103
Total income / expense for the period	15,665	699	16,364	97	16,461
Equity issues	4,290	-	4,290	-	4,290
At 31 December 2004	19,955	699	20,654	97	20,751
At 1 July 2005	22,058	907	22,965	(1,313)	21,652
Profit for the period	-	647	647	(67)	580
At 31 December 2005	22,058	1,554	23,612	(1,380)	22,232

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of So Natural Foods Australia Limited ('Company") as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company and its controlled entities ("the Consolidated Entity") during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting", and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for non-current assets classified as held for sale have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 30 June 2004 and half-year ended 31 December 2005 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

(c) Summary of significant accounting policies

(i) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Summary of significant accounting policies (Continued)

(ii) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

(iii) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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

Non-current assets classified as held for sale are recognised at fair value less the expected costs to sell associated with the disposal. Gains or losses arising from changes in the fair values of non-current assets classified as held for sale are included in the income statement in the period in which they arise.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Summary of significant accounting policies (Continued)

(vi) Share-based payment transactions

The Consolidated Entity provides benefits to the Directors of the Group in the form of share-based payment transactions, whereby Directors render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with Directors is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, over the vesting period, ending on the date on which the Director become fully entitled to the shares or rights over shares (the vesting date).

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(vii) Income tax

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements ;
- Current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The charge for current income tax expenses is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Summary of significant accounting policies (Continued)

(viii) Derivative financial instruments

The Consolidated Entity uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Summary of significant accounting policies (Continued)

(ix) Foreign Currency transactions and balances

The interim consolidated financial statements are presented in Australian dollars which is the Consolidated Entity's functional and presentational currency.

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transactions. Amounts receivable or payable in foreign currency at balance date are converted at the rates of exchange ruling at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction of balances denominated in foreign currency at the reporting date are recognised directly in the income statement except where deferred in equity as qualifying cash flow hedges.

The Consolidated Entity has no foreign denominated non-monetary items or foreign operations.

(d) AASB 1 Transitional exemptions

The Consolidated Entity has made elections in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Group has elected to adopt this exemption and has not applied the requirements of AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS)

The following reconciliations explain how the transition from previous GAAP to AIFRS affected reported financial position, financial performance and cash flows:

- Reconciliation of equity as at 1 July 2004 (date of transition to AIFRS)
- Reconciliation of equity as at 31 December 2004 (end of comparable interim period)
- Reconciliation of equity as at 30 June 2005
- Reconciliation of profit for the half-year ended 31 December 2004 (comparable interim period)
- Reconciliation of profit for the year ended 30 June 2005 (latest period presented under previous AGAAP)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

Reconciliation of equity as at 1 July 2004

	Note	Previous GAAP as at 1 July 2004	Economic Entity Adjustments on introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 1 July 2004
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		485	-	485
Trade and other receivables		6,610	-	6,610
Inventories		6,228	-	6,228
Product development expenditure	A	132	(132)	-
Prepayments	B	988	(659)	329
TOTAL CURRENT ASSETS		14,443	(791)	13,652
NON-CURRENT ASSETS				
Deferred income tax assets		1,399	-	1,399
Property, plant and equipment		9,394	-	9,394
Intangibles		4,897	-	4,897
Other	C	448	(448)	-
TOTAL NON-CURRENT ASSETS		16,138	(448)	15,690
TOTAL ASSETS		30,581	(1,239)	29,342
CURRENT LIABILITIES				
Trade and other payables		6,341	-	6,341
Interest bearing loans and borrowings		1,028	-	1,028
Provisions		462	-	462
TOTAL CURRENT LIABILITIES		7,831	-	7,831
NON-CURRENT LIABILITIES				
Interest bearing loans and borrowings		4,800	-	4,800
Deferred income tax liabilities	D	531	(235)	296
Provisions		57	-	57
TOTAL NON-CURRENT LIABILITIES		5,388	(235)	5,153
TOTAL LIABILITIES		13,219	(235)	12,984
NET ASSETS		17,362	(1,004)	16,358
EQUITY				
Contributed equity		15,665	-	15,665
Retained profits		1,631	(1,000)	631
Parent entity interest		17,296	(1,000)	16,296
Minority interest		66	(4)	62
TOTAL EQUITY		17,362	(1,004)	16,358

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

A Under AASB 138 "Intangible Assets", costs incurred in the research phase of the development of internally generated intangible assets would be expensed. They were carried forward under AGAAP and amortised over an 18 month period from product launch date.

