



FRIGRITE LIMITED

ACN 112 452 436 ABN 91 112 452 436

Appendix 4D

Half year report for the half year ended 31 December 2009

This preliminary final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

Current reporting period: Half year ended 31 December 2009

Previous reporting period: Half year ended 31 December 2008

Results for announcement to the market

Revenue and Net Profit		\$A'000	
Revenue from ordinary activities	down 17%	to	75,208
Profit before finance costs, impairment and redundancy costs	up 37%	to	2,299
Net profit after tax attributable to members	up 165%	to	1,837
Earnings per share (cents)	up 146%	to	2.5

Dividend Distributions	Amount per security	Franked amount per security
Interim Dividend proposed	0.5 cents	0.5 cents
Previous corresponding period	0.0 cents	0.0 cents

Explanation of Financial Results

Refer to Media Release

	Current Period	Previous corresponding period
Net tangible asset per ordinary share	\$0.12	\$0.08

OTHER INFORMATION

The information contained in this Appendix 4D is based on accounts which (choose one):

- have been audited
- are in the process of being audited
- have not yet been audited



FRIGRITE LIMITED

ACN 112 452 436 ABN 91 112 452 436

HALF YEAR RESULT TO 31 DECEMBER 2009

24 FEBRUARY 2010

Year Ended 31 December	2009 \$'000	2008 \$'000	Change
Continuing operations			
Revenue	75,208	90,707	(17%)
EBITDA	2,745	2,210	24%
Depreciation	(446)	(527)	15%
Profit before finance costs, impairment and redundancy costs	2,299	1,683	37%
Finance costs	(1,104)	(1,062)	(4%)
Derivative financial instrument	-	(102)	
Redundancy costs	(178)	(224)	
Impairment of goodwill	-	(3,133)	
Profit/(Loss) from continuing operations before income tax	1,017	(2,838)	136%
Income tax benefit	820	-	
Net profit/(loss) for the period	1,837	(2,838)	165%
Earnings per share			
Basic earnings per share (cents)	2.5	(5.5)	
Diluted earnings per share (cents)	2.5	(5.5)	
Dividends per share			
Interim dividend proposed (cents)	0.5	-	

Commentary on results of operations

Sales Revenue for the half year period was in line with previous guidance of \$75,000,000. It decreased 17% from the same period in the prior year. This was largely due to the loss of the Woolworth air conditioning maintenance contract and the reduction in the Coles 'do and charge' service work in the first quarter of the financial year as previously advised.

Compared to the same period last year, Profit before finance costs, impairment and redundancy costs for the first half ended 31 December 2009 improved by 37%.

The Group's profit for the half-year before income tax was \$1,017,000 (2008: Loss \$2,838,000) representing a substantial improvement from the previous year.

The Group's profit for the half-year after income tax was \$1,837,000 (2008: Loss \$2,838,000) which included an Income tax benefit of \$820,000 (2008: \$nil). This includes recognition of the deferred tax asset relating to carried forward tax losses of \$1,770,775 made up of \$1,039,495 relating to prior periods and \$770,280 relating to the current reporting period. It considers probable that these will be recovered during the ordinary course of business and these are available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory tests.

Dividends

The Company has declared a fully franked interim dividend for the half year ended 31 December 2009 of 0.50 cents with a record date of 26 March 2009 and proposed to be paid on 12 April 2010 (2008: nil cents).

Liquidity and capital resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the half-year ended 31 December 2009 of \$4,238,000 compared to a decrease of \$72,000 in the corresponding half in 2008. The main driver of this improvement was the recapitalisation which resulted in the receipt of \$11,696,000 from the issue of shares and convertible notes with associated options and the repayment of \$8,000,000 in debt.

Asset and capital structure

The level of gearing in the Group decreased during the half year to 39% (30 June 2009: 76%) due to the successful refinancing in August 2009 and improved business performance and working capital management.

Likely developments and expected results

The directors believe the sales for the full financial year will be in the range \$135,000,000 to \$155,000,000 (2009: \$173,944,000). The loss of the contract to service refrigeration equipment for Coles has reduced revenue in line with previous announcements.

The Group will continue its strategy of diversification of customer markets, customers and products to enable its revenue to be generated from a more diversified base.

Outlook

The Group has a strong pipeline of contracts in place and tenders won, in progress and anticipated based on customer communication and capital expenditure plans.

We expect Woolworths to continue to roll out their refreshment program for case supply and installation and we expect Coles to confirm its 12 month refreshment program in the fourth quarter. We expect the Group will be asked to tender for and is hopeful it will win a number of the projects in these programs.

The Group's customer base is in the process of expanding. The Group has been working closely with Woolworths on various case supply and installation projects while also providing service under a three year comprehensive store refrigeration maintenance contract entered into in the previous financial year.

The Group has been working closely with Coles on various case supply and installation projects including its shelf renewal program and its new Middle Park, Moore Park and Donvale stores.

Recognising an expanding independent marketplace, effective 1 March 2010, the Group will have 3 specialist 'business getters' and technical support staff to provide better coverage and increased sales.

The Group's Air Conditioning departments have been integrated within and between regions which has enabled them to secure an increasing number of contracts with multi-national customers as well as semi-government bodies.

The Group has implemented a range of cost reduction initiatives. The restructure commenced in the previous financial year continued in the half year. The restructure initiatives which were previously disclosed and formed the basis of the redundancy provision as at 30 June 2009 were implemented. The regional hub structure is well established and effective. The manufacturing initiatives including cost effective scheduling, metrification, simplified processes, expanded product range and cost effective imported component mix were implemented and continue to be developed in the second half of the financial year.

The national base of around 500 staff situated in 11 locations has been maintained and strengthened from these initiatives.

This is expected to place the Group in a good position to support any increases in store expansion and refurbishment programs for the supermarket sector.

The strategy of providing a comprehensive range of cold chain and climate control solutions to the food and beverage industry and wider markets has been developed further. The Group redeveloped its manufacturing product offering that had become dated and was inefficient to manufacture and not cost effective. The redesigned 'Euro Range Deli Range' (launched in November 2009) is receiving substantial market interest with orders already placed.

The Group is continuing to build on innovative refrigeration cabinets and is about to launch a new product range called 'Clear Vu Freezers' which are currently in the final stages of R&D. In the past 3 years the Group held a very low market share in freezers. Through our redesigns we can now offer (commencing 1 March 2010) a much improved product that includes both non-heated and heated energy efficient freezer doors.

The Group is presently pursuing opportunities in NZ and the UK as interest has been shown in our new products. Two major supermarket chains in NZ are planning a major refreshment program commencing mid 2010 and we are in the process of submitting tenders.

Over the last 6 months, the Group has extended its intellectual property portfolio tenfold through patents pending and design registration. We are now also pursuing interest in partnerships in Europe and Asia to leverage off the Group's innovation and product offering.

Issued by Frigrite Limited

For further information please contact:



Ken Charteris
Managing Director
(03) 9586 3215

Frigrite Limited

and controlled entities

ACN 112 452 436

Interim Financial Report
for the period ended 31 December 2009

INTERIM FINANCIAL REPORT

Contents

Directors' report	2
Condensed statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flow	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's report	18
Corporate information	20

Frigrite Interim Financial Report

Directors' report

Your directors submit their report for the half year ended 31 December 2009.

Directors

The names and details of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

David Hoff	Chairman
Ken Charteris	Managing Director
Hugh Greig	
Linsey Siede	
Ian Veal	Resigned 25 November 2009

Review and results of operations

The Group experienced a decrease in revenue. Sales revenue for the half-year was \$75,208,000 (2008: \$90,707,000) representing a decrease of 17%. This was largely due to the loss of the Woolworths air conditioning maintenance contract and the reduction in the Coles 'do and charge' service work in the first quarter of the financial year as previously advised.

The Group's net profit for the half-year after income tax was \$1,837,000 (2008: loss (\$2,838,000)) representing a significant improvement from the previous year.

The above figures include:

- Finance Costs of \$1,104,000 (2008: 1,062,000),
- Derivative financial instrument of \$nil (2008: \$102,000),
- Redundancy costs of \$178,000 (2008: \$224,000),
- Impairment of goodwill \$nil (2008: \$3,133,000), and
- Income tax benefit of \$820,000 (2008: \$nil). This includes recognition of the deferred tax asset relating to carried forward tax losses of \$1,770,775 made up of \$1,039,495 relating to losses of prior periods and \$770,280 relating to the current reporting period estimated tax loss. It considers probable that these will be recovered during the ordinary course of business and these are available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory tests.