B Under AASB 138 "Intangible Assets", costs incurred in respect of promotion and advertising of new products are expensed. They were carried forward under AGAAP and written off over a period not exceeding 12 months.

C Under AASB 138 "Intangible Assets", costs incurred in the development phase of the development of internally generated intangible assets are expensed which do not meet the recognition criteria of the standard. They were carried forward under AGAAP and amortised over an 18 month period from the product launch date

D The tax effect of the adjustments above (Notes A to C) led to a decrease in the deferred income tax liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

Reconciliation of equity as at 31December 2004

	Note	Previous GAAP as at 31 December 2004	Economic Entity Adjustments on introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 31 December 2004
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		4,648	-	4,648
Trade and other receivables		7,975	-	7,975
Inventories		6,512	-	6,512
Product development expenditure	A	47	(47)	-
Prepayments	B	936	(484)	452
TOTAL CURRENT ASSETS		20,118	(531)	19,587
NON-CURRENT ASSETS				
Property, plant and equipment		9,000	-	9,000
Deferred tax assets		1,419	-	1,419
Loans to associated companies		4,855	-	4,855
Intangibles	C	4,790	113	4,903
Other	D	541	(541)	-
TOTAL NON-CURRENT ASSETS		20,605	(428)	20,177
TOTAL ASSETS		40,723	(959)	39,764
CURRENT LIABILITIES				
Trade and other payables		7,996	-	7,996
Interest bearing loans and borrowings		640	-	640
Tax liabilities		92	-	92
Provisions		459	-	459
TOTAL CURRENT LIABILITIES		9,187	-	9,187
NON-CURRENT LIABILITIES				
Interest bearing liabilities		9,452	-	9,452
Deferred tax liabilities	E	508	(198)	310
Provisions		64	-	64
TOTAL NON-CURRENT LIABILITIES		10,024	(198)	9,826
TOTAL LIABILITIES		19,211	(198)	19,013
NET ASSETS		21,512	(761)	20,751
EQUITY				
Contributed equity		19,955	-	19,955
Retained profits		1,453	(754)	699
Parent entity interest		21,408	(754)	20,654
Minority interest		104	(7)	97
TOTAL EQUITY		21,512	(761)	20,751

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

A Under AASB 138 "Intangible Assets", costs incurred in the research phase of the development of internally generated intangible assets would be expensed. They were carried forward under AGAAP and amortised over an 18 month period from the product launch date.

B Under AASB 138 "Intangible Assets", costs incurred in respect of promotion and advertising of new products are to be expensed. They were carried forward under AGAAP and written off over a period not exceeding 12 months.

C Under AASB 3 "Business Combinations", goodwill is not amortised but instead subject to impairment testing on an annual basis or in the event that circumstances indicate that there may be a potential impairment. Goodwill arising on consolidation and purchased goodwill were amortised over a period not exceeding 20 years. The group elected not to apply AASB 3 retrospectively to the acquisitions of Paramount Seafoods Pty Limited, Freedom Foods Pty Limited and Thorpedo Foods Pty Limited and has reinstated amortised goodwill recognised under AGAAP, from the date of transition

D Under AASB 138 "Intangible Assets", costs incurred in the development phase of the development of internally generated intangible assets would be expensed which do not meet the recognition criteria of the standard. They were carried forward under AGAAP and amortised over an 18 month period from the product launch date.

E The tax effect of the adjustments above (Notes A to D) led to a decrease in the deferred income tax liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