Dividends

The Company has declared a fully franked interim dividend for the half year ended 31 December 2009 of 0.50 cents with a record date of 26 March 2009 and proposed to be paid on 12 April 2010 (2008: nil cents).

Group performance and shareholder returns

The table below shows the performance of the Group for the half-year compared to the half-year result in the prior year.

	31 Dec 2009	31 Dec 2008
Net (loss)/profit attributable to equity holders of the parent (\$'000)	1,837	(2,838)
Basic (loss)/earnings per share (cents)	2.5	(5.5)
Return on assets	4%	(5%)
Return on equity	14%	(40%)
Gearing ratio	39%	83%

Frigrite Interim Financial Report

Directors' report (continued)

Review of financial condition

(a) Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the half-year ended 31 December 2009 of \$4,238,000 compared to a decrease of \$72,000 in 2008. The main driver of this improvement was the recapitalisation which resulted in the receipt of \$11,696,000 from the issue of shares and convertible notes with associated options and the repayment of \$8,000,000 in debt.

The net cash inflow from operating activities was \$2,258,000 (2008: \$369,000). There has been a continued improvement in working capital management and business processes.

The net cash outflows from investing activities of \$71,000 (2008: \$38,000) mainly relate to the purchase of plant and equipment.

The net cash inflows from financing activities of \$2,051,000 (2008: outflow \$403,000) mainly relate to proceeds from the issue of shares and Convertible Notes with associated options.

At balance sheet date the Group does not have an overdraft facility (2008: 1,000,000).

(b) Asset and Capital Structure

	31 Dec 2009 \$'000	30 June 2009 \$'000
Current debts:		
Interest bearing loans and borrowings	8,788	17,182
Cash and cash equivalents	(9,576)	(5,338)
Non-current debts:		
Convertible notes	6,755	-
Interest bearing loans and borrowings	74	92
Net debt	6,041	11,936
Total equity	12,938	7,231
Less: intangibles	(3,358)	(3,358)
Total capital employed	15,622	15,809
Gearing	39%	76%

The level of gearing in the Group decreased during the half-year due to the successful refinancing in August 2009 and improved business performance and working capital management.

During the half year, in accordance with the financing agreement, the Group reduced its debt facility with the Australia and New Zealand Banking Group Ltd ('ANZ') by \$8,000,000 on 26 August 2009. The Group also repaid the acquisition facility by \$175,000 per quarter.

At 31 December 2009 the Group had access to finance facilities totalling \$10,995,000 with ANZ (30 June 2009: \$20,312,000). This included a fully drawn down variable rate facility of \$7,500,000 (30 June 2009: \$15,500,000) and the balance of a fully drawn down acquisition variable rate facility of \$1,215,000 (30 June 2009: \$2,265,000). The Group was unable to redraw or offset these facilities against cash at bank.

The Company is subject to certain undertakings and covenants tested quarterly, in respect of the debt facilities. Any material breach may lead to the loans becoming due and payable.

Frigrite Interim Financial Report

Directors' report (continued)

(b) Asset and Capital Structure (continued)

The Group was in breach of one of its banking covenants at 31 December 2009, being Gross Debt to EBITDA, as a result of the change in formula and change in required ratio in the letter of offer received from ANZ on 23 December 2009.

The formula was revised from a rolling 12 months EBITDA to the year to date EBITDA extrapolated and the maximum ratio changed from 3.5 to 3.0. The group was not able to offset the Gross Debt against cash at bank which was \$9,576,000 as at 31 December 2009. The Group met the previous Gross Debt to EBITDA financial covenant at 31 December 2009.

As a consequence of this breach, AASB 101 "Presentation of Financial Statements" requires that the entire interest bearing liability be classified as Current. Refer to 'Significant events after balance sheet date' for further information.

(c) Shares issued during the year

30,800,059 ordinary shares were issued during the financial year under a 3:5 rights issue in August 2009.

Significant events after balance sheet date

Subsequent to 31 December 2009 the Group has received a waiver for the breach of the Gross Debt to EBITDA financial covenant at 31 December 2009 and variations to the finance facility. The variations include a repayment of \$3,500,000 made on 24 February 2010, reduced financial covenants and a \$250,000 fee which will become payable to ANZ on 30 June 2010, if certain conditions are not met. Next facility review date is 31 December 2010.

Likely developments and expected results

The directors believe the sales for the full financial year will be in the range \$135,000,000 to \$155,000,000 (2009: \$173,944,000). The loss of the contract to service refrigeration equipment for Coles has reduced revenue in line with previous announcements.

The Group will continue its strategy of diversification of customer markets, customers and products to enable its revenue to be generated from a more diversified base.

The directors have excluded from this report any further information on the likely developments in the operation of the Company and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to the Company.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Auditor independence and non-audit services

The Directors received the following declaration from the auditor of Frigrite Limited.

Directors' report (continued)

Auditor independence and non-audit services



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Frigrite Limited

In relation to our review of the financial report of Frigrite Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "R. Dalton".

Robert Dalton
Partner

24th February 2010

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink that reads "David Hoff".

David Hoff
Director
Melbourne
24th February 2010

Frigrite Interim Financial Report

Condensed statement of comprehensive income For the half-year ended 31 December 2009

	Note	Consolidated	
		2009 \$'000	2008 \$'000
Continuing operations			
Sale of goods		11,444	12,926
Rendering of services		63,646	77,781
Other revenue		118	-
Revenue		75,208	90,707
Cost of sales		(61,567)	(76,152)
Gross profit		13,641	14,555
Other income	4	111	54
Selling & branch expenses		(6,927)	(7,855)
Indirect factory and engineering expenses		(1,912)	(2,405)
Administration expenses		(2,614)	(2,666)
Profit before finance costs, impairment and redundancy costs		2,299	1,683
Net finance costs		(1,104)	(1,062)
Derivative financial instrument		-	(102)
Redundancy costs		(178)	(224)
Impairment of goodwill		-	(3,133)
Profit/(Loss) from continuing operations before income tax		1,017	(2,838)
Income tax benefit / (expense)	5	820	-
Profit / (Loss) from continuing operations after income tax		1,837	(2,838)
Discontinued operations			
Profit/Loss from discontinued operations		-	-
Net Profit / (Loss) for the period		1,837	(2,838)
Other comprehensive income			
Profit/Loss from other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		1,837	(2,838)
Total comprehensive income attributable to members of the parent		1,837	(2,838)
Earnings/(Loss) per share for profit/loss from continuing operations attributable to the ordinary equity holders of the Company:			
- Basic earnings/(loss) per share	7	2.5	(5.5)
- Diluted earnings/(loss) per share		2.5	(5.5)
Earnings/(Loss) per share for profit/loss attributable to the ordinary equity holders of the Company:			
- Basic earnings/(loss) per share	7	2.5	(5.5)
- Diluted earnings/(loss) per share		2.5	(5.5)

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Frigrite Interim Financial Report

Statement of financial position

As at 31 December 2009

	Note	Consolidated	
		31 Dec 2009 \$'000	30 June 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	9,576	5,338
Trade and other receivables		19,653	21,908
Inventories		6,143	5,693
Net installation WIP		93	854
Income tax receivable		-	-
Prepayments		464	801
Total current assets		35,929	34,594
Non-current assets			
Investment in subsidiary		-	-
Other receivables		-	-
Property, plant and equipment		7,534	7,758
Intangible assets		3,358	3,358
Deferred tax assets		4,414	3,593
Total non-current assets		15,306	14,709
TOTAL ASSETS		51,235	49,303
LIABILITIES			
Current liabilities			
Trade and other payables		16,855	15,773
Interest bearing liabilities	9	8,788	17,182
Other provisions		5,565	8,761
Total current liabilities		31,208	41,716
Non-current liabilities			
Interest bearing liabilities	9	74	92
Other provisions		260	264
Convertible Notes	10	6,755	-
Total non-current liabilities		7,089	356
TOTAL LIABILITIES		38,297	42,072
NET ASSETS		12,938	7,231
EQUITY			
Contributed equity	11	16,444	12,574
(Accumulated losses)/Retained earnings		(3,506)	(5,343)
TOTAL EQUITY		12,938	7,231

The above statement of financial position should be read in conjunction with the accompanying notes.