Reconciliation of equity as at 30 June 2005

	Note	Previous GAAP as at 30 June 2005	Economic Entity Adjustments on introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 30 June 2005
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		2,599	-	2,599
Trade and other receivables		7,790	-	7,790
Inventories		7,199	-	7,199
Product development expenditure	A	180	(180)	-
Prepayments	B	1,248	(1,089)	159
		19,016	(1,269)	17,747
Non-current assets classified as held for sale	C	2,739	582	3,321
TOTAL CURRENT ASSETS		21,755	(687)	21,068
NON-CURRENT ASSETS				
Investment in jointly controlled entity		392	-	392
Deferred income tax assets	F	1,561	453	2,014
Property, plant and equipment		495	-	495
Intangibles	A, D	17,592	(478)	17,114
Other	E	561	(561)	-
TOTAL NON-CURRENT ASSETS		20,601	(586)	20,015
TOTAL ASSETS		42,356	(1,273)	41,083
CURRENT LIABILITIES				
Trade and other payables		9,743	-	9,743
Interest bearing loans and borrowings		31	-	31
Provisions		510	-	510
		10,284	-	10,284
Liabilities directly associated with non-current assets classified as held for sale	C	-	121	121
Total Current Liabilities		10,284	121	10,405
NON-CURRENT LIABILITIES				
Interest bearing loans and borrowings		8,960	-	8,960
Deferred income tax liabilities	F	52	(52)	-
Provisions		66	-	66
TOTAL NON-CURRENT LIABILITIES		9,078	(52)	9,026
TOTAL LIABILITIES		19,362	69	19,431
NET ASSETS		22,994	(1,342)	21,652
EQUITY				
Contributed equity		22,058	-	22,058
Retained profits		1,689	(782)	907
Parent entity interest		23,747	(782)	22,965
Minority interest		(753)	(560)	(1,313)
TOTAL EQUITY		22,994	(1,342)	21,652

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

A Under AASB 138 "Intangible Assets", costs incurred in the research phase of the development of internally generated intangible assets are expensed. Costs totalling $865,000, previously deferred under AGAAP and amortised over an 18 month period from product launch date, do not meet the recognition criteria of AASB 138. Development costs and research costs have been reduced by $180,000 and $685,000 respectively.

B Under AASB 138 "Intangible Assets", costs incurred in respect of promotion and advertising of new products are expensed. They were carried forward under AGAAP and written off over a period not exceeding 12 months.

C The fair value movements in the value of non-current assets held for sale are recognised in the Income Statement under "Non-current Assets Held for Sale".

D Under AASB 3 "Business Combinations", goodwill is note amortised but instead subject to impairment testing on an annual basis or in the event that circumstances indicate that there may be a potential impairment. The amount of amortised goodwill written back amounts to $207,000.

E Under AASB 138 "Intangible Assets", costs incurred in the development phase of the development of internally generated intangible assets are expensed which do not meet the recognition criteria of the standard. They were carried forward under AGAAP and amortised over an 18 month period from the product launch date

F The tax effect of the adjustments above (Notes A to E) led to a decrease in deferred income tax liability totalling $505,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

	Note	Previous GAAP $'000	Economic Entity Effect of transition to Australian equivalents to IFRS $'000	Australian equivalents to IFRS $'000
Reconciliation of profit or loss for the half-year ended 31December 2004				
Revenue from ordinary activities		18,518	-	18,518
Expenses, excluding finance costs and depreciation	A	17,744	(79)	17,665
Profit before income tax, finance costs and depreciation		774	79	853
Finance costs		(171)	-	(171)
Depreciation of non-current assets		(583)	-	(583)
Amortisation of Goodwill	C	(113)	113	-
(Loss)/Profit before income tax expense		(93)	192	99
Income tax expense	D	(48)	52	4
(Loss)/Profit after income tax expense		(141)	244	103
Net Profit attributable to minority interest	E	(40)	5	(35)
(Net Loss)/Profit Loss attributed to members of the parent entity at the end of the financial period		(181)	249	68
Reconciliation of profit or loss for the year ended 30 June 2005				
Revenue from ordinary activities		43,653	-	43,653
Expenses excluding finance costs and depreciation	A	41,784	196	41,980
Profit before income tax, finance costs and Depreciation		1,869	(196)	1,673
Finance costs		(664)	-	(664)
Fair value movement in non current assets for sale	B	-	461	461
Depreciation of non-current assets		(827)	-	(827)
Amortisation of Goodwill	C	(276)	276	-
Profit before income tax expense		102	541	643
Income tax expense	D	(4)	(130)	(134)
Profit after income tax expense		98	411	509
Net Profit attributable to minority interest	E	(40)	3	(37)
Net Profit attributed to members of the parent entity at the end of the financial year		58	414	472

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS) (Continued)

A Reconciliation of expenses excluding finance costs and depreciation

		Consolidated	
		Half year ended 31 December, 2004 $'000	Year ended 30 June, 2005 $'000
Expenses excluding finance costs and depreciation as previously reported		17,744	41,784
De-recognition of net of research cost	(1)	(20)	66
De-recognition of net development cost	(2)	92	114
De-recognition of promotional, advertising and other prepaid costs	(3)	(151)	16
Expenses excluding finance costs and depreciation under AIFRS		17,665	41,980

(1) Under AASB 138 "Intangible Assets", costs incurred in the research phase of the development of internally generated intangible assets would be expensed. They were carried forward under AGAAP.