Frigrite Interim Financial Report

Statement of changes in equity

For the half-year ended 31 December 2009

Consolidated	Note	Contributed Equity \$'000	(Accumulated Losses) / Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2009		12,574	(5,343)	7,231
Issue of shares, net of associated costs		3,439	-	3,439
Equity component of convertible notes and options, net of associated costs		431	-	431
Comprehensive income for the half-year, net of tax		-	1,837	1,837
Balance at 31 December 2009		16,444	(3,506)	12,938
Balance at 1 July 2008		12,574	(2,641)	9,933
Comprehensive income for the half-year, net of tax		-	(2,838)	(2,838)
Balance at 31 December 2008		12,574	(5,479)	7,095

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Frigrite Interim Financial Report

Statement of cash flow

For the half-year ended 31 December 2009

		Consolidated	
	Note	2009	2008
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		84,976	93,078
Payments to suppliers and employees		(81,914)	(91,654)
Finance costs paid		(804)	(1,055)
Income tax received/(paid)		-	-
Net cash flows from / (used in) operating activities		2,258	369
Cash flows from investing activities			
Interest received		118	(7)
Purchase of property, plant and equipment		(358)	(70)
Proceeds from the disposal of plant and equipment		169	39
Net cash flows used in investing activities		(71)	(38)
Cash flows from financing activities			
Proceeds from issue of shares	11	3,696	-
Proceeds from issue of equity component of convertible notes and options	10,11	491	-
Proceeds from issue of liability component of convertible notes and options	10	7,509	-
Costs associated with issue of shares	11	(256)	-
Costs associated with equity component of convertible notes and options issued	10,11	(60)	-
Costs associated with liability component of convertible notes and options issued	10	(917)	-
Repayment of borrowings	9	(8,350)	(350)
Repayment of finance lease principal		(62)	(53)
Dividends paid	6	-	-
Net cash flows (used in) / from financing activities		2,051	(403)
Net increase / (decrease) in cash and cash equivalents		4,238	(72)
Cash and cash equivalents at beginning of period		5,338	524
Cash and cash equivalents at end of period		9,576	(595)

The above statement of cashflow should be read in conjunction with the accompanying notes.

Frigrite Interim Financial Report

Notes to the financial statements

For the half-year ended 31 December 2009

1. Corporate information

This interim financial report of Frigrite Limited (the Group) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 24 February 2010.

2. Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Frigrite Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

From 1 July 2009 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. However the adoption of AASB 8 has caused the Group to revise its segment reporting. See note 3 for details of the reportable segments and applicable accounting policies.

- AASB 8 *Operating Segments*.
- AASB 101 Revised *Presentation of Financial Statements*.
- AASB 123 Revised *Borrowing Costs*.
- AASB 127 *Consolidated and Separate Financial Statements*.

The following amended standards have also been adopted from 1 January 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*.
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*.
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*.
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 & 127*.
- AASB 2008-7 *Amendments to Australian Accounting Standards –Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.

The Group has not elected to early adopt any new standards or amendments.

Notes to the financial statements (continued)

2. Summary of significant accounting policies

(a) Going concern basis of accounting

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

As at 31 December 2009, the Group carried Interest bearing liabilities and convertible notes of \$15,617,000 (30 June 2009: \$17,274,000). This includes the liability component of convertible notes and options of \$6,755,000, net of associated costs (30 June 2009: \$nil).

The Group held cash and cash equivalents at 31 December 2009 of \$9,576,000 (30 June 2009: \$5,338,000). The net of interest bearing liabilities and convertible notes, after offsetting cash and cash equivalents, was \$6,856,000 (30 June 2009: \$11,936,000).

During the period the Group successfully completed:

- A rights issue in August 2009 raising \$3,696,007 of Issued Capital.
- A convertible notes and options issue in August 2009 raising \$8,000,000. The liability component was valued at fair value based on the present value of the future cashflows. This was \$7,509,368. The equity component was the residual amount of \$490,632.

During the half year, in accordance with the financing agreement, the Group reduced its debt facility with ANZ Group by \$8,000,000 on 26 August 2009. The Group also repaid the variable rate facility by \$175,000 per quarter.

As at 31 December 2009 the Group has access to finance facilities totalling \$10,995,000 with the Australia and New Zealand Banking Group Ltd ("ANZ"). This includes a fully drawn down variable rate facility of \$7,500,000 (30 June 2009: 15,500,000) and a fully drawn down acquisition variable rate facility of \$1,715,000 (30 June 2009: \$2,265,000). The group was unable to redraw or offset these facilities against cash at bank.

The Company is subject to certain undertakings and covenants tested quarterly, in respect of the debt facilities. Any material breach may lead to the loans becoming due and payable.

The Group was in breach of one of its banking covenants at 31 December 2009, being Gross Debt to EBITDA, as a result of the change in formula and change in required ratio in the letter of offer received from ANZ Group on 23 December 2009.

The formula was revised from a rolling 12 months EBITDA to the year to date EBITDA extrapolated and the maximum changed from 3.5 to 3.0. The group was not able to offset the Gross Debt against cash at bank which was \$9,576,000 as at 31 December 2009. The Group met the previous Gross Debt to EBITDA financial covenant at 31 December 2009, however, it breached the new Gross Debt to EBITDA financial covenant at 31 December 2009.

As a consequence of this breach, AASB 101 "Presentation of Financial Statements" requires that the entire interest bearing liability be classified as Current.

Subsequent to 31 December 2009 the Group has received a waiver for the breach of the Gross Debt to EBITDA financial covenant at 31 December 2009 and variations to the finance facility. The variations include a repayment of \$3,500,000 made on 24 February 2010, reduced financial covenants and a \$250,000 fee which will become payable to ANZ on 30 June 2010, if certain conditions are not met. Next facility review date is 31 December 2010.

The Group's covenants are measured quarterly and we expect to be in compliance with all required covenants at the end of each quarter in 2010. The achievement of these covenants in the future can be impacted by adverse business conditions or unforeseen circumstances and is dependent on achieving productivity improvements in the manufacturing division in the short term.

The directors consider there is no significant uncertainty in relation to the Group's ability to continue on a going concern basis as the forecasted operational cash flows and business performance for 2009/10 and 2010/11 meet the following:

- in line with its Business Plan,
- enable all debts to be met as and when they fall due,
- enable all financial covenants to be met.

Notes to the financial statements (continued)

3. Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group's segment reporting format is service regions and manufacturing. Discrete financial information about each of these operating businesses is reported to the chief executive officer and the management team on at least a monthly basis.

The service regions are based on aggregated operating segments based on geographic regions of Australia.

All service offerings provided in the region are managed by the relevant regional unit. The types of services provided by each region include:

- design and install complete refrigeration systems for supermarkets,
- provide a complete range of maintenance services for supermarket refrigeration systems,
- design and install complete air conditioning systems, and
- provide a complete range of air conditioning maintenance services for a broad customer base.

The manufacturing segment includes all products produced in the facility in Cheltenham, Victoria. It is one of the largest suppliers of refrigerated cabinets to the major supermarket chains.

The Group's risks and returns are affected predominantly by differences in each regional unit. The management of each unit has clear and specific strategies, plans and Key Performance Indicators to assess performance towards the objectives. Each region faces varying challenges to which they are empowered to address. The challenges may include skill mix, customer mix, market environment, climate, remoteness.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Corporate charges are allocated to each business segment on a proportional basis linked to usage or value of tender activity and revenue.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Head office costs.
- Finance costs.
- Impairment of goodwill.
- Income tax expense.

Business segments

The following tables present revenue and profit information for reportable segments for the half-years ended 31 December 2009 and 31 December 2008.

Total assets at 31 December 2009 were \$51,235,000 (30 June 2009: \$49,303,000) which is an increase of 4% since the last annual report. The total assets have not materially changed and therefore segment assets have not been provided.

Frigrite Interim Financial Report

Notes to the financial statements (continued)

3. Segment information (continued)

	Manufacturing		Central Region		Northern Region		Southern Region		Western Region		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December												
Revenue												
Sales to external customers	12,094	12,934	17,343	21,306	9,919	16,453	24,453	28,539	11,281	11,476	75,090	90,708
Inter-segment revenues	1,812	927	224	128	97	234	244	1,659	31	39	2,408	2,987
Total segment revenue	13,907	13,861	17,567	21,434	10,016	16,687	24,697	30,198	11,312	11,515	77,498	93,695
Inter-segment elimination											(2,408)	(2,987)
Total revenue per statement of comprehensive income											75,090	90,708
Result												
Segment result	1,809	(129)	960	803	43	937	1,292	2,445	629	317	4,734	4,373
Reconciliation of segment net profit after tax to net profit/loss before tax												
Other revenue											118	-
Other income											111	54
Corporate charges											-	-
Head office costs											(2,663)	(2,744)
Termination and Redundancy costs											(178)	(224)
Finance costs											(1,104)	(1,164)
Impairment of Goodwill											-	(3,133)
Income tax benefit/(expense) at 30%											820	-
Net profit/(loss) after tax from continuing operations											1,837	(2,838)