(2) Under AASB 138 "Intangible Assets", costs incurred in the development phase of the development of internally generated intangible assets would be expensed which do not match the criteria of the standard. They were carried forward under AGAAP.

(3) Under AASB 138 "Intangible Assets", costs incurred in respect of promotion and advertising of new products are to be expensed. They were carried forward under AGAAP and written off over a period not exceeding 12 months.

B Fair value movements in the value of non-current assets held for sale are recognised in the income statement. As at 30 June 2005 an increase in the fair value of land and buildings amounting to $582,000 was recognised together with estimated costs to sell of $121,000 resulting in a net movement of $461,000

C Under AASB 3 "Business Combinations", goodwill is not amortised but instead subject to impairment testing on an annual basis or in the event that circumstances indicate that there may be a potential impairment.

D The tax effect of the adjustments above (Note A and B) led to an income tax expense adjustment.

E The effect on minority interests the above adjustments (Note A to C) led to an adjustment in respect of net profit attributable to minority interest.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

	31 Dec 2005 $'000	31 Dec 2004 $'000

NOTE 3: REVENUES FROM ORDINARY ACTIVITIES

Revenues from ordinary activities are comprised as follows:

Sales of goods	23,415	18,518
Unrealised exchange gain	118	-
Total revenue from ordinary activities	23,533	18,518

NOTE 4: EXPENSES FROM ORDINARY ACTIVITIES

Expenses from ordinary activities excluding borrowing costs, depreciation and amortisation are comprised as follows:

Bad debts provided	12	21
Discontinuance of ESL production	-	128
Other expenses from ordinary activities	22,080	17,357
Total expenses from ordinary activities	22,092	17,506

NOTE 5: DIVIDENDS PAID

	Consolidated 31 Dec 2005 $'000
Final fully franked ordinary dividend of cents (2004: Nil) per share paid during the interim period.	Nil
Total dividends paid	Nil

NOTE 6: SEGMENT INFORMATION

The company operates within the Functional Food Industry in Australia.

NOTE 7: CONTINGENT LIABILITIES

Business undertakings:	
Bank guarantees - limit	20

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

Current exposure:
A former customer has commenced proceedings against the Company and other parties relating to products provided in 1998 and 1999. The Company is defending this claim and believes it will be successful. The claim is for $392k plus interest.

Since the 30 June 2005 financial report a former employee has commenced proceedings in the Industrial Relations Commission of a contract claim for increased entitlements on redundancy, being a claim based on alleged unfairness in the contract of employment. The Company is defending this claim and believes it will be successful. The claim is for $130k.

During the half the Company settled the request from a party with which the Company held strategic initiative discussions for reimbursement of expenses.

As disclosed in the 30 June 2005 Annual Report a deed of cross guarantee exists between the parent company and its subsidiaries.

NOTE 8: SUBSEQUENT EVENTS

There have been no significant events or transactions since the period end.

DIRECTORS' DECLARATION

The Directors declare that

1. the financial statements and notes set out on pages 10 to 28:

(a) comply with Accounting Standards AASB 134; Interim Financial Reporting and the Corporations Regulations, and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, for the half-year ended on that date.

2. In the Directors' opinion 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 3rd day of March 2006

PKF

Chartered Accountants
& Business Advisers

New South Wales Partnership
ABN 83 236 985 726
Liability limited by a scheme approved under Professional Standards Legislation

Auditor's Independence Declaration
To: The Directors
So Natural Foods Australia Limited

As lead engagement partner for the review of So Natural Foods Australia Limited for the half-year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

(a)no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and

(b)no contraventions of any applicable code of professional conduct in relation to the review.

Bruce Gordon
Partner
PKF Chartered Accountants
Sydney, 3 March 2006

Attachment 2
ASX Announcement

New South Wales Partnership
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PKF
Chartered Accountants
& Business Advisers

INDEPENDENT REVIEW REPORT
To the Members of So Natural Foods Australia Limited

Scope

We have reviewed the financial report of So Natural Foods Australia Limited for the half-year ended 31 December 2005 as set out on pages 10 to 29. 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 134 "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.

Independence

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

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 2005 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

PKF

Bruce Gordon

PKF
Chartered Accountants

Bruce Gordon
Partner

Sydney, 3 March 2006