Frigrite 2010 Interim Financial Report

Notes to the financial statements (continued)

4. Other incomes

	Consolidated	
	2009	2008
	\$'000	\$'000
Sundry revenue	<u>111</u>	<u>54</u>
	111	54

5. Income tax

The Group has recognised deferred tax assets of \$4,413,576 as it considers that it is probable that these will be recovered during the ordinary course of business. This includes a Deferred Tax Asset of \$1,770,775 relating to tax losses carried forward which are available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory tests.

During the period the Group recognised the Deferred Tax Asset relating to prior period tax losses of \$1,039,495 and \$731,280 relating to the current reporting period. The tax loss in the current reporting period of \$2,437,601 included tax deduction for permanent differences of \$269,828, predominantly relating to Research and Development expenditure and a tax deduction for timing differences of \$3,184,341 predominantly relating to redundancy and associated termination costs provided at 30 June 2009 and paid in the current reporting period.

The Group has estimated Australian tax losses for which no deferred tax asset is recognised on the balance sheet of \$nil (30 June 2009: \$3,464,983).

6. Dividends

	Consolidated	
	2009	2008
	\$'000	\$'000
Dividends declared and paid during the half-year:		
Final franked dividend for the financial year ended 30 June 2009	-	-
Proposed in respect of the half-year (not recognised as a liability at 31 December):		
Interim fully franked dividend for the half-year ended 31 December 2009:		
0.50 cents, record date of 26 March 2010 and proposed to be paid on 12 April 2010		
(2008: nil cents)	<u>407</u>	<u>-</u>

7. Earnings per share

The following reflects the income used in the basic earnings per share computation.

(a) Earnings used in calculating earnings per share

Earnings per share:

(Loss)/profit after tax	1,837	(4,697)
-------------------------	-------	---------

(b) Weighted average number of shares

Weighted average number of ordinary shares	72,592	51,333
--	--------	--------

During the half-year, the Company issued 30,800,059 shares under a 3:5 rights issue.

(c) Diluted earnings per share

At 31 December 2009 the Group had 40,000,000 potential ordinary shares on issue in the form of share options, convertible at 20 cents per share exercisable at any time until 26 August 2012. The share price since the date of issue has remained less than 20 cents per share. These shares are considered non-dilutive at balance date.

Frigrite 2010 Interim Financial Report

Notes to the financial statements (continued)

8. Current assets - Cash and cash equivalents

	Consolidated	
	31 Dec 2009	30 June 2009
	\$'000	\$'000
Cash on hand	21	13
Cash at bank	9,555	5,325
	9,576	5,338

9. Interest bearing liabilities

As at 31 December 2009 the Group had access to finance facilities totalling \$10,995,000 with the Australia and New Zealand Banking Group Ltd ("ANZ") (30 June 2009: \$20,312,000). This included a fully drawn down variable rate facility of \$7,500,000 (30 June 2009: 15,500,000) and the balance of a fully drawn down acquisition variable rate facility of \$1,215,000 (30 June 2009: \$2,265,000). The group was unable to redraw or offset these facilities against cash at bank.

During the half year, in accordance with the financing agreement, the Group reduced its debt facility with ANZ Group by \$8,000,000 on 26 August 2009. The Group also repaid the acquisition facility by \$175,000 per quarter.

The Company is subject to certain undertakings and covenants tested quarterly, in respect of the debt facilities. Any material breach may lead to the loans becoming due and payable. The Group was in breach of one of its banking covenants at 31 December 2009, being Gross Debt to EBITDA, as a result of the change in formula and change in required ratio in the letter of offer received from ANZ Group on 23rd December 2009. The formula was revised from a rolling 12 months EBITDA to the year to date EBITDA extrapolated and the maximum changed from 3.5 to 3.0. The group was not able to offset the Gross Debt against cash at bank which was \$9,576,000 as at 31 December 2009. The Group met the previous Gross Debt to EBITDA financial covenant at 31 December 2009, however, it breached the new Gross Debt to EBITDA financial covenant at 31 December 2009. As a consequence of this breach, AASB 101 "Presentation of Financial Statements" requires that the entire interest bearing liability be classified as Current.

Subsequent to 31 December 2009 the Group has received a waiver of this breach and a variation to the finance facility. The variations include a repayment of \$3,500,000 made on 24 February 2010, reduced financial covenants and a \$250,000 fee which will become payable to ANZ on 30 June 2010, if certain conditions are not met. Next facility review date is 31 December 2010.

	31 Dec 2009	30 June 2009
	\$'000	\$'000
ANZ		
Financing facilities available		
Variable rate facility	8,715	17,065
Lease facility	114	171
Overdraft facility	-	1,000
	8,829	18,236
The Group had drawn down the following from these financing facilities at the reporting date:		
Variable rate facility	8,715	17,065
Lease finance facility	114	156
Overdraft facility	-	-
	8,829	17,221
Other facilities available		
ANZ online facility	1,150	1,150
Encashment facility	16	16
Indemnity/guarantee facility	1,000	910
	2,166	2,076
Total facilities available	10,995	20,312

The Group also has interest bearing liabilities with other financiers in the form of lease facilities for \$33,000 (30 June 2009: \$53,000).

Frigrite 2010 Interim Financial Report

Notes to the financial statements (continued)

10. Convertible notes

	Consolidated	
	31 Dec 2009	30 June 2009
	\$'000	\$'000
Non-current		
Convertible notes – Issued and fully paid	<u>6,755</u>	<u>-</u>

During the half-year, the Company raised \$8,000,000, from an issue of convertible notes with attaching options. At transaction date of 26 August 2009 the liability component was measured at fair value based on the present value of the future cashflows, net of directly attributable transaction costs of \$917,530.

The value of the equity component was the residual amount of \$490,632. This was recognised in equity, net of associated costs of \$59,984.

After transaction date, the liability component is subsequently measured at amortised cost using the effective interest rate method. The fair value of the liability component was remeasured at balance sheet date.

11. Contributed equity

	Consolidated	
	31 Dec 2009	30 June 2009
	\$'000	\$'000
Current		
Ordinary shares – Issued and fully paid	<u>16,444</u>	<u>12,574</u>

During the half-year, the Company raised equity, net of associated costs from a rights issue of \$3,439,000 (30 June 2009: \$nil) and equity, net of associated costs from the issued convertible notes and options of \$430,684 (30 June 2009: \$nil).

At its AGM on 25 November 2009 the shareholders approved a Share Purchase Plan and a Share Option Plan. These plans are not yet in place.

12. Events after balance sheet date

Subsequent to 31 December 2009 the Group has received a waiver for the breach of the Gross Debt to EBITDA financial covenant at 31 December 2009 and a variation to the finance facility. The variations include a repayment of \$3,500,000 made on 24 February 2010, reduced financial covenants and a \$250,000 fee which will become payable to ANZ on 30 June 2010, if certain conditions are not met. Next facility review date is 31 December 2010.

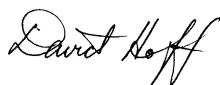
Frigrite 2010 Interim Financial Report

Directors' Declaration

In accordance with a resolution of the Directors of Frigrite Limited, I state that:

- (1) In the opinion of the Directors:
 - (a) the Interim Financial Report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



David Hoff
Director

Melbourne
24 February 2010

Independent Review Report



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

To the members of Frigrite Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frigrite Limited, which comprises the statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Frigrite Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Independent Review Report (Continued)



Conclusion

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 Frigrite Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Robert Dalton'.

Robert Dalton
Partner
Melbourne

24th February 2010

Frigrite 2010 Interim Financial Report

Corporate Information

ABN 51 078 751 078

Directors

David Hoff	Chairman
Ken Charteris	
Hugh Greig	
Ian Veal	resigned 24 November 2009
Linsey Siede	

Company Secretary

Linda Dillon

Registered office & Principal place of business

27 Grange Road
Cheltenham VIC 3192
Australia
Tel: 61 3 9586 3200
www.frigrite.com.au

Share Register

Link Market Services Limited
Level 4, 333 Collins Street
Melbourne VIC 3000
Tel 1300 554 474

Frigrite Limited shares are listed on the Australian Securities Exchange (ASX)

Auditors

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Lawyers

Blake Dawson Waldron
Level 39, 101 Collins Street
Melbourne VIC 3000

Bankers

Australia & New Zealand Banking Group Limited (ANZ)
600 Bourke St
Melbourne